The Enactment of Strategic Leadership

A Critical Perspective

Darko Tipurić

palgrave
macmillan

The Enactment of Strategic Leadership

Darko Tipurić

The Enactment of Strategic Leadership

A Critical Perspective

palgrave
macmillan

Darko Tipurić
Faculty of Economics & Business
University of Zagreb
Zagreb, Croatia

Preface

The book *The Enactment of Strategic Leadership: A Critical Perspective* contains ideas and concepts I have pondered over for decades, in search of meanings and roles that strategy and leadership play in our lives.

I have not hesitated to play with the language of strategy and leadership. To me, the thing we call reality has long been nothing more than a fragile illusion: a social construction assembled from our cognitive limitations, bias, failures and delusions, stripped of all superfluous things and deprived of an objective mind; created through our fights for words, recognizing and harmonising, in the domain of language where everything begins and ends. This is the stretched-out space in which I move and where I put together bundles of individual threads of insight to form the yarn ball that represents my understanding of the world around me.

This promised to be an exciting journey into the far unknown. What we imagine before we set off on a journey is never the same as what we actually see when we arrive at our destination. Therein lies the true beauty of creation: prepared drafts and torn out fragments get a patina and become ennobled by new insights, opening up paths we had never even dreamed of at the beginning. A book is never a placid river—it is a surging flood of thoughts.

A postmodernist deconstruction of strategy as a vague construct to which a myriad of meanings is attributed, a construct that can explain planned and actually occurring patterns of collective behaviour in the

context of time, certainly turned out to be a good point of departure for a flight of the mind into the realm of strategic leadership. Connecting two so elusive and mystical constructs was a challenge I simply could not resist.

I started with the question articulated as an adaptation of the Euthyphro dilemma: do we believe strategic leadership exists because it *actually* exists or does strategic leadership exist because we *believe* it does. The answer offered by this book is a paradox: both are true.

Strategic leadership is imbued with the need to supervise organisational outcomes. The core issue is a search for meaning and purpose, the art of drawing the lines within which strategy emerges, the development and selection of guidelines and developmental trajectories, the imprinting of symbols and plausible explanations that can bring together and motivate people in common action.

The duality of the essence of strategic leadership is crystal clear. It may appear to be *personalised*: indivisible from persons who take part in defining and interpreting the organisational purpose and whose decisions have a critical impact on the organisation's future, or it may seem to be *an important characteristic of the organisation* enacted everywhere where there is guidance, integration and creation of commitment in the collective, emerging from a whirl of interaction, exchange and institutional arrangements.

Strategic leadership firmly connects strategy with organisational action. It guides the collective members' actions and inspires them to achieve the defined objectives; integrates coordination efforts in the performance of activities; helps solve major disputes and disagreements; encourages members to perform to the best of their abilities; gives sense to moves made and activities performed so far, in the light of an envisaged future or set of principles that justify organisational collectivity.

The discussion about strategic leadership raises more questions than it answers. The fact that it has been described in detail does not mean we have an in-depth understanding of it.

The dark side of strategic leadership is revealed if we view it through the lens of a world full of dominant ideologies, structures of power and influence intent on domination and social control.

Power is not a means; it is an end—as George Orwell put it. In the last instance, it can lead to complete supremacy, or *hegemony*: a situation where members of the collective willingly accept the leader's dominance, identify with them, follow their guidance and never question the established structures of organisational and social power.

Strategic leadership continually emerges from ideology. Organisational ideology is not a construct that exists independent of civilisation, culture, space or time; it serves to legitimise dominance of privileged structures in the society. It represents the collective spirit's circumnavigation of the illusion perceived as the true reality.

Hegemony and ideology are two sides of the same medal: sophisticated tools in desubjectivisation of a person and their reducing to a mere fragment that is incomprehensible if observed outside the collective being.

Strategic leadership does have a bright side, too. It plays a role in preventing a moral decline of the civilisation by departing from greed, selfishness and callousness on which the dominant social paradigm rests. It is meant to change people, organisations and the society for the better: to be a strong driving force for creating and spreading noble ideas and responsibility to the future generations.

Unity and equality, solidarity and cooperation, social and organisational balance, lesser inequality and better social utility, environmental protection and interests of all stakeholders—all these things have to be important elements of the managerial elites' agenda. The best leaders are completely certain in knowing that in life, instead of doing nothing—to paraphrase Helen Keller—one has to be daring enough to embark on the adventure of creating a better future.

Between the dark and bright side there is a whole plethora of manifestations and possibilities of strategic leadership.

My personal experience has helped me gain a better understanding of strategic leadership. It has been several times over the course of thirty years that I held the position of organisational leader or close associate to a person at the top of the hierarchical ladder. Experience has also helped me consider the possible answers to the question of what strategic leadership is and what it definitely must not be.

I cannot claim that the troubles we found ourselves in—the COVID-19 pandemic and the massive earthquakes that hit Croatia—have not had an impact on the final form of the sentences put to paper. The extraordinary conditions I was working in and the new reality we are still living in have made me think differently about many things and make some additions to my previous writing.

I would like to briefly revisit the question: Why did I write this book? After all, there are already some good strategic leadership books available. Obviously, no single book on strategic leadership can possibly answer all the remaining questions or integrate all of the relevant domains of study.

I felt that there was a need for a book that readers would find both significant and readable, but at the same time challenging. The book takes a somewhat different path than other strategic leadership pieces of writing, largely because it starts from a slightly different point. I have instilled into it my own thoughts and ideas, research findings and theoretical concepts from numerous relevant scientific and professional papers.

I do hope this has resulted in a book that is up to date and reflects an out-of-the-ordinary standpoint. The book also introduces insights from critical perspectives which do not take the current state of the world for granted. The aim is not to identify the correct answers or the best way of understanding the issue at hand. The intention behind presenting the tensions and contradictions is to raise further questions, to trigger discussion and debate, to stimulate challenge and critical thinking. In short, the book's primary objective is to help you really think deeply about strategic leadership.

The complete list of people who have helped nurture the ideas in this book in one way or another would make a new chapter in its own right. Of course, the book would not be possible if it were not for the many great minds that have contributed to science and laid the foundation for the ideas and concepts presented in this book. Some of my previously compiled writings and notes found their way into a manuscript, as did notes scribbled on the margins of books and articles I read. All of that was then carefully incorporated into the body of the manuscript and woven into the fabric of this book.

Zagreb, Croatia   Darko Tipurić

Contents

List of Figures

1

The Classic Ontology of Leadership

Perspectives of Leadership

Leadership can be viewed from more than one perspective.

Leadership is primarily a concept that denotes an individual or a group of individuals whose authority has been accepted by others. It is also a process in which the set goals, plans and tasks are realised through exerting influence on one's followers and their behaviour. It may be viewed as a relation between two persons or as a multilateral relation in hierarchies and networks that connect people. Finally, leadership is the connection between collective intentionality, collective action and the desired outcomes: it exists as a guiding, integrative and coordinating mechanism of common action in the collective.

Firstly, we can define it as a process by which one actor influences others in a group, organisation or several organisations and social settings, to make them understand and accept the tasks that need to be performed and the way they need to be performed, as well as a process by which individual and collective efforts are directed towards the accomplishment of common goals (Yukl, 2006).

The ability to influence others is a key element of the leadership process (Bass, 1981), in which an individual involves a group of people to accomplish common objectives (Northouse, 2015).

This understanding of the concept underlines the importance of the leader's actual and desirable traits, the collection of knowledge and skills that they need to perfect, and the leadership style they need to adapt to the members of the collective and to the specific characteristics of the situation and the job at hand.

Leaders appear in a collective depending on how well they match the collective's identity, or how similar they are to the group prototype, as underlined by the social identity theory (Hogg, 2001; as cited in Northouse, 2010).

The leader's role is to properly inspire and motivate the members of the collective to make the collective action as successful as possible. The quality of their leadership depends on their ability to achieve unity, willing participation, and maximum engagement of everyone involved, along with adequate coordination of the activities required to perform the set task.

Secondly, leadership can be understood as a *social process involving iterative exchange processes* between several individuals (Lord & Dinh, 2014: 161) *who take on (and release) the leading roles over the course of time in both formal and informal relationships* (Yammarino et al., 2012: 382).

According to this view, social interaction and transaction relations are the quintessence of the dynamic leadership process, understood as an *essential attribute of the collective*, which manifests differently depending on the situation.

In many cases, leaders and followers switch places depending on the context, goals, and competences required. There are also examples of collective coordination of courses of action and activities that give leadership a very impersonal dimension in some circumstances.

Different perspectives on leadership can lead to conceptual confusion. Whether leadership is linked to a person's distinctive ability, or to the exchange process between the members in a collective, is a question without an unambiguous answer. This should not concern us, however, if we choose to rely on the old Latin proverb *omnis definicio periculosa est.* Or, as eminent writer Borges put it nicely: *Very often, we make the mistake of*

thinking that we do not know something just because we are unable to define it… It could be argued that we can only define something when we know nothing about it.

Recognising the basic relations in the classical ontic triad—leader, follower, task—is the first step in understanding leadership.

We can recognise leadership in the relation between entity A, which assumes and displays leadership (leader), and entity B, which accepts leadership (follower), or in a multiple relation in which a leader A (or a group of leaders A_1, A_2, … A_m) have multiple followers at the same time (B, C, D, E, …, N). Furthermore, leadership aims to ensure successful performance of a task. This requires clear objectives, along with focused action that will lead to the desired outcomes.

The characteristics of the situation (the context) determine how roles are assumed, and how the relations between the concerned social actors are manifested. The *interaction* between leaders, followers and situations (Hollander, 1978) is one of the possible definitions of leadership. It is therefore beneficial to observe leadership through the prism of the specific characteristics of its environment.

The classic ontology identifies the following elements and relations that can be used to explain the phenomenon of leadership: (1) specific nature of the situation in which the need for leadership appears (collective and environment), (2) authority and other characteristics of the leader, (3) acceptance of authority by the members of the collective (feeling of connectedness or obedience), (4) the leader's influence on the follower (direct and indirect influence mechanisms), (5) connection and alignment of goals in order to perform a task and achieve the best possible outcomes in a given situation (Fig. 1.1).

A number of research and theoretical approaches that are based on the classic ontology of leadership have been developed over the past 80 years. Depending on their primary focus, we can group them into research efforts and conceptual efforts: (1) leader-focused (approaches based on leadership traits, skills and styles), (2) follower-focused (approach based on information processing, social constructivism paradigm and implicit leadership theories), and (3) situation-focused (approaches centred on the impact of the situation on leadership and its manifestations).
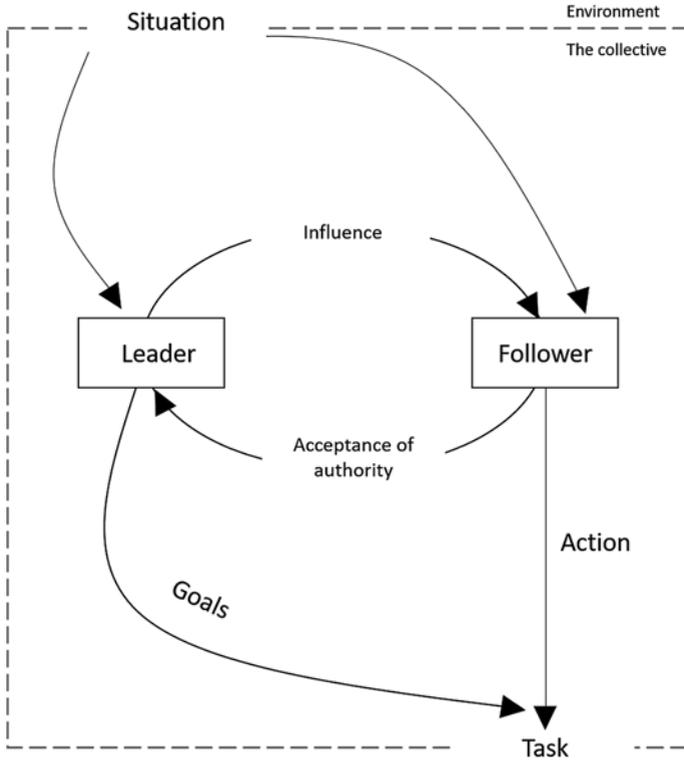
Fig. 1.1 A Classical view of leadership

First and foremost, we can view leadership from the perspective of the leader: their inherent traits and learned and acquired skills, or behaviour patterns, manifested in interactions with others in and outside of the collective.

Approaches based on leaders' traits assume that some leaders possess certain qualities, characteristics and attributes that make them more efficient than others (Bryman, 1986; Stogdill, 1948, 1974). Leaders are born rather than created, and the success of leadership is explained by the possession of special traits that distinguish leaders from "ordinary" people. Or, as the great writer Goethe wrote: *A great person attracts great people and knows how to hold them together*.

This school of thought is called *the great man theory* or, more often, *the trait theory*, with an emphasis on identifying the people who are destined to assume leader positions at all levels in the society, and exploring the important traits and attributes that successful leaders possess or should possess (examples include Kirkpatrick & Locke, 1991; Zaccaro et al., 2004; Zaccaro, 2007; Malakyan, 2015).

Talent is the key aspect of leadership. As the renowned management author Peter F. Drucker stressed in *The Practice Management* in 1954: *Leadership is of the utmost importance. Indeed there is no substitute for it (…) But leadership cannot be created or promoted. It cannot be taught or learned* (p. 156).

Stogdill (1974) identifies ten key leadership traits: (1) drive for responsibility and task completion, (2) vigour and persistence in pursuit of goals, (3) risk taking and originality in problem solving, (4) drive to exercise initiative in social situations, (5) self-confidence and sense of personal identity, (6) willingness to accept consequences of decision and action, (7) readiness to absorb interpersonal stress, (8) willingness to tolerate frustration and delay, (9) ability to influence other people's behaviour, and (10) capacity to structure social interaction systems to the purpose at hand.

In Northouse's opinion (2010: 19–21), the best leaders have the following five most important traits: (1) intellectual capabilities, a combination of verbal, perceptual, and reasoning capabilities, (2) self-confidence, reflected in self-respect, self-assuredness, and strong conviction that one has the capacity to attain goals, (3) determination in action, (4) integrity, including honesty and the trust one inspires, and (5) sociability, or the inclination to seek and build social relationships in which everyone will feel comfortable.

It is obvious there is no universally accepted list of leader traits.

Unlike the trait-based approaches, which differentiate between individuals based on their innate traits, skill-based approaches assume that leadership can be learned and perfected over time.

Katz (1955) argues that leaders need technical and interpersonal skills, as well as the skill of abstract thinking. Similarly, Mumford et al. (2000) underline three important capabilities that leaders can improve: the skills that allow them to creatively solve new and challenging problems, the

skills of social judgment (the ability to understand people and social systems), the knowledge that allows analytic and synthetic thinking, and the development of strategies of appropriate action in complex situations. The outcome of leadership (how well the leader performed their task) is a direct result of these skills.

The leadership skills that are required differ depending on the size and type of the collective, the environment and the situation, the level of hierarchy, and a number of other factors. For example, leaders at the strategic level of large organisations need well-developed strategic thinking skills and the ability to understand the big picture, as well as the skill of networking and building relationships with a number of interest groups in and outside of the organisation, whereas the leaders of smaller units in an organisation need sufficient technical knowledge to act adequately within the given framework, the ability to solve current operating problems, and adeptness at social relations that exist within smaller groups.

Over time, people can perfect their leadership skills and make considerable headway in developing and utilising their leadership potentials. Leadership grows into a discipline that can be learned through experience and lifelong pursuit of new knowledge. Rather than a trait possessed by "a select few" who happened to have been born with distinctive attributes, leadership is a set of skills that are used in working with people, decision-making, and performing collective tasks. Anyone who wants to learn and is persistent enough in their ambitions can hone and bolster their leadership capabilities over time.

In the words of the great US President John F. Kennedy, *leadership and learning are indispensable to each other*.[1] This perspective emphasises that leaders can be made through experience, learning and determined self-work (Fig. 1.2).

Moreover, observing leaders in different situations can help us understand leadership, which is recognised in the set of visible and comparable activities undertaken by leaders in relation to (1) the members of the collective and (2) the task at hand. Instead of analysing innate traits and

---

[1] In the remarks prepared for delivery at the Trade Mart in Dallas, TX, November 22, 1963 [undelivered].
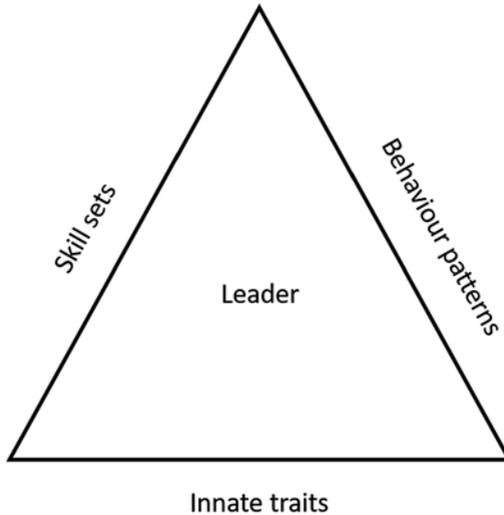
Fig. 1.2 "The Leadership Triangle"—Leader's perspective

skills that can be further developed, the focus is on answering the question what the leaders *actually* do when interacting with the members of the collective.

A number of theoretical conceptualisations touch upon this subject, including, inter alia, McGregor's X and Y theories (1960), the influential dichotomy of autocratic and democratic leadership, Blake and Mouton's (1964, 1985)[2] leadership grid and Mintzberg's managerial roles (1973).

Value-based leadership theories are similar to the above-mentioned behavioural models. They are based on identifying a particular way of leading, or leadership style, which comprises collective values, behaviour types, and the form of interaction between the leader and the followers. The conceptualisations of transactional and transformational leadership are widespread (Burns, 1978; Bass, 1981), and so are charismatic leadership (House, 1976; Howell & Avolio, 1993; Zaleznik, 2009), authentic leadership (Gardner et al., 2005; Shamir & Eilam, 2005) and servant

---

[2] The original name of the Blake-Mouton model is "managerial grid." The model was designed to explain how managers help attain the organisation's goals through two crucial dimensions: concern for results, and concern for people.

leadership models (Greenleaf, 1970; Greenleaf & Spears, 2002; Bennis, 2002; Blanchard & Hodges, 2003).

The presented models point to patterns that are used to recognise specific characteristics of leadership depending on assumed values, different task characteristics, and types of interpersonal relations. These patterns are usually referred to as "leadership styles": simplified representations and descriptions of leaders' actions that usually include conflicting behaviour attributes to highlight the available leadership modes.

Ethical aspects of leadership are also important, with a view to the negative historical examples of leaders whose actions had devastating consequences, as well as the existence of several moral dilemmas regarding the decisions of leaders and their actions in different circumstances.

The behavioural complexity theory (Denison et al., 1995), which suggests that leaders are forced to deal with paradoxes and contradictions while taking on multiple, often competing leadership roles, is also worth mentioning here.

Furthermore, leadership is impossible to understand without analysing the complexity of the interactions between the leaders, the followers and the context, and the nature of their interrelations. The suitability and effectiveness of leadership depend on the conditions and the situation. Different situations and task structures require different leadership styles, making the pursuit of "ideal" leader traits, or the best leadership style, fundamentally wrong: the successfulness of leadership is unquestionably determined by the situation.

Situational leadership theories follow the premise that there is no ideal, universally acceptable leadership style. Not all styles are successful in all circumstances. Leadership is contingent on factors such as the followers' traits, abilities and behaviours,[3] the preferred leadership style, available resources, support and coordination, and so on (Crossan et al., 2008).

The following are the most important situational approaches: (1) Fiedler's contingency model (1967, 1995), which positions leadership styles depending on three characteristics of the situation: leader-member relations, task structure, and leader's position power; (2) *the path-goal*

---

[3] Situational leadership models include a number of moderating factors related to the followers, such as their loyalty, support, preparedness to cooperate with the leader, experience, skills, self-confidence, etc.

theory, which underlines the relation between the leadership style and the traits of the collective members, or the choice of style that best suits the members' motivational needs (House, 1971; House & Mitchell, 1974); (3) situational leadership described as the situational framework connecting leadership styles with the followers' maturity level, which is based on the presumption that the leadership style must be adapted to the ability and preparedness of the collective members to perform the task (Hersey & Blanchard, 1993).

Such approaches accentuate the need to adapt leadership to the environment, task structure, and the followers' traits. If we accept the criterion of efficiency as the rational framework, leadership should be continually aligned with the requirements and the forces in the environment in order to achieve the best possible outcomes.

Moreover, we can view leadership from the angle of the followers, or members of the collective, who are ready to accept another person's leadership.

The leadership model based on information processing (Lord & Maher, 1991) and the implicit leadership theories (Phillips & Lord, 1982) are examples of follower-centred leadership theories.

Also, behavioural connections between leaders and followers can be observed as products of the followers' special social and mental constructs (Meindl, 1995). Leadership emerges when followers *arrange* their experiences in the key categories related to leadership, and interpret their relationship with another person as a "leader-follower" relationship. It emerges when individual, group and organisation processes drive individuals to (1) recognise themselves as followers and (2) commit to the identity, intentions, and symbolism of another person.

In the process of social construction of followers, this person embodies the leader; their ideological perspectives, ambitions and objectives are accepted; and a constellation of relations is established where the followers' actions are aligned with the leaders' intentions. It should be noted that *social constructivism* is based on the assumption that people together create their environment, with the entirety of its social, cultural and psychological formations (Berger & Luckmann, 1992: 72). Entity X can therefore be considered a "social construct" if it is a product of deliberate human activity (Kukla, 2000: 3).

Reality is not an objectivity to be discovered: rather, the environment of leadership is a product of social action and creation of meanings beyond the objective world.

The context in which leadership is built depends on the traits and the cognition of future followers, their intragroup relations, intraorganizational and interorganizational settings, and the situation in which the need for leadership is reflected.

Leaders thus *emerge* as the products of the social interactions and mental systems of individuals who are ready to accept someone else's authority. In this sense, leaders are the "products" of their future followers even before these followers have actually started following the leader whom they have thus "created."

In addition to the three discourses centred on the leader, follower and situation, the opinion that the essence of leadership lies in the relation born out of the interaction of social actors is also widespread in the academic community.

An analysis of the connection between the leader and the followers can definitely improve the understanding of the phenomenon of leadership in modern organisations.

The extremely influential *leader-member exchange theory* (LMX theory), focused on exploring the unique *relationship* between the members of the collective who assume leader roles and the followers, as well as on the quality of the exchange related to the collective and the consequences of the collective action (Dansereau et al., 1975; Graen & Uhl-Bien, 1991, 1995), is an important example of this view.

This theory understands leadership as the process of interaction between the leader and the followers. In the early stages of development of the LMX theory, special attention had been focused on vertical relations in two types of relationships: (1) relationships in one's *own* group, including the development of mutual trust and respect, and the assumption of commitments and additional responsibilities; and (2) the relationships in the *external* group, in which actors are brought together by defined organisational roles and formal communication (Northouse, 2010: 152–154).[4]

---

[4] Malakyan (2014) underlines that the concepts of own and external groups are highly focused on the leader and the leader's position, even though the intention is to put the relationship in the focus of observation.

Naturally, relationships are better in one's own group, where followers are prepared to do more for their leader and vice versa, unlike the external group, where followers have no interest in strengthening their connections and becoming more involved in the performance of the task.

Regardless of the type of their connection, if the relationship of exchange between the leader and the members of the collective is good and successful, the followers feel better and achieve better results, which contributes to the well-being of everyone involved. For this reason, the focus must be on continual improvement of the relations and communication with everyone involved in the realisation of set goals: high quality of mutual exchange is linked to positive organisational outcomes.

The LMX theory helps us better understand shared, distributed, and collective leadership. Rather than analyse the traits, skills and behaviours of the person who has authority, this theory observes and explores the quality of relationships between the actors involved, taking into account the character of the relationship and its duration (Pearce & Conger, 2003; Avolio et al., 2009).

For instance, positions and relations in the "leader-follower" dyad can alternate, depending on the required knowledge, tasks to be performed, and situational influences, as a result of the relationship dynamics between the actors in the organisation. Leadership can be seen as emerging or changing, depending on constellations (Uhl-Bien, 2006), as postulated by the *relational leadership theory*. The same actor can thus be a leader one moment, and a follower the next, depending on the situation that calls for action (Hunt, 2004).[5]

In any case, leadership is a relational construct: a leader's competence lies in their capacity to develop and manage relationships in organisations (Fletcher, 2007: 348; Carmeli et al., 2011).

---

[5] Cullen-Lester et al. (2017) emphasise that other relational theories depict leadership as the process of social construction that takes place through communication exchanges (Dachler & Hosking, 1995; DeRue & Ashford, 2010; Drath et al., 2008; Hosking, 1988; Uhl-Bien, 2006) or as the process of mutual influence (e.g., Bedeian & Hunt, 2006; Uhl-Bien et al., 2000).

Authority

The classic ontology of leadership is based on two important categories: (1) the readiness of the members of the collective to accept someone's authority; and (2) the ability to influence others in order to motivate them to perform a task.

As we have stressed before, the manifestation of leadership is the result of social actors' efforts to build temporary or permanent relations while performing collective actions. Leadership rests on accepting authority, recognising the purposefulness of the relationship that has been established, and developing influence to achieve the desired outcomes. Assumption of leader and follower roles emerges as a structural dimension, and the relations between the members of the collective indicate how leadership is manifested. The essence of the leadership process is defined by situational and relational dynamics: the positions of the actors, and their actions, depend on changes in their interrelations and the structure of the task, as well as on contextual factors.

Leadership need not be based on formal positions in a hierarchical structure: the important thing is the authority, recognised by others, and the art of persuading people to voluntarily and enthusiastically contribute to the fulfilment of the common purpose and set goals. *You don't have to hold a position in order to be a leader*, said entrepreneur and industrialist Henry Ford a hundred years ago.

Authority is the power to influence others, and as such is the primary prerequisite for the assumption of a leader role.

Authority *is the power to manage people and assets without direct use of physical force,* or *the power to command others based on one's own reputation and dignity,*[6] or *the ability of a person, role, service or state to give actual or seeming legitimacy to the actions performed and orders issued on its behalf.*[7] In addition, authority *refers to the recognised ability and quality of an entity*

---

[6] Enciklopedija.hr: http://www.enciklopedija.hr/natuknica.aspx?id=4770 (accessed: 12 August 2019).

[7] Authority, in: Pravni leksikon (2007: 55), Zagreb: Miroslav Krleža Institute of Lexicography.
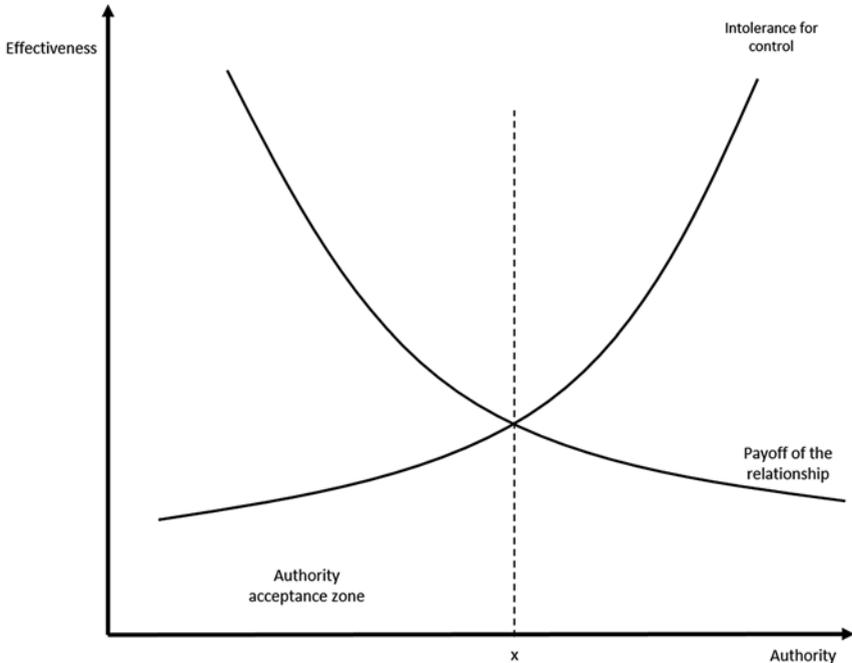
Fig. 1.3   Authority and tolerance for control

(person, group, institution) that is capable of influencing individuals to ensure their obedience in the attainment of an objective.[8]

Chester I. Barnard (1938/1950), one of the best-known researchers of management in the early days of development of this discipline, defined authority as an inverse relation, or the preparedness to submit that occurs in a social entity that has been exposed to the influence of another social entity.

In other words, a person accepts authority for as long as they allow their behaviour to be controlled by someone else's decisions without independently questioning their substance.

Fig. 1.3 conceptualises Barnard's view of authority with two variables: tolerance for control, and payoff of obedience to authority.

---

[8] Dictionary of Philosophical Terms: https://www.filozofija.org/rjecnik-filozofskih-pojmova/ (accessed: 12 August 2019).

The function of tolerance is expressed as a measure of the followers' perception of their own burden and sacrifice that results from accepting the control of the person who demonstrates authority. Tolerance for control decreases as the perceived burden and sacrifice increase, and vice versa. A high level of tolerance is usually associated with low levels of authority. In the figure, this function is shown inversely, in the form of "intolerance."

The payoff function shows the followers' perception of the benefits they obtain by accepting another person's authority. The assumption is that, at every level of authority, the follower evaluates the profitability of starting a relationship with a wielder of authority, and its effects.

In Barnard's opinion, as the authority of one person increases, the payoff of starting a relationship with them decreases for others, and the level of intolerance for the exhibited control increases at the same time.

Authority is not boundless. There is always an authority "acceptance zone", outside of which the follower will deny the leader their obedience and submission (Barnard, 1938/1950; Simon, 1997).[9] The relationship between the persons in the hypothetical situation shown in the Fig. 1.3 can only exist, *ceteris paribus*, if the level of authority is lower than the level marked "x." A demonstration of stronger authority (higher than "x") undermines the possibility of establishing such a relationship between two social actors.

The authority relationship only exists in a situation in which both parties exhibit identifiable behaviour patterns. One party has to express a request and a clear expectation of its fulfilment, and the other has to act to fulfil it.

The relationship between the two parties is not unchangeable: at one moment, the two actors can be in a relationship in which authority is manifested, and in the next they can end it, depending on the situations they find themselves in over time (Simon, 1997: 179).

The behaviour of the followers is an important determinant of authority. The request does not have to be expressly voiced in all instances and in every kind of relationship: the follower's actions can be guided by their own perceptions of the behaviour that the authority wielder would expect

---

[9] Chester Barnard refers to the authority acceptance area as the *indifference zone*.

in a given situation. In this case, authority is manifested in the possible review of the follower's actions after their completion, and in the likely reaction to the follower's mistake (Simon, 1997: 182). The mere implication of review and corrective action strengthens the leader's authority.

There are differences between formal (position-related) and informal authority, as much as they share the same substance. Formal authority is related to the position a person occupies in the organisation and the person's rights derived from this position. Quinn (1980) understands it as a delegated right to use the power of legitimation. Organisations usually present their structures by a drawing of formal authority and responsibility chains, or vertical command lines that together form the chart known as the *organigram* (*organigramme* in French).

Informal authority, on the other hand, is not anchored in position or hierarchy, but depends solely on reputation, authenticity, and human, moral, intellectual, professional and other traits reinforcing one's potential for influencing other people. Others readily accept the authority of the individual who has the above traits, and thus create a space where they can realise their leadership. Martin Luther King, Jr. is an excellent example of authority resulting from distinctive characteristics and determination to put noble ideas to work. His charismatic, yet inclusive leadership, based on the advocacy of civil disobedience and nonviolence, defined the *Human Rights Movement* in the USA in the 1950s and 1960s.[10]

In contrast, a *decisionist leader* does not need true virtues that inspire loyalty in his followers. Such a leader only requires servility, which can stem from indoctrination, or from imposed rules.[11] Hitler, Mussolini and

---

[10] Martin Luther King, Jr. played the key role in the civil rights movement in the USA until he was assassinated in 1968. One of the central figures of the peaceful protests demanding equality and human rights for African Americans, the economically disadvantaged, and all other victims of social injustice in the US society at the time, he was presented with a Nobel Peace Prize in 1964.

[11] Zygmunt Bauman makes an interesting point in his memorable essay *How Neoliberalism Prepared The Way For Donald Trump* (2016): "*A 'decisionist' leader needs nothing except a (spontaneous or contrived, voluntary or imposed) public acclaim to act. His decisions bear no other constraints—not even the one supposedly derived from and/or imposed by genuine or putative 'higher reasons' or supreme, indisputable super-human commandments—as in the case of divinely anointed monarchs of the Middle Ages. A decisionist leader comes close to the absolute: as God in his reply to Job's questioning, he refuses to explain his decisions and rejects Job's (or anybody else for that matter) right to ask for explanation and expect it to be given. The sole explanation that the leader's resolution required, and that was owed to those affected and given to them, is the leader's will.*" See: https://www.socialeurope.eu/how-neoliberalism-prepared-the-way-for-donald-trump (accessed 30 October 2020).

Stalin offered no explanations for their monstrous actions, simply stating their will, which almost everyone in their communities accepted unconditionally and without question (with or without fear, but mostly with approval), even though it had been perfectly clear that they constituted the worst aberrations in the history of mankind.

There are many examples of markedly autocratic leaders wielding unquestionable authority, in whose behaviour evil is an unhealthy illusion of the only "rightness" possible in following their will, rather than a substitution element. In such situations, Barnard's variables of tolerance for control and profitability of the "leader-follower" relationship have no relevance as measures of authority. The leader's immense power only superficially conceals the inanity, futility and misery of such a community, which is languishing in absolute subservience. The collective becomes the opposite of its own definition: a mere extension of the person of the leader.

In conclusion, both formal and informal authority are a part of personality and the inner being, or the collective traits that the influence over others stems from, rather than a futile institutional trait derived from a position of power. An individual can have legitimation power, for instance, but have no ability to wield it to influence others. Or, one can have the authority of profession or reputation, but show no desire to use it in the collective.

Influence

Leadership is impossible to understand without the category of authority, and the preparedness of the members of the collective to follow the instructions or frameworks provided by an individual (or a group, or an entire organisation) who plays the leader role. Authority gives the leader the room they need to influence the followers. This influence is used to exert control over the behaviour of others in order to realise ideas and formulated plans.[12]

---

[12] The set of strategies leaders use to efficiently influence the members of the collective are discussed in Chap. 4.

The leadership process results in the subordination or devotion of the followers, who willingly accept and obey the leader's commands, follow their guidelines, and adjust their behaviour to the leader's expectations.

Two types of social influence that lead to subordination are known in social psychology: (1) normative influence, referring to people's efforts to remain in an organised group and avoid excommunication or marginalisation, which makes them willing to follow another person; and (2) informational influence, well-suited to uncertain, unclear and complex situations, which the individual does not understand well enough, and needs additional explanations and information from other persons in order to understand the context (Aronson et al., 2005).

Subordination is achieved through: (1) obedience of the followers, whose submission is the result of fear of sanctions, or the expected reward for compliance, (2) identification with the leader, and (3) internalisation that occurs when intrinsic personal values inspire obedience in followers (Tyler et al., 1990).

Complaisance can be much greater if the followers, in addition to the above factors, have a strong emotional connection with the leader in form of devotion and fascinated commitment. *It is not enough to conquer*, Voltaire noted, *a leader must also know how to seduce*. The leader's success lies in changing and adjusting the followers' beliefs so that they accept the leader's personality and proclaimed intents.

Yukl (2008: 5) compares rational and emotional aspects of influence. The rational interpretation of influence is associated with the understanding of the need for cooperation in the pursuit of common goals because it leads to mutual benefit. However, extraordinary successes and accomplishments of some collectives can be explained by the emotional side of influence as well. In this vein, Yukl stresses that leaders inspire followers to voluntarily sacrifice their own egotistical interests for a higher purpose. Soldiers, for instance, risk their lives to complete an important mission, or to protect their fellow-fighters.

The area of desirable action for followers is shaped by the leader's aspirations and intentions. Bringing out the best in people and uniting them around a common purpose and common goals is a challenge all leaders face (Svensson & Wood, 2006).

Leaders purposefully realise their intentions through the activities of others. This is only possible if they set clear and easily understandable expectations, achieve an enviable level of integration in the collective, and raise the followers' level of preparedness to participate in common undertakings.

Leadership is not a typical power game, as its classic definition, based on authority and influence over others, would have us believe. All leaders have access to sources of power, but as Gea (2016: 363) underlines, not all power-wielders are leaders, and not all have to be.

Successful leaders inspire actional commitment in the members of the collective to the accomplishment of the collective mission and formulated guidelines. Their ability to influence others results in synergy action and in the desired changes that characterise efficient collective action. Indifferent acquiescence and apathetic compliance are hardly associated with a leader's efficient influence over his follower.

Individual vs. Collective Leadership

Leadership can appear in two variants: the case when an individual, usually occupying the top of the organisational pyramid, assumes the role of dominant leader, with significant impact on the mission and development trajectory of the organisation, or the case when the leadership role is distributed horizontally and/or vertically among multiple members of the organisation.

In the first case, leaders have a recognisable and unequivocal position in the organisation and their words resonate the loudest when it comes to direction of action and visioning of a desirable future. Organisation is the long arm of the leader's intentions: the ideas and the aspirations are the result of the leader's own thinking and planning.

Normally, leaders of this type are observed in the light of their autocratic tendencies and their taking of full leadership responsibility. This may, but does not necessarily have to be the case. Leaders can include other organisational members in the management processes, to a greater or lesser extent; they can do this in the form of consultancy or delegating

of some of the authority, or through members' direct participation in the decision-making process.

Individual leadership results in significantly lower costs of negotiation and implementation than it is the case with collective leadership (Kriger & Zhovtobryukh, 2013: 421).

Powerful leaders are better at what they do if they lead business-minded, low-complexity and/or small-size organisations in an environment that is not too complex or turbulent. Besides, overcoming crisis situations also requires leadership to be in the hands of a single individual who can make quick and radical decisions without hesitation or much procrastination.

There are situations when greater environmental complexity creates problems due to greater demands for information (and consequently larger costs of information) and due to the need for a broader spectrum of knowledge on the part of the leader. In large and complex organisations, the coordination demands and the need to coordinate increase proportionately to its size and complexity.

The "lone ranger" type of leader has a hard time coping with the challenges presented by such situations: the complexity of the issues, problems and possibilities increases exponentially as one moves from the bottom to the top of the organisational ladder (House & Aditya, 1997).

The enduring question is whether a single leader can even have the capacity to fully lead and manage all the elements involved in such situations.

In most organisations, sooner or later, the function of leadership gets divided among members with managerial authority. Leadership emerges as a collective activity where important decisions are made and the future of the organisation monitored jointly.

Collective leadership encompasses a greater or smaller number of individuals who assume greater or lesser responsibility in managing the collective or the network. Responsibility and power of collective leadership can be symmetrical or asymmetrical, depending on the positions and sources of power accessible to individuals within the group that assumes leadership.

Collective leadership is a complex phenomenon. It is the result of interrelations of individuals who have stable and clearly assigned roles, or

individuals who swap leadership roles in formal and informal relations (Yammarino et al., 2012). It can be defined as *a dynamic leadership process in which a defined leader, or set of leaders, selectively utilize skills and expertise within a network, effectively distributing elements of the leadership role as the situation or problem at hand requires* (Friedrich et al., 2009: 933).

Notion of interchanging leadership is similar to the construct of "collective leadership" as it was used by Friedrich et al. (2011) when they examined the processes that take place in teams.

This kind of leadership can be understood as the collective action that emerges from multiple mutually dependent entities interacting with one another, creating a relationship network that emerges and changes over time (Cullen-Lester & Yammarino, 2016). A detailed analysis of interactions between organisational actors can help understand collective behaviour.

Collective leadership is associated with the concept of *shared leadership*, but the two have different meanings. Collective leadership as a concept has a wider meaning and encompasses different forms of leadership, involving multiple individuals in different ways, whereas shared leadership is a construct associated with a team or group of people and it has the characteristics of horizontal leadership (Fig. 1.4).
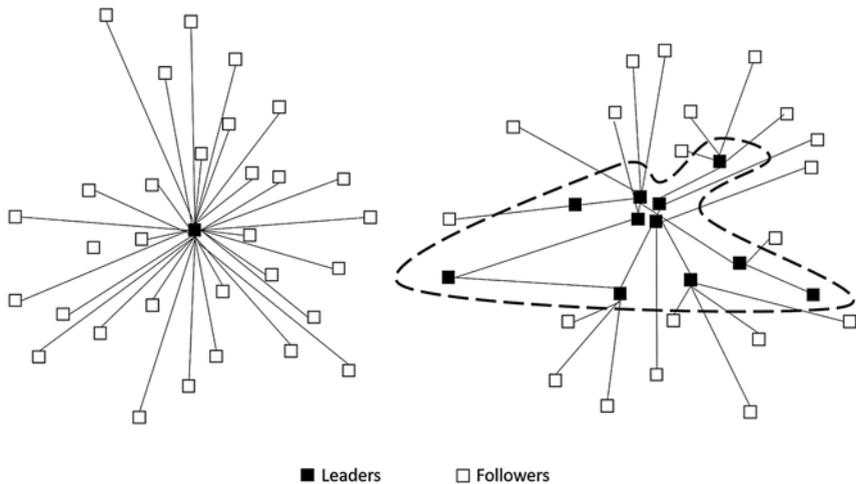
Fig. 1.4   Individual and collective leadership

The roots of shared leadership date back to the Roman Empire, when a group of individuals shared their power via the Senate.

According to one of the definitions, shared leadership is a dynamic and interactive process of exerting influence among individuals in a group with the aim of leading one another toward achieving the group's or the organisation's goals, or both (Pearce & Conger, 2003). According to others, it is a group property that results in distribution of leadership influence among multiple members (Carson et al., 2007) or in other words, a phenomenon of mutual influence and shared responsibility of members of a group whereby they lead one another to achievement of the defined goals (Wang et al., 2014). Shared leadership can also be observed from a different perspective: as the way different individuals enact the roles of leader and followers at different points in time (Lord et al., 2017).

The logic behind shared leadership lies in optimisation of the leadership function in order to arrive at the best possible solutions to the problems and challenges that the organisation is faced with. Instead of relying on a single leader, members develop lateral relationships and assume joint leadership of the group, collective or entire organisation. Shared leadership relies on dispersion of leadership: persons in the team complement their strengths and skills, learn from one another, and make decisions in the common interest.

Ideal conditions for spontaneous or controlled development of shared leadership are found in a cohesive environment imprinted with the integrating shared purpose of the group members, their mutually accepted clear objectives, strong inter-group and organisational support, and a climate where every member's voice can be heard and everyone's contribution is recognised and valued (Carson et al., 2007).

There are views that this type of leadership increases participation and information-sharing, has a positive impact on group performance, and supports the processes of easier integration of the collective; some research even shows that shared leadership has a positive impact on team performance (Ensley et al., 2006).

Shared leadership can be presented as the opposite of vertical leadership, which is based on the relation of formal authority of a single leader on the one side, and members accepting their position as followers on the other. It can be understood as horizontal leadership where leadership

functions and impacts of group members interchange depending on the demands of the situation (Zhu et al., 2018).

Collective and shared leadership can increase the organisation's administrative and managerial costs. Existence of multiple leaders in an organisation can lead to significant bargaining costs depending on the different objectives and differential power held by the leaders in the collective (Cyert & March, 1963; Kriger & Zhovtobryukh, 2013). This problem can be solved by agreeing on objectives in a clearly defined vision, by creating and accepting shared organisational values that will bring together and embolden members of collective leadership to act in their common interest.

Furthermore, one must not forget that any attempt to analyse collective and shared leadership is inevitably accompanied by a veritable galimatias. There are numerous different and often overlapping definitions that could eliminate all precision from observing this phenomenon. It gets all the more confusing if we include interchanging and distributed leadership in the analysis.

There are also some other issues involved. Kriger and Zhovtobryukh (2013: 415) listed three groups of limitations when it comes to current research in distributed, shared and collective leadership. Firstly, research is usually focused on teams, whereas leadership is indisputably a multi-level phenomenon. Secondly, their propositions are based on a positive correlation between distribution of leadership and performance irrespective of the context and turbulence in the environment or internal complexity. Thirdly, although it has been noticed that vertical and dispersed leadership can exist simultaneously, these are observed and analysed in studies as discrete phenomena.

Finally, mention should also be made of an interesting, albeit controversial, idea of a complete vertical and horizontal expansion of leadership in order to ensure *equal influence* of all stakeholders across all organisational levels. Such post-modernist concept of the collective, referred to as *holographic leadership* (Denis et al., 2001), has at its core direct and equal involvement of everyone in leadership processes and arrangements. Instead of conforming or attempting to find a consensus, holographic leadership is about enabling the exploration of diversity in order to improve leadership practices.

Interchanging Leadership Roles

Where there is stable leadership, the roles are clear and positions are invariably fixed, irrespective of the type of leadership structure involved. Leaders are easily identifiable and their position is unequivocal: all organisational actors recognise and follow them. They are constantly expected to manage processes, take on the tasks connected with mobilising staff and integrating the collective, as well as other tasks required by their position.

On the other hand, interchanging leadership exists where there is no clearly defined and invariable distribution of leadership roles within the organisation. It can be defined as a continual mutual influence process in which leadership is swapped between individuals having the key knowledge, skills and abilities required for a specific area that the team is faced with (Pearce & Conger, 2003). Consequently, leadership and followership should be perceived as dynamically interchangeable behavioural functions toward reciprocal interpersonal relationships between situational (non-static) leaders and followers in social group settings (Malakyan, 2015: 238).

The hypothetical example provided in Fig 1.5 shows the relation between two organisational actors involving the swapping of roles. In situation A, Actor 1 assumes the role and tasks of the leader, does everything it takes, and includes Actor 2 in the performance of the relevant tasks and obligations. In time, the roles reverse—situation B occurs, where
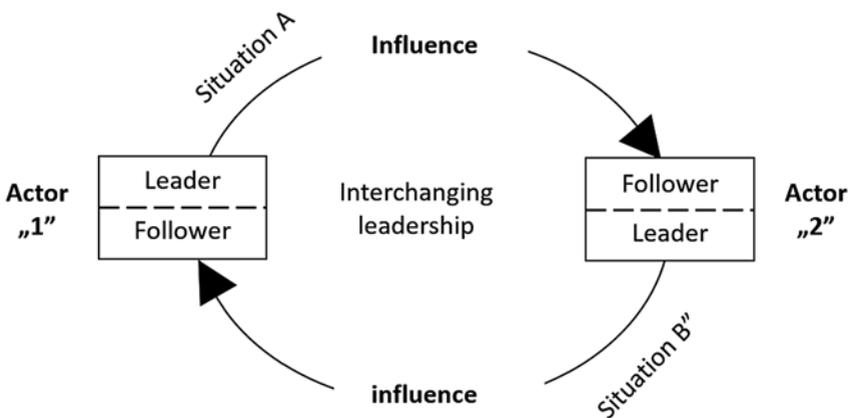
Fig. 1.5 Interchanging leadership

leadership is assumed by Actor 2 and Actor 1 takes over the role of the follower. In other words, leadership is the dynamic inter-relational function based on role-focused and interchangeable process of "leadship" and "followship" in organizations and groups.

Interchanging leadership implies organisational leaders continually swapping their roles depending on their knowledge of the problem, context and challenges. The leader and follower functions frequently alternate and swap: different actors assume the leadership functions in different situations, depending on the demands and characteristics imposed by the current situation (Copland, 2003). Dynamic changes in roles depend on the types of problems at hand; a position of leadership is temporarily assumed by members with the most experience, knowledge and information required for solving a burning issue, strategic or functional challenge. The question of who leads and who follows becomes pointless in this context, especially if one thinks in the long term.

References

Aronson, E., Wilson, T. D., & Akert, R. M. (2005). *Socijalna psihologija*. Mate.

Avolio, B. J., Walumbwa, F. O., & Weber, T. J. (2009). Leadership: Current theories, research, and future directions. *Annual Review of Psychology, 60*, 421–449.

Barnard, C. I. (1938/1950). *The functions of the executive*. Harvard University Press.

Bass, B. M. (1981). From Transactional to Transformational Leadership: Learning to Share the Vision. *Organizational Dynamics, 18*, 19–32.

Bedeian, A. G., & Hunt, J. G. (2006). Academic amnesia and vestigial assumptions of our forefathers. *The Leadership Quarterly, 17*(2), 190–205.

Bennis, W. (2002). Becoming a leader of leaders. In R. Gibson (Ed.), *Rethinking the future* (pp. 148–163). Nicholas Brealey Publishing.

Berger, P. L., & Luckmann, T. (1992). *Socijalna konstrukcija zbilje*. Naprijed.

Blake, R., & Mouton, J. (1964). *The managerial grid: The key to leadership excellence*. Gulf Publishing Company.

Blake, R., & Mouton, J. (1985). *The managerial grid III: The key to leadership excellence*. Gulf Publishing Company.

Blanchard, K. H., & Hodges, P. (2003). *The servant leader: Transforming your heart, head, hands & habits*. J. Countryman.

Bryman, A. (1986). Leadership and corporate culture. *Management Decision, 24*(6), 50–53.

Burns, J. M. (1978). *Leadership*. Harper & Row.

Carmeli, A., Tishler, A., & Edmondson, A. C. (2011). CEO relational leadership and strategic decision quality in top management teams: The role of team trust and learning from failure. *Strategic Organization, 10*(1), 31–54.

Carson, J. B., Tesluk, P. E., & Marrone, J. A. (2007). Shared leadership in teams: An investigation of antecedent conditions and performance. *Academy of Management Journal, 50*, 1217–1234.

Copland, M. A. (2003). Leadership of inquiry building and sustaining capacity for school improvement. *Educational Evaluation and Policy Analysis, 25*, 375–395.

Crossan, M., Vera, D., & Nanjad, L. (2008). Transcendent leadership: Strategic leadership in dynamic environments. *The Leadership Quarterly, 19*, 569–581.

Cullen-Lester, K. L., Maupin, C. K., & Carter, D. R. (2017). Incorporating social networks into leadership development: A conceptual model and evaluation of research and practice. *The Leadership Quarterly, 28*(1), 130–152.

Cullen-Lester, K. L., & Yammarino, F. J. (2016). Collective and network approaches to leadership: Special issue introduction. *The Leadership Quarterly, 27*(2), 173–180.

Cyert, R. M., & March, J. G. (1963). *A behavioral theory of the firm*. Prentice-Hall.

Dachler, H. P., & Hosking, D. M. (1995). The primacy of relations in socially constructing organizational realities. In: Hosking, D. M., Dachler, H. P., and Gergen, K. J. (ur.). *Management and organization: Relational alternatives to individualism* (1–28). Aldershot: Avebury.

Dansereau, F., Graen, G., & Haga, W. J. (1975). A vertical dyad linkage approach to leadership within formal organizations: A longitudinal investigation of the role making process. *Organizational Behavior and Human Performance, 13*(1), 46–78.

Denis, J. L., Lamothe, L., & Langley, A. (2001). The dynamics of collective leadership and strategic change in pluralistic organizations. *Academy of Management Journal, 44*(4), 809–837.

Denison, D. R., Hooijberg, R., & Quinn, R. E. (1995). Paradox and performance: Toward a theory of behavioral complexity in managerial leadership. *Organization Science, 6*(5), 524–540.

DeRue, D. S., & Ashford, S. J. (2010). Who will lead and who will follow? A social process of leadership identity construction in organizations. *The Academy of Management Review, 35*(4), 627–647.

Drath, W. H., McCauley, C. D., Palus, C. J., Van Velsor, E., O'Connor, P. M. G., & McGuire, J. B. (2008). Direction, alignment, commitment: Toward a more integrative ontology of leadership. *The Leadership Quarterly, 19*(6), 635–653.

Ensley, M. D., Hmieleski, K. M., & Pearce, C. L. (2006). The importance of vertical and shared leadership within new venture top management teams: Implications for the performance of startups. *The Leadership Quarterly, 17*, 217–231.

Fiedler, F. E. (1967). *A theory of leadership effectiveness*. McGraw-Hill.

Fiedler, F. E. (1995). Cognitive resources and leadership performance. *Applied Psychology. An International Review, 44*(1), 5–28.

Fletcher, J. K. (2007). Leadership, power, and positive relationships. In J. E. Dutton & B. R. Ragins (Eds.), *Exploring positive relationship at work: Building a theoretical and research foundation* (pp. 347–371). Lawrence Erlbaum Associates, Inc.

Friedrich, T. L., Vessey, W. B., Schuelke, M. J., Ruark, G. A., & Mumford, M. D. (2009). A framework for understanding collective leadership: The selective utilization of leader and team expertise within networks. *The Leadership Quarterly, 20*, 933–958.

Friedrich, T. L., Vessey, W. B., Schuelke, M. J., Ruark, G. A., & Mumford, M. D. (2011). *A framework for understanding collective leadership: The selective utilization of leader and team expertise within networks*. Technical report 1288, United States Army Research Institute for Behavioral and Social Sciences, Ft Belvoir.

Gardner, W. L., Avolio, B. J., Luthans, F., May, D. R., & Walumbwa, F. (2005). "Can you see the real me?" A self-based model of authentic leader and follower development. *The Leadership Quarterly, 16*(3), 343–372.

Gea, A. (2016). Personal integrity and leadership. *Humaniora, 7*(3), 359–369.

Graen, G. B., & Uhl-Bien, M. (1991). The transformation of professionals into self-managing and partially self-designing contributions: Toward a theory of leader-making. *Journal of Management Systems, 3*(3), 33–48.

Graen, G. B., & Uhl-Bien, M. (1995). Relationship-based approach to leadership: Development of leader-member exchange (LMX) theory of leadership over 25 years: Applying a multi-level multi-domain perspective. *The Leadership Quarterly, 6*(2), 219–247.

Greenleaf, R. K. (1970). *The servant as leader*. Robert K. Greenleaf Publishing Center.

Greenleaf, R. K., & Spears, L. C. (2002). *Servant leadership: A journey into the nature of legitimate power and greatness* (Special ed.). Paulist Press.

Hersey, P., & Blanchard, K. H. (1993). *Management of organizational behavior: Utilizing human resources*. Prentice-Hall, Inc.

Hogg, M. A. (2001). A Social Identity Theory of Leadership. *Personality and Social Psychology Review, 5*(3), 184–200.

Hollander, E. P. (1978). *Leadership dynamics: A practical guide to effective relationships*. Free Press.

Hosking, D. M. (1988). Organizing, leadership and skilful process. *Journal of Management Studies, 25*(2), 147–166.

House, R. J. (1971). A path-goal theory of leader effectiveness. *Administrative Science Quarterly, 16*, 321–328.

House, R. J. (1976). *A theory of charismatic leadership*. Working Paper Series, 76-06, University of Toronto, Toronto.

House, R. J., & Aditya, R. N. (1997). The social scientific study of leadership: Quo Vadis? *Journal of Management, 23*, 409–473.

House, R. J., & Mitchell, R. (1974). Path-goal theory of leadership. *Journal of Contemporary Business, 9*, 81–98.

Howell, J. M., & Avolio, B. J. (1993). Transformational leadership, transactional leadership, locus of control, and support for innovation: Key predictors of consolidated-business-unit performance. *Journal of Applied Psychology, 78*(6), 891–902.

Hunt, J. G. (2004). What is leadership? In J. Antonakis, A. C. Cianciolo, & R. J. Sternberg (Eds.), *The nature of leadership* (pp. 19–47). Sage Publications, Inc.

Katz, L. (1955). Skills of an effective administrator. *Harvard Business Review, 33*, 33–42.

Kirkpatrick, S. A., & Locke, E. A. (1991). Leadership: Do traits matter? *Academy of Management Executive, 5*, 48–60.

Kriger, M., & Zhovtobryukh, Y. (2013). Rethinking strategic leadership: Stars, clans, teams and networks. *Journal of Strategy and Management, 6*(4), 411–432.

Kukla, A. (2000). *Social constructivism and the philosophy of science*. Routledge.

Lord, R. G., Day, D. V., Zaccaro, S. J., Avolio, B. J., & Eagly, A. H. (2017). Leadership in applied psychology: Three waves of theory and research. *Journal of Applied Psychology, 102*(3), 434–451.

Lord, R. G., & Maher, K. J. (1991). People and organizations, Vol. 1., *Leadership and information processing: Linking perceptions and performance*. Unwin Hyman.

Lord, R. G., & Dinh, J. E. (2014). What have we learned that is critical in understanding leadership perceptions and leader-performance relations? *Industrial and Organizational Psychology: Perspectives on Science and Practice, 7*(2), 158–177.

Malakyan, P. G. (2014). Followership in Leadership Studies: A Case of Leader-Follower Trade Approach. *Journal of Leadership Studies, 7*, 6–22.

Malakyan, P. G. (2015). Depersonalizing leadership and followership: The process of leadship and follow. *World Journal of Social Science Research, 2*, 227–250.

McGregor, D. (1960). *The human side of enterprise*. McGraw-Hill Book Co.

Meindl, J. R. (1995). The romance of leadership as a follower-centric theory: A social constructionist approach. *The Leadership Quarterly, 6*(3), 329–341.

Mintzberg, H. (1973). *The nature of managerial work*. Harper & Row.

Mumford, M. D., Zaccaro, S. J., Harding, F. D., Jacobs, T. O., & Fleishman, E. A. (2000). Leadership skills for a changing world: Solving complex social problems. *The Leadership Quarterly, 11*(1), 11–35.

Northouse, P. G. (2010). *Vodstvo: teorija i praksa*. Mate.

Northouse, P. G. (2015). *Introduction to leadership: Concept and practice*. Sage Publications.

Pearce, C. L., & Conger, J. A. (Eds.). (2003). *Shared leadership: Reframing the hows and whys leadership*. Sage Publications.

Phillips, J. S., & Lord, R. G. (1982). Schematic information processing and perception of leadership in problem-solving groups. *Journal of Applied Psychology, 67*, 486–492.

Pravni leksikon (2007). Zagreb: Leksikografski zavod Miroslav Krleža.

Quinn, J. B. (1980). *Strategies for change logical incrementalism*. Irwin.

Shamir, B., & Eilam, G. (2005). What's your story? A life-stories approach to authentic leadership development. *The Leadership Quarterly, 16*(3), 395–417.

Simon, H. A. (1997). *Models of bounded rationality: Empirically grounded economic reason*. MIT Press.

Stogdill, R. M. (1948). Personal factors associated with leadership; A survey of the literature. *The Journal of Psychology: Interdisciplinary and Applied, 25*, 35–71.

Stogdill, R. M. (1974). *Handbook of leadership, A survey of theory and research*. The Free Press.

Svensson, G., & Wood, G. (2006). Sustainable components of leadership effectiveness in organizational performance. *Journal of Management Development, 25*(6), 522–534.

Tyler, T. R., Kelman, H. C., & Hamilton, V. L. (1990). The social psychology of authority: Why do people obey an order to harm others? *Law and Society Review, 24*(4), 1089–1102.

Uhl-Bien, M. (2006). Relational leadership theory: Exploring the social processes of leadership and organizing. *The Leadership Quarterly, 17*, 654–676.

Uhl-Bien, M., Graen, G. B., & Scandura, T. A. (2000). Implications of leader-member exchange (LMX) for strategic human resource management systems:

Relationships as social capital for competitive advantage. In: Ferris, G. (ur.). *Research in Personnel and Human Resources Management* (137–185). Greenwich, CT: JAI Press.

Wang, D., Waldman, D. A., & Zhang, Z. (2014). A meta-analysis of shared leadership and team effectiveness. *Journal of Applied Psychology, 99*, 181–198.

Yammarino, F. J., Salas, E., Serban, A., Shirreffs, K., & Shuffler, M. L. (2012). Collectivistic leadership approaches: Putting the "we" in leadership science and practice. *Industrial and Organizational Psychology: Perspectives on Science and Practice, 5*(4), 382–402.

Yukl, G. A. (2006). *Leadership in Organisations*. Englewood Cliffs, NJ: Prentice Hall.

Yukl, G. A. (2008). *Rukovođenje u organizacijama*. Naklada Slap.

Zaccaro, S. J. (2007). Trait-based perspectives of leadership. *American Psychologist, 62*(1), 6–16.

Zaccaro, S. J., Kemp, C., & Bader, P. (2004). Leader traits and attributes. In J. Antonakis, A. T. Cianciolo, & R. J. Sternberg (Eds.), *The nature of leadership* (pp. 101–124). Sage Publications, Inc.

Zaleznik, A. (2009). *Executive's guide to understanding people: How Freudian theory can turn good executives into better leaders*. Palgrave Macmillan.

Zhu, J., Liao, Z., Yam, K. C., & Johnson, R. E. (2018). Shared leadership: A state-of-the art review and future research agenda. *Journal of Organizational Behaviour, 39*, 834–852.

2

Collective and Leadership

Collective, Collective Intentionally and Collective Action

Individuals are defined by collectivity. The perception and understanding of one's environment, self-definition, and types of behaviour depend on culture, language and collective heritage, on interactions with others, and on the awareness and understanding of one's position in the society.

People belong to more than one social group at the same time, connecting with others to meet their needs and to realise their own and common interests, and assuming different roles and duties. They are influenced by different ideologies and social settings and conceptions, and their identities reflect collective and individual experiences, developing on the basis of a weaker or stronger perception of membership in a group.

Symbolically speaking, an individual is a cross-section of the sum of collectivities he belongs to, with a more or less robust link to each one, coexisting in them and fulfilling himself as a social entity. The importance of a group depends on the space it occupies in the individual's cognitive landscape, the individual's existential connection with the

collectivity, the intensity of his forced or voluntary involvement, and the extent to which the individual identifies with the group and recognises himself as its member.

It is human nature to belong to a group and pursue not only individual achievements, but also achievements shared directly or indirectly with others. Collectiveness is a prerequisite for our existence, as much as it results in a measure of depersonalisation. Individuals are fragments of the social unit that defines them, as described by Aristotle's notion of "koinonia" (κοινωνία in ancient Greek), which refers to unity as an essential component of people's actions and lives.[1] Rare individuals who have been torn out of the collective, whether voluntarily or by excommunication, are seen as deviations that give our inherent sociality a mirrored meaning.

The collective is a fulfilment of the human need and aspiration for unity. It refers to a social group as a sum of individuals united by common values, interests, goals and expectations, mentality, customs, tradition, etc.

It comes in many different forms, from dyads (groups of two) to countries and international organisations, from loosely tied groups to tight-knit ones, from loose reference groups to fully integrated ones. Collectives can be shaped by strong authority, or they can be devoid of authority altogether. They can be designed for a specific purpose, or form spontaneously. They can have a complex or simple structure, they can be temporary or lasting, and so on.

Examples of a collective include an art troupe, a football team and a supporter group; a political party and a shipbuilding project team; an international company and a small local bakery; a well-organised army, but also a civil movement, or a group of friends spending leisure time together. Collectives can be characterized by discipline, or unrestrained behaviour; a lower degree of member identification and indoctrination,

---

[1] Aristotle's original term is actually *political community* (κοινωνία πολιτική in ancient Greek), mentioned in his work *Politics*. Aristotle underlines the awareness of collectiveness and the need for common action in poleis, united by collective values and a prescribed code of conduct. Such a community strives for *eudaimonia* (τὸ εὖ ζῆν *tò eu zēn*), which could be translated as happiness or prosperity, and the individual in the community is a "zoon politikon" (ζῷον πολιτικόν in ancient Greek), or a *social animal*.

or a higher one; very distinct symbols and convincing narratives, or weak and unanchored elements of collective identity.

Unlike crowds and undefined mobs, groups brought together by chance, or casual meetings without a particular goal, collectives are characterised by *collective intentionality*.

Collective intentionality could be defined as *the power of minds to be jointly directed at objects, matters of fact, states of affairs, goals, or values* (Stanford Encyclopaedia of Philosophy, 2013).[2] It involves the fusion of multiple individua into a collective in itself ("we as a collective"). We recognise it when multiple people in a group share the same intentions, collective attention and similar beliefs, when they accept language and roles, and express collective emotions.

The collective develops a group reason of its own in pursuit of the reason for its formation. It defines collectivity conditions for the members, and encourages the development of collective commitment to the collective's mission and aspirations (Tuomela, 2013).

Its important features include codes of conduct (collective norms) and the subjective interpretations of the collective norms by its members (perceived norms), which guide their actions (Lapinski & Rimal, 2005). Expectations of desirable behaviours are developed, and mechanisms are built to bind the members even more firmly together so that the collective would function as an integrated social entity.

Furthermore, the collective is characterised by a sense of purpose (or an illusion of one) that justifies its existence. A distinctive intent that is more than just a sum of individual intents is another attribute of the collective: it is impossible to unequivocally divide the collective's efforts into the aspirations and wishes of its members. The collective is a social entity whose mostly unquestionable individuality stems from the dynamic of the members' internal and external interactions, the collective identity, and the structural determinatives and behavioural norms.

The collective becomes a compact social group when the members strongly identify with it, and when they use similar self-assessment and

---

[2] The concept of collective intentionality was first introduced by philosopher John Searle in the article *Collective Intentions and Actions*, published in 1990. See: Stanford Encyclopaedia of Philosophy (2013) at: https://plato.stanford.edu/entries/collective-intentionality/ (accessed 12 August 2019).

self-determination devices, and the same behaviour patterns in dealing with persons outside the collective (Miles, 2012: 289). In this case, in Fayol's words, the collective is graced by an *esprit de corps*, or a "spirit of togetherness," interpretable as a well-developed sense of pride in affiliation, identification, mutual loyalty and commitment in the members.[3]

Particularly important are the collectives formed as *organisations*: purposeful entities and social institutions in which people are interconnected by unity of management, structure and processes in the intent to perform a task. The development stage when a collective becomes an organisation, and the features differentiating the former from the latter, are not entirely clear. Mintzberg, however, offers an interesting (1979: 2) definition of an organisation as an entity based on two primary activities: a clear division of the work into tasks to be performed, and a coordination that has been put in place to allow efficient performance of the tasks.

In short, the existence of collective intentionality is the defining feature of all collectives. Loosely knit groups and crowds lack this essential feature of integration and therefore cannot be considered collectives.

Collective intentionality is the prerequisite for meaningful group action, alignment of individual efforts and aspirations, and development of unity. It is a *potentiality* of sorts that can be realised through *collective action*.

In the simplest terms, collective action means acting as a group to achieve common objectives. It can be understood *as* the action taken by a group (either directly or on its behalf through an organization) in pursuit of members' perceived shared interests (Marshall, 1998) (Fig. 2.1).

Some collective actions are short-lived and may or may not be repetitive, while others last longer, with centuries or decades of efforts focused on accomplishing a mission (like a church, pyramid construction and so on). Collective actions can be very simple, such as several friends planning to go to a game together, or very complex, such as the mission to send man to the Moon.

---

[3] The French phrase *esprit de corps* is one of Henri Fayol's 14 Principles of Management. Fayol emphasises that an organisation must do everything in its power to maintain group cohesion. Fayol believed that organisations must have a team spirit, and that their members must think of themselves as constituent parts of the organisation. The unity of the members in a collective is an important prerequisite of an organisation's success. Fayol's Principles of Management are presented in his book *Administration Industrielle et Generale*, published in 1916.
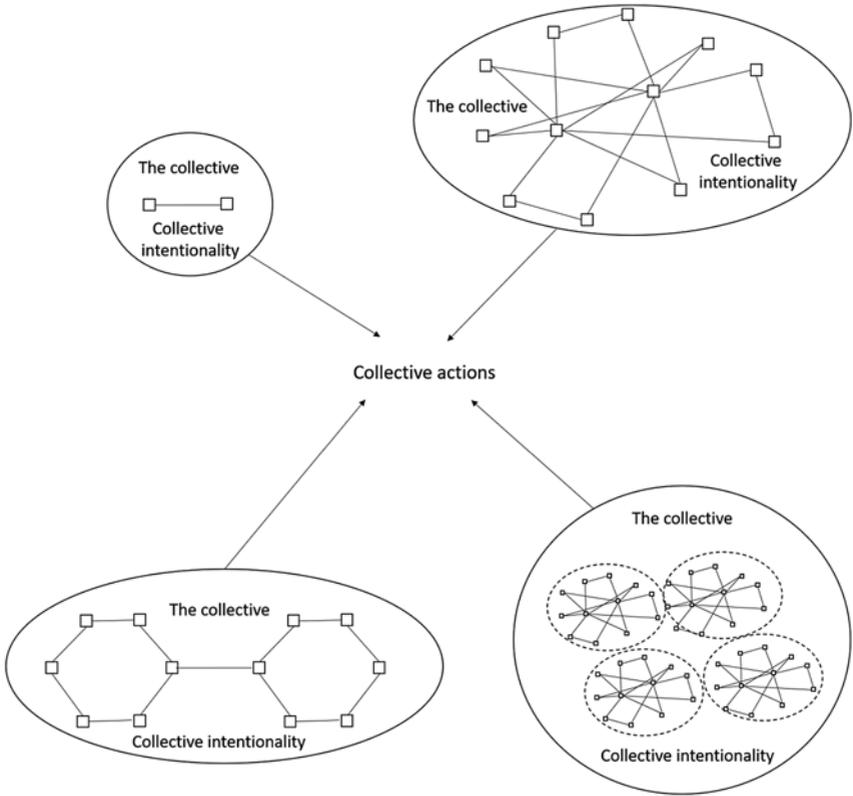
Fig. 2.1   The collective, collective intentionality, and collective action

Some of the relevant questions are: What is the connection between collective intentionality and collective action? How are courses of action developed, and how are the actions of collective members combined and aligned? How do ideas, symbols and narratives come together to form shared meanings in the collective? Which obstacles need to be removed in order for the collective to be capable of coherent and integrated action? And what is the role of leadership in all this?

In particular, American economist Mancur Olson called attention to problems arising in collective action, noting that groups of individuals, in addition to efficient organisation, needed appropriate mechanisms and

selective incentives (reward, punishment) to act in common interest (Olson, 1971/1965).

Differences in individuals' interests can lead to conflict and to behaviours that will not yield the best possible outcome for the group as a whole. In our opinion, this problem can be addressed, apart from incentive instruments, by consolidating intergroup relations, and building a homogenous collective.[4]

A strong collective can outgrow the individuals and their interests and become an entity in itself, with its own goals, desirable outcomes and results of its activities. Unity then becomes *a substance* that cannot be reduced to a collection of individualities, and collectiveness is perceived as more important than individual efforts.

Collective action can take two generic forms: cooperation and coordination.

Cooperation is usually manifested as a more or less spontaneous adaptation of group members to each other, whereas coordination is manifested as the establishment of a structure of governing and leading based on formal or informal authority.[5]

Cooperation and coordination are needed in a wide range of activities, from neighbours helping each other with gardening, student excursions, humanitarian campaign organisation, and smaller entrepreneurial ventures involving several partners, to running a hospital or a big global company, or governing a country. However, their role is not the same in all possible situations.

The needs for organisation, standardisation of behaviour, and leadership increase as the collective and collective action become increasingly complex.

---

[4] In this we diverge from the common understanding of the problem of collective action in reference works, which describes it as a social dilemma involving suboptimization by rational individuals, who strive to maximize their own benefit, irrespective of the benefit of the collective, as can be analysed in one of the game theory models. Our view is that the problem of collective action can in some situations be resolved through homogenization and identification, and by building a sense of togetherness in the collective, with members uniting their individual benefits towards shared aspirations.

[5] Similarly, Mintzberg (1979: 3) identifies five coordinating mechanisms as the "glue" that keeps an organisation together: mutual adaptation, direct supervision, standardisation of work processes, standardisation of work outputs, and standardisation of worker skills.

Mutual adaptation of individuals is not an adequate alternative to the coordination of the more complex jobs and tasks needed for the achievement of multiple objectives, and *a priori* standardisation of the behaviour of group members is not sufficient, except when they operate in a very predictable and simple environment.

Larger organisations need a complex internal structure covering the relations between members, their interconnecting elements, and the key features of the organisation. In addition to dividing the work and defining roles and positions, it is also important to institutionalize the coordination systems by establishing a formal chain of authority and responsibility.

Moreover, the connectedness between members and the collective needs to be reinforced, their dedication and motivation in performing tasks needs to be boosted, and an appropriate environment needs to be built to strengthen the collective identity and improve the organisation's climate. Leadership plays an indispensable role in this.

Leadership vs. Management

The need for leadership occurs naturally with the emergence and development of collectives. To paraphrase physicist and philosopher Ernst Mach, the collective is needed to understand leadership, just as leadership is needed to understand the collective.

Leadership is a persistent feature of the collective: it is the contribution of one or more members to the collective, but also the result of interactions and processes between the members of the collective (Boal & Hooijberg, 2000; Day et al., 2006). Rarely is it possible to effectively achieve goals of common activities without leadership.

Leadership springs from collective intentionality and is materialized in collective action: it requires the establishment of clear guidelines and the creating of an image of a desirable future, the development of a purpose, or the set of meaning needed to interpret the course of collective action, efficient division and coordination of labour, as well as recruitment, mobilisation and motivation of members so they would selflessly make a sufficient contribution to the accomplishment of the collective's goals.

Planning, leadership, and management are interwoven, interconnected and complementary in tasks, and together form the foothold triangle of an organisation (Ohmae, 1982). Planning is a management function and the basis for successful leadership, but leadership is not synonymous with management, and management cannot be equated with leadership in every situation.

Leading (not leadership) is usually identified as one of the functions of management, with an emphasis on its "human side": the influence the managers exert on the behaviour and value systems of their subordinates and co-workers to make them enthusiastically pursue the objectives of the organisation, or its constituent part. It is often argued that the art of mobilising people is the most difficult and complex task in management, since people are the source of most of the problems in any organisation. Efficient managers, according to typical opinions, have to be good leaders as well.

On the other hand, the phenomenon of leadership cannot be reduced to a mere ingredient, or segment, of management. Leadership presents challenges and overcomes tensions between two components of collective action: bringing people together, motivating and steering them; and the complexity of the task at hand.

The thesis that successful leaders also have to be good managers is simply not valid. Managers may or may not have leader traits in addition to their manager function. Management and leadership are two fundamentally different phenomena.

Management optimises the existing systems, procedures and processes within the existing paradigm of the organisation (Hinterhuber & Friedrich, 2002). It is defined as the process of accomplishing the organisation's objectives through effective and efficient use of limited resources. Management is based on the functions of planning, budgeting, organizing, staffing, controlling, and problem solving.

Hierarchy is the backbone of management and the source of formal power. Managers are members of the collective at different levels of hierarchy to whom the responsibility of managing a unit within the organisation, or the organisation as a whole, has been delegated.

Management is a phenomenon of the Industrial Age: its importance became particularly pronounced with the separation of the ownership

role from the resource administration role, and with the establishment and expansion of *modern corporations*, whose top management was given the position of corporate control,[6] and which the distinguished economic historian Alfred Chandler (1990: 7) identifies as possibly the most important social innovation of the last century. The modern corporation bred management as the central institutional mechanism.

What are the similarities and differences between leadership and management?

Both systems rest on building a belief in the existence of a common goal (Barnard, 1938/1950). Both include activities such as making decisions about tasks to be performed, ways to perform them, and people to perform them with, in order to effectively attain the objectives that have been defined beforehand.

Unlike management, which is based on facing complexity and establishing order and consistency in the organisation's existence, leadership is primarily a phenomenon of facing changes (Kotter, 1990), based on shaping a vision and on connecting people, inspiring and encouraging them to act together.

Instead of the division of labour, rational utilisation of scarce resources, planning and supervisory mechanisms, and making and implementation of decisions, which are the characteristics of management, leadership rests on discovering a purpose, building a desirable future, and coordinating the collective. Management can thus be viewed as set of functions to be assumed in a position of formal authority, whereas leadership can be viewed as a phenomenon of relationship, bringing members of the collective together, and giving a purpose to collective action.

Some believe that the contrast between management and leadership is evident in the differences in the personalities and modes of operation of persons assuming one or the other role. According to such views, a leader is not an administrator, as compliance with rules and regulations is not an

---

[6] "Modern corporation" is a term coined by Adolf Berle and Gardiner Means, referring primarily to the type of company whose owners are no longer personally liable for its commitments or any other obligations that the company incurs or could incur (limited liability), as well as to the separation of the ownership function from the function of administrating company's resources, as one of the most important phenomena in economic history (Berle & Means, 1933). The modern corporation is characterised by a dispersed ownership structure and the dominant position of the management.

important part of their job description, whereas shaping new rules is. Unlike a manager, who maintains the system in order to attain objectives, a leader builds trust in order to accomplish a mission and change the organisation for the better. The leader aims to "do the right thing," unlike the manager, who aims to "do things right" (Bennis, 2009).

Management underlines rationality and control: managers need analytic competences, persistence and consistency in their work, good problem-solving skills, and tolerance of others. In contrast, leaders are more open to possibilities, they create and accept new ideas, take a personal and active view of targets, and develop new approaches to old issues (e.g., Zeleznik, 1992).

The meanings of management and leadership collide and, in our view, it is a mistake to shape dichotomies describing antithetical traits of typical managers and leaders, placing them in separate, untouching categories. They are unquestionably separate phenomena or constructs, with different ways of materializing from the collective reality and different manifestations, narratives and symbolic spaces, yet they are often firmly interwoven and difficult to separate.

On the other hand, the inflation in the use of the word *leadership* and *leader* to refer to an ever-growing spectrum of roles, tasks and processes in organisations calls for caution. Leadership seems a better and more comprehensive response to most challenges and problems in an organisation than other constructs. Many members of the collective refer to themselves (or others refer to them) as *leaders*, thus increasing their confidence level and improving their social position in comparison with *administrators*, *supervisors*, *foremen*, *bosses*, *managers*, and the like. In most cases, however, their job roles lack the substance we have identified with leadership above: this is a semantic confusion that occurs because this term is more attractive than some others.

As Learmonth and Morrell (2020) have pointed out, "leader" is a positive and prestigious title in the modern world. It has the power to strengthen a person's position and boost their influence in and outside of the collective, as well as to convincingly conceal the actual political interests and power relations in the organisation. This is true even though most "leaders" are not really leaders, as an analysis of their behaviour and job roles can confirm.

Extremes like Nelson Mandela's and Mahatma Gandhi's leadership in the influential collective actions that radically transformed the South African and Indian societies, and the managements of most commercial banks and other "machine bureaucracies," are easier to recognise as archetypal examples of managerial consistency in assuming formal responsibility and in administrative coordination, with a high level of job standardisation.[7] Between these two extremes, there is an impressively large area where leadership and management coexist, especially in organisations competing in the markets, or organisations facing substantial pressure from their environment or threats to their survival. Famous corporation founders and/or leaders like Apple's Steve Jobs, Nike's Phil Knight, Xerox's Anne Mulcahy, SAP's Henning Kaggerman, and many others, are examples of both successful leaders and excellent managers.

Succinctly, leadership encourages the formation of a new collective, or emerges in an existing collective to inspire, unite and steer its members in performing collective actions and accomplishing common goals.[8]

Depersonalized Leadership

In most cases, we *personalize* leadership, i.e., we associate it with leaders, their qualities and abilities, their position and the role in integration of the collective and creation of organizational future. Personalized

---

[7] Mintzberg (1979, 1983) defines machine bureaucracy as one of the five basic configurations of an organisation. The characteristics of machine bureaucracy include highly specialised, routine operative tasks, formalised procedures in the operative core, proliferation of rules and regulations, formalised communication within the organisation, large units at operative levels, functional task grouping, relatively centralised decision-making power, and a well-developed administrative structure. The following characteristics are also prominent: official communication, formal authority and responsibility chain, unquestionable and recognisable division of labour, clear differentiation of organisation units, strong control, and division of power between the top-ranking managers and analysts from the organisation segment that Mintzberg referred to as "technostructure."

[8] The leadership position was recognised as early as in the Antiquity. In *The Republic*, Plato argues in favour of the need for a strong leader, capable of serving the society as a whole. According to Plato, the leader should provide the collective with food and protection (trophế or τροφή in Ancient Greek), like a shepherd provides for his flock. Trophế Ta is divided into two functions: care (epimeleia; ἐπιμέλεια in Ancient Greek), and willingness to help (therapeuo; θεραπεύω in Ancient Greek). The leader is the basic exponent of the force that serves as *the animating principle of the organisation* (Kirkeby, 2008: 18–19).

leadership can be manifested in individual or collective leadership; it can be concentrated or dispersed; with a higher or lower level of decision-making discretion; with symmetrical or asymmetrical structure of power distributed within the organization.

Analysing leadership based on examples of behaviour of influential individuals is fairly common, both in practice and in popular literature.

Leadership can indeed be observed by correlating the success of an organisation with the traits and competencies of its upper echelons: they create and/or legitimise the strategic intent and make decisions of vital importance for the organization. In fact, many sociodemographic and psychological factors, as well as business experience and life experiences of those occupying the upper echelons certainly have a significant impact on the efficiency and performance of the organizations.

Nonetheless, one must not forget that the organization is a set of routines, processes and/or systems in which inputs are transformed into outputs. Its existence is affected by existing administrative mechanisms and structure, formally established rules of conduct and organizational settings, embedded culture and ideology, and non-formalized ways of acting and interacting with the surroundings.

Organizations relying predominantly on formalization of behaviour may end up *bureaucratizing* their governance processes, effectively reducing them to conduct that does not depend on any individual or group but on a well-established set of rules which are manifested through division of labour and adequate job specification, clear chain of command and communication, and standardization of different types of jobs. In some cases, this can lead to almost complete depersonalisation of strategic leadership.

Depersonalisation can also appear in a situation characterised by comprehensive decentralisation, where members of the collective act jointly in strategic processes, without any identifiable individual differences or clear hierarchical relations. This kind of strategic leadership, where the idea of individual contributions is lost as such, requires a high degree of indoctrination and homogenisation of the collective, strong agreement when it comes to direction of action, and developed decision-making mechanisms of direct democracy and participation.

Moreover, depersonalisation can also be observed in the forms of network leadership, especially those where there are no strong managerial nodes.

Depersonalisation of leadership can imply focus on the functions of leadership (and followership) rather than on the persons holding those functions. In this context, leadership is seen as a dynamic, highly-relational process emerging in diverse situations and aiming to *acknowledge the non-existence or the mythological nature of leaders and followers as nouns or separate identities* (Malakyan, 2015: 228). This kind of relational and process paradigm is, at first glance, distinct from the bureaucratic approach, but it actually shares with it a strong reliance on organisational (or group) settings and depersonalisation of leadership *per se*.

There is an actual duality of leadership in organisations.

Any leadership has its own depersonalised substance which is the result of specificities of bureaucratic structures and characteristics of the environment and the organisation, and which is reflected in the limitations and available decision-making discretion; however, it is also undisputed that prominent individuals, with their traits, knowledge and leadership styles, affect the way leadership is manifested.

The content and processes of leadership include in most cases personalisation and mechanisms of administration and management.

Duality of leadership can also be manifested in a completely different way: by distinguishing formal from emerging relationships within the organisation. This is where the contrast between the personal and the impersonal is manifested as a kind of structural paradox.

Incidentally, there is an interesting idea about the coexistence of two leadership structures, an idea developed within the complexity theory that postulates the existence of two connected but distinctly separate leadership phenomena. These are (1) leadership based on administrative structures and formal positions, and (2) adaptive leadership, which is based on the dynamics of relationships and complex interactions in social networks. Adaptive leadership, as underpinned by the advocates of that theory, plays a particularly important role in organisations where creation and dissemination of knowledge and information is a crucial determinant of their existence and development (Kriger & Zhovtobryukh, 2013; Uhl-Bien et al., 2007; Uhl-Bien & Marion, 2009).

Leadership as a Collective Attribute

A vast majority of theoretical and practical approaches to leadership belong to the discourse relying on the classic ontology. We can shed some light on what we think of as leadership by analysing certain determinants and relations in the categorical tripod "leader-follower-outcomes." Whether it involves process aspects, relationships or characteristics of social actors and situations, the manifestation of leadership comes down to having and accepting authority, and to the influence that is supposed to result in desirable outcomes in the realisation of collective action.

The classic ontology is intuitively acceptable and, according to its advocates, helps us explain the different manifestations of leaderships, and discern recognisable behaviour patterns and typical relations that can help us build theoretical models with predictive potential, or find interpretations that provide an in-depth overview of the characteristics of the constituent elements of the categorical tripod and their interrelations in different situations. We believe, and we are not alone in this, that such ontic reality is not entirely satisfactory in providing a bigger and complete picture of leadership in the modern organisations of our time.[9]

Neo-Kantians like Dilthey, Ricker and Windelband maintain that "understanding," or establishing connections between individual meaningful phenomena and a specific whole, is the basic principle of social sciences (unlike natural sciences, where the main principle is "explaining," or establishing causally determined connections). The two differ by their treatment of phenomena: whereas the nature of phenomena in social sciences is individual and specific (they only occur once), their nature in social sciences is general, because they can be repeated ad infinitum (Supek, 1996: 79–80).

We are of the opinion that unclear definition boundaries mandate caution in the study of leadership: irrespective of the discourse we subscribe to, the important thing is to define the boundaries of the concept's semantic space in order to adequately "understand" or "explain" what it

---

[9] We indisputably see the world as the *understandable* world, in the entirety of the phenomena that comprise it and that we are capable of understanding. In such a world, we strive to understand why something happens, why phenomena are what they are, which conditions they depend on, and which rules the connection between a condition and its subject follows (Tipurić 2014).

is, what it can be, and how it relates to other phenomena.[10] Peeling away the accumulated excess components of the definition seems an almost impossible task, as does implementing entirely new constitutive semantic formations. In doing so, we must accept the fact that nothing is immutable in the social environment: as a phenomenon, leadership can, and does, change over time, as do the meanings of leadership in the minds of everyone it concerns.

Leadership serves as an *invisible integrative mechanism* of an organisation (Barnard, 1938/1950), tremendously important in building a common worldview that helps the organisation survive as a coherent entity. Rather than an appendage or decoration, leadership is a substantive element that is essential to the collective's existence; its function, as Peter Senge et al. (2007) perceptively noted, is to *define the reality of the organisation.*

It is also a complex, multilevel phenomenon that does not yield itself to simple direct observation (Weick, 1978; Yukl, 2006). We also know that leadership *emerges* from the collective as its essential component, whether the collective in question is a dyad, triad, a small group or a large one, a tribe or a religious congregation, an enterprise or a non-profit association, a national or international organisation, and so on.

Collective intentionality constitutes the essence of the collective, and efficient implementation of collective action through cooperation and coordination mechanisms in order to accomplish common goals constitutes its purpose. Leadership is the key to the coordination of collective action, and much more than (just) an activity by which one actor influences others in order to control their behaviour. Leadership is a crucial characteristic of the collective that essentially defines it.

Such a view can go against our intuition, which tells us to look for leadership in designed constellations where we can always recognise visible structures of formal and informal authority, as well as the actors who assume leader and follower roles, and the descriptions of behaviours in

---

[10] Stogdill's view that "*there are almost as many different definitions of leadership as there are people who have tried to define it*" (1974: 259) is well known. Some believe we should consider the usefulness of the construct of leadership in scientific research, considering how unclear and undefined the concept is (e.g., Alvesson & Sveningsson, 2003).

the established interrelations are known beforehand. It also demolishes the constructed reality built on such a definition of leadership, which is widespread.

On the other hand, how do we interpret situations distinguished by symmetric distributions of roles, where roles in the relationship of leadership are not clearly differentiable, or where the interrelations between the actors are dynamic, with the leader and the followers often changing places? How do we explain the widespread phenomena of shared and distributed leadership in teams and complex organisations?[11] Does leadership as such even exist if everyone in the collective assumes the role of the "leader" together?

There is also the concept of *self-leadership*, which is a result of the encouragement of autonomy, and empowerment of individuals to act without supervisory mechanisms.[12] Leaders' intrapersonal relationships are not a frequently discussed topic in reference works in the field of organisation and management, even though some authors argue that they constitute a leadership problem *par excellence* (Kirkeby, 2008: 16).

Moreover, how is leadership manifested in strategic alliances and other constellations comprising multiple entities? Social network leadership also has specific traits that are not identifiable with the classic concept of authority, hierarchical relations and explicit "leader-follower" relations, and yet it exists as "leadership."

Besides, how do we interpret a type of leadership where influence, as a generic attribute, takes on the form of *serving* people, a group or an organisation, and/or something that can be understood as a higher collective purpose?

Changes in circumstances at a time when new forms of organisation and association appear further emphasise the need for an ontological "expansion" so that we could study how leadership emerges as a collective trait that helps align the common activities undertaken by its members.

---

[11] There are several ways to *share* leadership. A group of key people in an organisation can grow into a *dominant coalition* that assumes joint leadership functions. Secondly, leadership can be dispersed and distributed across the organisations, taking one of the forms of collective leadership.

[12] Self-leadership develops when a collective encourages its members to act independently, without the guidance and the authority of a superior (see e.g., Gardner & Pierce, 1998). The advanced change theory also underlines the need for self-leadership. Leaders face a high level of cognitive, behavioural and moral complexity, and must therefore focus on changing themselves (self-leadership) to be able to successfully change others and the entire system (Quinn et al. 2000).

Leadership is irreplaceable in building group identity and shaping the way how members will be united and directed towards the accomplishment of common goals. This does not have to be, and often is not, the result of one leader's influence over the followers in the collective. The semantic universe of leadership needs to be expanded.

Tuomela (2007) underlines that unity in a collective depends on the existence of constitutive structures and a group agent that unites the collective and helps define it. The group agent rests on three footholds: the definition of key issues of interest for the collective (*realm of concern*) and the creation of an *intentional horizon*, which comprises answers to formulated questions that have been coordinated and accepted by the group, and the existence of an *ethos* linking the first two elements, which is recognisable in the main goals and in the commitment to the collective (Tuomela, 2007: 15, as cited in Laitinen, 2014). In such a definition of the collective, leadership is the group agent, but it cannot be understood (just) as a trait of the actors concerned, a relationship, a simple process, or influence in itself.

Leadership can be understood as an interactive social process *in which decisions are made on what needs to be done and how to do it… that involves many different people influencing one another* (Yukl, 2008: 4). The understanding of leadership as a dispersed complex process comprising multiple influences accentuates, in particular, the importance of the collective in the concept.

From the relational perspective, development of leadership can be understood as an improvement of leader-member exchange (LMX theory, e.g. Graen & Uhl-Bien, 1995) or as the strengthening of the collective's ability to create direction, collectivity and commitment through interactions in network relationships (Van Velsor et al., 2010; Cullen-Lester et al., 2017). This is in line with strategic leadership being viewed as an *organisational characteristic* that emerges as a shared or collective process (e.g., Pearce & Conger, 2003).

Since organisations are dynamic processes simultaneously creating and destroying shared meanings (Gray, 1985), leadership can also be understood as a way to align collective intentionality with the symbolic representation of the illusion of the organisation's reality.

Drath et al. have offered one of the more interesting approaches to identifying "an alternative ontology" of leadership. Rather than

uncritically accept the ontology that seeks the definition of leadership in the relationship leader-followers, in their view, leadership should be conceptualised around the ontic triad "direction-alignment-commitment" (DAC) (Drath et al., 2008).

The alternative ontology considers leadership an inalienable feature of the collective as a whole. Leadership is manifested (and exists) wherever there is direction, alignment, and commitment building in a collective, regardless of the possible reference to the asymmetric relationship of influence between members that shapes some individuals into leaders, and others into followers.

Direction, the first element of such an ontology, refers to common effort and understanding in the collective of its purpose, task, course of action, and idea about the future. Direction usually includes mission, vision, main policies and goals. It can be imposed on the members of the collective through authority and influence, but it can also be the result of adaptation, coordination and agreement between the members. The more involved the members are in defining the courses of action, the greater is their common understanding and value.

Alignment, the second element, is related to the organisation and coordination of knowledge and labour in the collective. Drath et al. (2008: 647) argue that larger organisations conduct collective alignment through structure and management functions (planning, budgeting etc), whereas smaller groups conduct it through mutual adaptation. Alignment helps make the collective's activities coherent.

Commitment, the third and final element, refers to the preparedness of the members to subject their efforts and their own well-being to the common interest of the collective. Commitment depends on loyalty, devotion and identification of the members, and is usually manifested in the energy, effort and time invested in the performance of common tasks and jobs in the collective.

Individual and collective convictions on how direction, alignment and commitment are formed in the collective, and how these convictions lead to "leadership practices," or the realisation of the three elements in the collective reality, are the key components of the "leadership framework".

The following analogy about the development of leadership potentials offers a good illustration of the relationship of the two ontologies. The

classic ontology gives importance to the development of the leader (in some theoretical approaches) by reinforcing the leader's abilities to efficiently fulfil the leading role, and take on important processes in the relations with their followers. The alternative DAC ontology draws attention to the expansion of a collective's leadership capacity. The objective is to continuously create direction, alignment and commitment through mutual interactions (Van Velsor et al., 2010).

Such a definition of the constitutive elements of leadership is easier to associate with the relational processes occurring at multiple levels in and outside of the organisation (Cullen-Lester et al., 2017: 131), as well as in the conditions in which the actors' roles are alternating, shared or not distinguishable enough.

The alternative DAC ontology is similar to our view of leadership, based on the essential connection between collective intentionality and collective action (Fig. 2.2).

In conclusion, leadership emerges as a coordination mechanism in collective action-taking, regardless of the existing constellations of authority and the distribution of roles between the actors.

It arises as a *collective phenomenon* wherein the removal of individual organisational groups cannot explain its true substance. It arises as a response to an identified need, problem or opportunity with which the organisation is faced. It is identified as a sort of "property" of the collective, the kind that is created in dynamic processes of leadership role swapping; it is constituted and modified through formal and informal
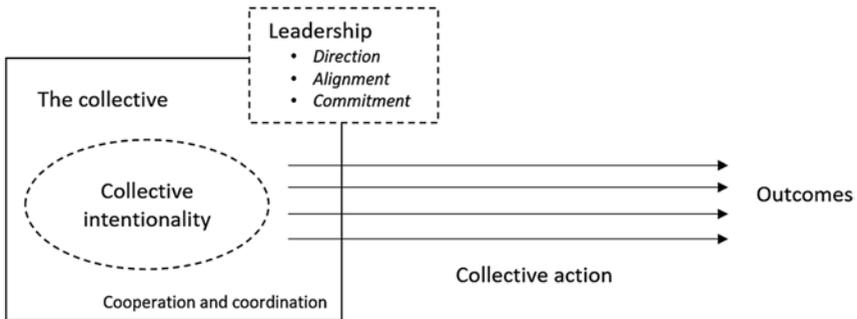

Fig. 2.2 Collective and leadership

relationships within the organisation. Hence, it comprises relations and structural patterns that emerge as the result of interaction between mutually dependent actors (Yammarino et al., 2012; Cullen-Lester & Yammarino, 2016).

The challenges of leadership increase with the number and complexity of the actions to be taken, and the level of uncertainty and variability in the collective's environment.

Leadership implants desirable values, develops a culture of mutual understanding, and reinforces cohesion. It creates the frameworks for understanding, purpose and meaning of collective action (Jacobs & Jaques, 1987) and delivers symbols and stories that help shape and reinforce the collective identity.

Leadership inspires commitment in members and strengthens connections, provides a purpose, and aligns unity in collective action.

References

Alvesson, M., & Sveningsson, S. (2003). The good visions, the bad micro-management and the ugly ambiguity: Contradictions of (non-) leadership in a knowledge-intensive company. *Organization Studies, 24*, 961–988.

Barnard, C. I. (1938/1950). *The functions of the executive*. Harvard University Press.

Bennis, W. (2009). *On becoming a leader*. Addison-Wesley.

Berle, A. A., Jr. & Means, G. C. (1933). *The Modern Corporation and Private Property*. New York: MacMillan.

Boal, K., & Hooijberg, R. (2000). Strategic leadership research; Moving on. *The Leadership Quarterly, 11*, 515–549.

Chandler, A. D., Jr. (1990). *Scale and scope: Dynamics of industrial capitalism*. The Belknap Press of Harvard University Press.

Cullen-Lester, K. L., Maupin, C. K., & Carter, D. R. (2017). Incorporating social networks into leadership development: A conceptual model and evaluation of research and practice. *The Leadership Quarterly, 28*(1), 130–152.

Cullen-Lester, K. L., & Yammarino, F. J. (2016). Collective and network approaches to leadership: Special issue introduction. *The Leadership Quarterly, 27*(2), 173–180.

Day, D. V., Gronn, P., & Salas, E. (2006). Leadership in team-based organizations: On the threshold of a new era. *The Leadership Quarterly, 17*(3), 211–216.

Drath, W. H., McCauley, C. D., Palus, C. J., Van Velsor, E., O'Connor, P. M. G., & McGuire, J. B. (2008). Direction, alignment, commitment: Toward a more integrative ontology of leadership. *The Leadership Quarterly, 19*(6), 635–653.

Gardner, D. G., & Pierce, J. L. (1998). Self-esteem and self-efficacy within the organizational context: An empirical examination. *Group & Organization Management, 23*(1), 48–70.

Graen, G. B., & Uhl-Bien, M. (1995). Relationship-based approach to leadership: Development of leader-member exchange (LMX) theory of leadership over 25 years: Applying a multi-level multi-domain perspective. *The Leadership Quarterly, 6*(2), 219–247.

Gray, N. (1985). Conditions facilitating interorganizational collaboration. *Human Relations, 38*(10), 911–936.

Hinterhuber, H. H., & Friedrich, S. A. (2002). The technology dimension of strategic leadership: The leadership challenge for production economists. *International Journal of Production Economics, 77*(3), 191–203.

Jacobs, T. O., & Jaques, E. (1987). Leadership in complex system. In J. Zeidner (Ed.), *Human productivity advanced* (pp. 7–65). Praeger.

Kirkeby, O. F. (2008). *The virtue of leadership*. Copenhagen Business School Press.

Kotter, J. P. (1990). *A force for change: How leadership differs from management*. Free Press.

Kriger, M., & Zhovtobryukh, Y. (2013). Rethinking strategic leadership: Stars, clans, teams and networks. *Journal of Strategy and Management, 6*(4), 411–432.

Laitinen, A. (2014). Collective intentionality and recognition from others. In A. K. Ziv & H. B. Schmid (Eds.), *Institutions, emotions, and group agents. Contributions to social ontology* (pp. 213–227). Springer Science+ Business Media.

Lapinski, M. K., & Rimal, R. N. (2005). An explication of social norms. *Communication Theory, 15*, 127–147.

Learmonth, M., & Morrell, K. (2020). *Critical perspectives on leadership: The language of corporate power*. Routledge.

Malakyan, P. G. (2015). Depersonalizing leadership and followership: The process of leadship and followship. *World Journal of Social Science Research, 2*, 227–250.

Marshall, G. (1998). *A dictionary of sociology*. Oxford University Press.

Miles, S. (2012). Stakeholder: Essentially contested or just confused? *Journal of Business Ethics, 108*(3), 285–292.

Mintzberg, H. (1979). *The structuring of organizations: A synthesis of the research*. Prentice Hall.

Ohmae, K. (1982). The strategic triangle: A new perspective on business unit strategy. *European Management Journal, 1*(1), 38–48.

Olson, M. (1971/1965). *The logic of collective action: Public goods and the theory of groups*. Harvard University Press.

Pearce, C. L., & Conger, J. A. (Eds.). (2003). *Shared leadership: Reframing the hows and whys leadership*. Sage Publications.

Quinn, R. E., Spreitzer, G. M., & Brown, M. V. (2000). Changing others through changing ourselves: The transformation of human systems. *Journal of Management Inquiry, 9*(2), 147–164.

Senge, P., Jaworski, J., Scharmer, C. O., & Flowers, B. S. (2007). *Prisustvo: Ljudska svrha and polje budućnosti*. Društvo za organizacijsko učenje Hrvatske.

Stanford Encyclopedia of Philosophy (2013). https://plato.stanford.edu/entries/collective-intentionality/ (accessed 12.8.2019.).

Stogdill, R. M. (1974). *Handbook of leadership, A survey of theory and research*. New York: The Free Press.

Supek, I. (1996). Znanost and etika. *Bogoslovna smotra, 66*(4), 681–690.

Tipurić, D. (2014). Iluzija strategija: Razotkrivanje socijalno konstruirane zbilje poduzeća. Sinergija: Zagreb.

Tuomela, R. (2007). *The philosophy of sociality: The shared point of view*. Oxford University Press.

Tuomela, R. (2013). *Social ontology: Colective intentionality and group agents*. Oxford University Press.

Uhl-Bien, M., & Marion, R. (2009). Complexity leadership in bureaucratic forms of organizing: A meso model. *The Leadership Quarterly, 20*, 631–650.

Uhl-Bien, M., Marion, R., & McKelvey, B. (2007). Complexity Leadership Theory: Shifting leadership from the industrial age to the knowledge era. *The Leadership Quarterly, 18*(4), 298–318.

Van Velsor, E., McCauley, C. D., & Ruderman, M. N. (2010). *The Center for Creative Leadership handbook of leadership development*. John Wiley & Sons.

Weick, K. E. (1978). The spines of leaders. In M. W. McCall & M. M. Lombardo (Eds.), *Leadership: Where else can we go?* (pp. 103–123). Duke University Press.

Yammarino, F. J., Salas, E., Serban, A., Shirreffs, K., & Shuffler, M. L. (2012). Collectivistic leadership approaches: Putting the "we" in leadership science and practice. *Industrial and Organizational Psychology: Perspectives on Science and Practice, 5*(4), 382–402.

Yukl, G. A. (2006, 1989/1981). *Leadership in organisations*. Prentice Hall.

Yukl, G. A. (2008). *Rukovođenje u organizacijama*. Naklada Slap.

Zeleznik, A. (1992). Managers and leaders: Are they different? *Harvard Business Review, 4*, 1–12.

3

The Rise of Strategic Leadership

Strategy and Leadership

In the last few decades, the construct of "strategic leadership" has originated and developed as a distinct area of theory and research that connects the disciplines of strategic management and leadership within social sciences.

Strategic management is much more focused on strategic choices and strategic decisions than on the processes by means of which such decisions are made or implemented, whereas leadership theory based on classic ontology mostly deals with matters of the "leader–follower" relationship in teams or at lower organisational levels, with little emphasis on actions of organisational leaders (Yammarino & Dubinsky, 1992; Wang et al., 2012).

There are difficulties with the circular definition of strategic leadership. Strategic leadership is a general linguistic construct, a neologism that connects two categories the meanings of which are elusive and variable depending on the context in which they are used.

Strategy was created in order to explain the behaviour of people, organisations and other social entities when interacting with the environment,

and the intent behind such behaviour. As pointed out by Henry Mintzberg (1994, p. 75), strategies are unique concepts that exist only in people's minds and *are not sharply-defined entities to be stacked up like crates in a warehouse*. People use them to try to explain the world around them, to give it meaning, to recognise and determine its purpose, to create a framework within which actions taken in this world that surrounds them can be influenced.

Strategy is not a coherent thought construct with unambiguous meaning to which we can attribute an indisputable interpretation. It is a multisignifier with a plethora of signifieds that change and expand; we know that there is no possibility of finding its "final meanings." Strategy may be observed from a perspective provided by Derrida's concept of *différance*, a word that cannot be easily translated but that can be understood as the special mechanism used to produce meaning.[1]

It is a *transnarrative* and brings a multitude of various and variable meanings, tones and definitions. As a concept, it is mainly related to the most important aspects of being, a holistic view of and a relationship with the future, as well as a selection and radical separation of what is important from what is not important. In addition, strategy is an idiosyncratic idea and a mystical aporia, a collection of mystifying insignias that attribute importance to a particular social constructed entity; it is in contrast to less important, minor manifestations. Strategy is difficult to define, and it is accompanied by many different conceptions, metaphors, images and stories that come with it.[2]

Meaning is given to strategy depending on the discourse, as well as the historical and cultural context.

Strategy emerges in the interaction of important actors involved in creating meaning through their interpretations. Instead of focusing on

---

[1] *Différance* is a neologism that explains the intrinsic property of language. For Derrida, it is neither a word nor a concept, but *the possibility of conceptuality, of a conceptual process and system in general* (Derrida, 1982, p. 11). The French word "différence" means difference, while "différer" means to defer or postpone. Derrida used these two words to coin a new word, *différance*, which carries the meaning of both difference and deferral. In addition, *différance* is pronounced the same as *différence*, which fact Derrida used to additionally emphasise the precedence of written text.

[2] For more details, see my book, *Iluzija strategije (Illusion of strategy)*, published in 2014 (in Croatian).

decision-making, strategic leaders *would concentrate on the values, symbols, language, and dramas that form the backdrop for decision making structures* (Smircich & Stubbart, 1985, p. 731). Strategy exists and lasts as an idea and/or as an action, woven into the world and language of leaders, managers and organisations.

Strategy provides the *fundamental justification* to an organisation for its existence: *ex ante* or *ex post* interpretation of strategy is the most important part of the managerial elite's task in seeking and creating organisational purpose (Tipurić, 2014, pp. 27–29). It is interpreted as imaginary, visualised, mind-made and recognised; however, it is also noticeable in designed or observed behaviour patterns. At the same time, it is a focus on what is important and it creates a structure that establish order in networks of meaning.

It may be a reflection, mental representation, cognitive labelling and sensemaking, as well as an action, a type of activity or an execution. It is observed in the consistent and integrated behaviour of social entities, via purposefully combined and interconnected activities, rules and routines, through which one may identify the reasonableness of action and its rootedness in the social environment in which it is manifested.

Leadership bears several meanings, as we have already highlighted. Leadership is a concept that denotes an individual or a group of individuals whose authority has been accepted by others. Secondly, leadership is a process in which the set goals, plans and tasks are realised through exerting influence on one's followers and their behaviour. Thirdly, leadership may be viewed as a relation between two persons or as a multilateral relation in hierarchies and networks that connect people. Finally, leadership is the connection between collective intentionality, collective action and the desired outcomes: it exists as a guiding, integrative and coordinating mechanism of common action in the collective.

Strategic leadership shares the plurality of meanings of both underlying concepts, producing different meanings which are not mutually exclusive and which adequately point to real and perceived dimensions of the phenomenon.

It is a social construct *sui generis*: researchers and practitioners use their knowledge to form social facts that influence the world of the phenomenon; in fact, they *constitute* strategic leadership, impose properties on it and create it.[3]

Construction of Strategic Leadership

There are multiple ways in which we can approach the understanding of strategic leadership. Different perspectives make it difficult to establish a stable symbolic canopy, although nowadays no one can dispute the creation of an "autonomous sub-universe of meaning"[4] of strategic leadership, which has the capacity of a feedback effect upon the persons who have produced such a meaning.

Firstly, when we add the attribute "strategic" to a phenomenon, we emphasise its significance and isolate its relevance in regard to the underlying phenomenon. Concepts such as strategic plan, strategic thinking, strategic behaviour, strategic move, etc. are subgroups within the basic category, with connotations of the essential and the critical as a common feature.

What do the "strategic" attributes of an action or thought have in common? It is undisputed that "strategic" means importance in and of itself, but also in regard to what is less important; "strategic" things are significant and often have an existential underlining; "strategic" connotes fated predetermination and alchemical magic of action or thought about essential matters that concern the social entity. In other words, the attribute "strategic" is linked to separating the class of main and particularly important components in a class of manifestations or constructions. For instance, in that regard, the most important decisions that define the being and the future of an organisation are referred to as "strategic decisions."

---

[3] Berčić (2012, p. 263) uses the metaphor of "cookie cutter" for such an anti-realist form of knowledge, as opposed to the metaphor of "chopping meat", which is appropriate for the realist form of knowledge. Advocates of the constructivist approach see researchers as "craftsmen" and "toolmakers" who are part of a *network* that creates knowledge and ultimately guides practice (Mir & Watson, 2000, p. 941).

[4] I borrowed the terms in quotation marks from authors Berger and Luckmann (1992).

Franklin ([1998](), p. 320) points out: *The word 'strategy' is brought out... when writers and speakers, theorists and managers are looking for a more impressive word than 'important'.* The construct of leadership suffers from the same ailment, as emphasised by Learmonth and Morrell ([2020](), p. 20) in a witty parable: *Leadership is simply being used almost like an aerosol sprayed over every activity to make it somehow 'special'.*

A similar logic may be applied to strategic leadership, which we can identify as a special type of leadership in important and crucial situations with significant consequences for the collective or the organisation. Strategic leadership can thus be understood as *the ability to handle complex problems for which there is no obvious short-term solution, in which the stakes are high, and in which influencing others is essential* (Kleiner et al., [2019]()).

"If strategy is so important", Knights and Morgan ([1991](), p. 255) questioned, "*how did business manage to survive so long without 'consciously' having a concept of strategy?*" In fact, it would seem that we actively affect the constitution and redefinition of problems and then offer a *strategy* as their solution.

Secondly, strategic leadership can be understood as a kind of *meta-leadership* or in other words, a leadership setting that gives meaning and a framework for all leadership activities and processes in a collective or organization.

Strategic leadership integrates coordination efforts in an organization and sets the framework for fulfilment of the mission and for outlining of a desirable future. It is a crucial instrument in an organisation's interaction with its surroundings.

In other words, it is an integrative activity connected with the ability to create, improve and maintain the capacity for learning, changing and managing strategic thinking in an organization. It helps to face uncertainty, complexity and overflow of information, by requiring timely action and adaptability to changes in the environment (Boal & Hooijberg, [2000]()). Another function of strategic leadership is efficient mobilisation of available human and social capital of an organization (Kriger & Zhovtobryukh, [2016]()).

Its purpose is to engage members so that they may play an active role in organisational transformation (Nutt & Backoff, [1993](), p. 324), to

develop abilities and instil core values (Boal & Hooijberg, 2000) and to strengthen their commitment (Collins, 2001).

This goes to show that strategic leadership implies a need to control the organisation's destiny. The central issue is the quest for sense and purpose, development and selection of guidelines and developmental trajectories, imprinting of symbols and plausible explanations that can mutually connect and motivate the members of the organisation in common action. It can also be seen as an art of setting boundaries where strategy emerges, a making and giving of sense and purpose of organisational actions (Crossan et al., 2008, pp. 573–574) and as a link between key organisational dimensions: ideology, identity, mission, context and core competencies of an organisation (Worden 2003, p. 32).[5]

This definition outlines strategic leadership as an organisational feature or an integrated process that does not have to depend on individuals or groups that assume the position of formal authority. It can be personalised or depersonalised, concentrated or dispersed, pertinent to only one collective or pertinent to an alliance or network of individuals, groups or organisations.

Thirdly, one can separate strategic leadership from "ordinary" leadership, depending on its position in the organisation. According to this idea, "ordinary" leadership deals with relations within an organisation ("leadership *in* organisations") whereas strategic leadership, on the other hand, focuses on leading entire organisations ("leadership *of* organisations") (Boal & Hooijberg, 2000).

Leadership of whole organisations is usually entrusted to an individual or a coalition of people with the highest authority and influence in an organisation ("upper echelons") who are at the top of the hierarchical ladder (Hambrick, 2007). Position, role and activities of upper echelons greatly differs from positions and activities of all other individuals who have different managerial responsibilities and authority in an organisation.

---

[5] Crossan et al. (2008) propose that a form of strategic leadership which simultaneously "covers" three levels: level of one's self (self-leadership), leadership of others and leadership of an organisation, be referred to as transcendent leadership. Transcendent leadership supersedes the three levels mentioned above and, according to those authors, improves organisational performance in a dynamic environment.

This prompted some scholars to attempt to distinguish between theoretical approaches: according to them, leadership theory focuses on leaders at any level of an organisation, from heads of smaller or larger teams or groups, to foremen or managers on all levels, whereas strategic leadership theory focuses only on individuals at the top level of the organisation (Hambrick & Pettigrew, 2001).

It is common for strategic leaders to be entrusted with tasks such as: (1) formulating organisational goals and strategy, (2) developing structures, processes, controls and core competencies for the organisation, (3) managing multiple constituencies, (4) selecting key executives, (5) creating the context for grooming the next generation of executives in the organisation, (6) providing direction with respect to organizational strategies, (7) maintaining an effective organisational culture, (8) sustaining a system of ethical values, and (9) serving and acting as the representative and negotiator on behalf of the organisation *vis-à-vis* external entities such as government and other organizations and constituencies (Bass, 2007, p. 36).

Successful strategic leaders need to be good at coping with paradoxes (Peters, 1991; Wang et al., 2012), possess mental elasticity and the quality of grasping time, from the past to the future (Goldman, 2012, p. 27; Liedtka, 1998), develop a capacity for dialectical thinking (Lloyd, 1990; Zhang and Chen 1991, according to Wang et al., 2012), know how to deal with contradictions, and move away from one-dimensional and naive interpretation of reality.

Apart from the relational "leader–followers" activities characteristic of "ordinary," analysis of strategic leadership cannot be complete without including strategic and symbolic activities (Cannella, 2001), or in other words, without an insight into the characteristics, cognition, behaviour, actions and strategic choices of persons on top positions in the organisation, including the connection between those attributes and organisational performance in the broadest sense (Hambrick, 2007; Finkelstein et al., 2009, p. 4).

In this context, strategy becomes the *punctum saliens* of strategic leaders' work. As emphasized by Porter (2001), the role of strategic leaders is to *teach* others about strategy, to act as a barrier preventing any straying from it, and to define limits for organisational action. They make and

communicate decisions that affect the future of the organisation (Zaccaro, 1996).

From a pragmatic viewpoint, strategic leadership is the ability to influence others to voluntarily make day-to-day decision required to improve long-term survival of the organisation, while at the same time ensuring its financial stability in the short term. Rowe (2001, p. 83) explains that such definition implies *an ability to influence subordinates, peers, and superiors and that the leader understands the emergent strategy process that some authors consider more important than the intended strategic planning process for organizational performance*.

Former *British Petroleum* CEO John Browne emphasised that the important constitutive elements of leadership at the highest level are the following: (1) identifying possibilities that other may not have identified, (2) use those possibilities quickly and completely, (3) inspire people to achieve more than they think they can achieve, and (4) convince them that they should never be satisfied with their present position (Prokesch, 1997).

Fourthly, strategic leadership can be explained as a reflection of ruling ideologies and power structures in the society and in the organisation.

This approach interprets strategic leadership as a phenomenon used to obscure and cover up the obvious legitimacy of existing social relations, specifically in terms of maintaining and strengthening the position of some interest group in order to retain power and the constellation of influences in the organisation and around it. It additionally helps to justify and reproduce existing power relations, resource inequality and injustice in organisations and in the society.

A number of scholars have attempted to observe strategic management, and consequently strategic leadership as well, from a viewpoint inspired by the Critical Theory of the Frankfurt School. The idea is to emphasize the *discursive* and *ideological* dimension of strategy, which is close to post-modernist criticism, but with a higher degree of optimism, believing that *change for the better* can happen. As the advocates of the Critical Theory believe, strategic management is a privileged area of management theory and practice one that is very much involved in maintaining existing unfair social relations and, as such, it cannot be politically neutral.

Consequently, one may postulate that the construct of strategy was introduced and envisaged to legitimize the actions of managerial leaders and to justify the importance of their position in inter-organizational structure and processes and in corporate governance relations. In this vein strategy can be understood as *part of a discourse of power which reproduces certain sets of hierarchical social relationships through legitimating them with reference to positivistic and scientific norms of rationality* (Knights & Morgan, 1990, p. 477).

Strategic leaders are first and foremost advocates and interpreters of desirable social values and promoters of mutually agreed interests of key interest and influence groups; they could be referred to as beacons of predominant ideologies.

They are ideologically dependent and tangled in webs of discourse, in which context *strategy constructs a myth of commonality of organizational purpose by positing lofty and unattainable aspirations* (Harfield 1998, according to: Levy et al., 2003, p. 97).

Their duty is to preserve the existing power and ideology in the organisation and in the society: they use strategy as a cohesive instrument of conservation of a certain state of affairs, obscure exploitation and produce narratives and other symbols that create an illusion of purposefulness of their action.

Finally, we can view successful strategic leadership as a phenomenon that changes organisations and the overall society for the better.

Each organisation is a part of the society: its activities affect, to a greater or lesser extent, our common present and future. Selfishness and lack of understanding of social reality, social insensitivity and environmentally harmful behaviour create massive damage, destroy modern-day institutions and undermine trust that has already been created.

Strategic leadership entails civilizational responsibility. The world needs to be changed and the planet has to be protected in the process: in this type of work, leaders need to play a vital role, focusing on the interests of future generations and on social benefits. The creation of new value and its allocation has to be contextualised, including by distancing it from short-sighted interests based on greed and avarice. The recent pandemic crisis has shown just how important social responsibility,

acting in common interest and departure from myopic view of reality actually are.

Hence, strategic leaders must not stay isolated behind closed doors of their offices where they discuss only the survival and prosperity of an organisation. They have to be capable of seeing beyond the horizon and the boundaries of the organisation, and take into account the long-term needs of the entire civilisation. Their leadership has to embody "doing what is right," irrespective of the palliative and partial benefits endowed in the holders of positions of power.

This again raises the eternal question of how to solve the paradox which, to paraphrase Aristotle, can be outlined as follows: in order to be capable of doing what is right and good, we have to know what is right and good; and to know what is right and good, we first have to do it. The future of our civilisation and preservation of the planet for future generations is the only meta-criterion that is appropriate, in our view.

Collective intentionality and collective action need to be ennobled by the highest human values. Balancing between economic, social and environmental objectives has to be the cornerstone of strategic leadership in collectives on all social levels: from small groups to the largest global organisations. Responsibility to the society, the environment and to those that will come after us becomes the quintessence of strategic leadership.

Realm of Strategic Leadership

Any organisation needs strategy in order to create new economic and/or social value.

Strategy may seem as an organisational *supra-function*: an integrating arrangement that is to optimize and coordinate organisational action. It acts as a support for the collective in internal and external interactions and transactions; it helps the organisation and its members to act in unison as a coherent group. As Rumelt (2011, p. 2) noted: *The core of strategy work is always the same: discovering the critical factors in a situation and designing a way of coordinating and focusing actions to deal with those factors.*

It is identifiable in key images, narratives, plans, decisions and activities, in the selected model of interaction with the surroundings, in resource combinations and dynamic capabilities, in the leaders' ideas about definition and future of the organisation, in the degree of innovativeness and entrepreneurial orientation, in the speed of adaptation to change in the environment and in a whole series of other characteristics, attributes and organisational features.

On the other hand, organisational action is an impression onto reality: a transposition of collective intentionality and strategy into organisational decisions and procedures.[6] Organisational action is characterised by permanent, almost change-resistant behavioural patterns. Routines, processes and standardisations help to connect and integrate, whereas clear and indisputable objectives facilitate work focus and implementation of what has been planned.

Traces and symbols of strategy can be seen in implemented organisational action. Moreover, Mintzberg (1987) paraphrases the philosopher David Hume, emphasizing that strategies result from human actions, not from human design. According to Weick (1987, p. 231), *strategy is a form of discovery of meaning that arises from actions that have been taken*. Just like in other situations, its content and meaning depend on the *degree to which they are arranged into sensible, coherent configurations*.

Clear and unambiguous strategy should ensure consistent and non-redundant behaviour of an organisation. Uniformity in action is the premise of coordinated activity, loss prevention and better monitoring of resource usage. This requires discipline and commitment, and also stability in organisational action.

The need for strategic leadership arises due to a gap between strategy and organisational action.

Strategy defines the relationship of the organisation and its environment; interaction with the world beyond its boundaries needs to be non-conflicting, non-redundant and manageable. Existence of coordination mechanisms in the implementation of organisational action is a prerequisite without which this cannot be achieved.

---

[6] The phrase "collective action" can be replaced by "organisational action" while still keeping the basic meaning when talking about complex collectives, such as larger organisations.

Strategic leadership bridges this gap. It is intended to direct various organisational activities, resolve the major issues and disagreements concerning key issues, encourage members to achieve the best possible results, and give sense to current measures and performances in the light of an imaginary future or a set of principles that justify joint organisational efforts.

Enactment of strategic leadership creates the prerequisites for congruence between key organisational components (Fig. 3.1).

Strategic leadership is inseparable from social expectations and organisational aspirations in which ambience is constructed, meanings are created and instilled, and purpose for the entire organisation is provided. It purposefully connects the organisation with its surroundings, while
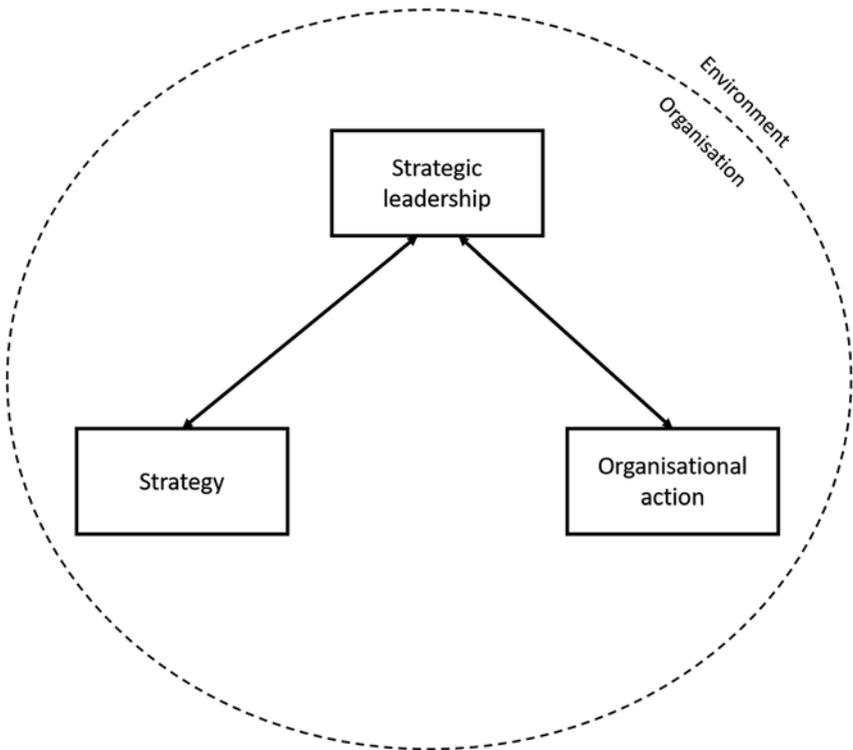

Fig. 3.1 Enactment of strategic leadership

simultaneously taking into consideration the constellations and needs of internal and external stakeholders.

To be more precise, an organisation is not a carved-out, self-sufficient fragment, but rather an indivisible part of the overall social fabric from which our present and future are sewn. It is a *socially-constructed reality* (Berger & Luckmann, 1991; Morgan, 1986), an ideological stage and a power playground, an entity comprised of intertwined interests that has sociopolitical and economic relations with actors from its environment, a collective in which mutually dependent actors take on roles and assignments.

Different environment settings can significantly affect strategic leadership and the ways of establishing direction and achieving consistent action in an organisation and its permeation into its surroundings. Diversity of ambience affects the differences that are manifested in events, processes and elements of strategic leadership, much like the organisation and its strategy are decisive to the form of strategic leadership.

The degree of uncertainty also affects strategic leadership. The nature of leadership is not the same in a simple and in a complex environment: demands of an organisational environment that is uniform and monolithic are different from those found in one that is turbulent and heterogeneous. In some situational configurations leaders have more managerial discretion, whereas in others their decision-making margin is narrowed and restricted by the characteristics of the organisation and environment. The more complex and larger the managed organisation and the more versatile and unpredictable the environment, the more complex the demands of strategic leadership.

Configurational characteristics of the organisation directly influence the form of strategic leadership, just as strategic leadership defines the organisation. Strategic leadership shapes and connects strategy and organisational action, but they in turn define strategic leadership itself. Sometimes strategy encourages the creation of an adequate form of leadership, and sometimes it can be identified and distilled from organisational actions the consequences of which might stimulate the emergence of identifiable behavioural patterns.

Therefore, strategic leadership appears as a *necessity* in order for the organisation to adequately adjust to its environment. Without strategic

leadership it is hard to expect the encouragement of strategic thinking when it comes to purpose or direction of action, or the connecting with collective action. It emerges as a distinctive organisational response with the aim of integrating the organisation, inspiring its members and strengthening collective identity. The classic ontology of leadership is not sufficient for explaining the emergence, logic and role of strategic leadership in organisations.

Indeed, connecting strategic leadership with high-profile individuals on top of the organisational hierarchy seems logical. However, is it always so and does this apply to every situation? Is it possible to interpret the *agere sequitur esse* ("action follows being") logic differently in case of strategic leadership? In other words, can it exist without clearly identifiable persons as leaders and how can it manifest itself in such case?

If we were to answer the last question with "yes", then it would mean that we accept the assumption that strategic leadership can outgrow the construction based on the "leader-followers" relation, i.e., the one that is based on classic ontology.

We recognise strategic leadership as a *characteristic of an organisation* that does not have to be dependent on formal authority. This means that roles and functions of strategic leadership can be divided and dispersed between multiple actors in the organisation, but also formalised in routines, procedures and activities embedded in the organisational system.

There are cases when leadership of this type is structurally predetermined by existing administrative mechanisms, formally established rules of conduct, sometimes even by culture and ideological beliefs predominant in the organisation; at times it is greatly dispersed and depersonalised, whereas sometimes it is changeable depending on the types of tasks and challenges and, as such, not reliant on hierarchical relations.

In large and complex organisations that include different types of business activities and that are functioning at numerous locations, it is possible to vertically distribute strategic leadership to follow the hierarchy, in order to ensure an adequate response to demanding challenges of leadership and management. The formal authority chain in such situations serves as a transmitter for distributing strategic leadership within the organisation.

Apart from that, strategic leadership may also emerge in social networks of leaders inside the organisation and around it. It can vary depending on the type of tasks and problems that need to be dealt with, and distanced from "heroic" personalities usually associated with leaders or strong interest coalitions of a handful of leaders who are dominant in the organisation.

Even complete depersonalisation of strategic leadership is possible: in situations where it is completely separated from the actors and when it can persist even in the absence of any individual.

Depersonalised strategic leadership can appear in the form of *putting the collective in charge*, especially if there is a symmetrical power structure, a strong commitment to the mission and ideology as a result of existing beliefs and values or as a result of successful indoctrination of members. Presence of a strong strategic leader is not necessary in order to fulfil a common mission. There are examples of collective leadership of various citizens' initiatives, social and political movement, business associations and cooperatives, which indicates that there is a need to further study the phenomenon of this type of strategic leadership.

It may be possible to transpose the idea of coexistence of two leadership structures (developed in the complexity leadership theory) into the realm of strategic leadership. According to this theory, organisations simultaneously have (1) leadership based on administrative structures and formal positions, and (2) adaptive leadership based on a dynamic of relationships and complex interactions in social networks, which is of particular importance in organisations in which the creation and dissemination of knowledge and information is a crucial determinant of their activity (Kriger & Zhovtobryukh, 2013; Uhl-Bien & Marion, 2009). We can add to this a third structure: strategic leadership that supports value-based, institutional and social arrangements that reflect the existing ideology and serve to ensure its survival.

Hence, strategic leadership is a complicated phenomenon that cannot be singularly associated with an individual or with the leadership elite, nor is the answer about the identity of strategic leaders always connected with the characteristics or traits which differentiate them from other actors on the organisational stage. It is *enacted*, or in other words socially

constructed (it emerges from organisational reality) as a response to the need for congruence between chosen guidelines for action and actual organisational action.

Enactment of strategic leadership is the process of cognitive and social construction of internal and external environment, creation of meaning, and acceptance of important narratives and symbols, allocation and acceptance of roles, and interaction within the collective, resulting in strategic architecture—a predominant way of the organisation's permeation into its surroundings, one that we may see as a process of change management designed to fulfil the purpose and achieve strategic objectives.

Social Construction of Environment

There is no objective reality: organisational actors function in a socially constructed world; their mental models are developed in social interaction and they are inseparable from the context in which they operate. They "construct" their environment by bringing their versions of "order" and categorisation into the environment, failing to take notice of certain objective dimensions and at the same time assigning subjective meanings to their observations.

Their reality is a socially constructed world with clearly perceived roles, in which a plethora of information is processed simultaneously and widespread "recipes" for effective behaviour are accepted unreservedly.

Organisations are embodied through different and diverse roles that are assumed, including those that pertain to position, influence, power and conduct. Construction of role typologies, as pointed out by Berger and Luckmann, is *a necessary correlate of the institutionalisation of conduct.*" An individual's participation in a social world thus comes down to playing roles, and "*by internalizing these roles, the same world becomes subjectively real to him* (1991, p. 91).

To cite the authors, by assuming the role of the leader, an individual has to be *initiated into the various cognitive and even affective layers of the body of knowledge that is directly and indirectly appropriate to this role* (1991, p. 94).

Strategic leadership is also "a stage" that requires definition of roles to be played. Some members of an organisation assume the roles of strategic leaders and develop socially adapted mental models that delimit the space for creation of strategic versions and development of strategic actions (Sparrow, 2000, p. 19). Together with other actors, they participate in the construction of an ambience in which strategy will emerge, and assume a key role in connecting it with organisational action.

The realm of a strategic leader's thinking and acting is *a world of enactment*, where the boundaries in the two-way relation between environment as the object and leader as the subject are very vague (Weick, 1979, pp. 164–166).

Sensemaking and Orchestrating Meanings

Strategic leadership needs to make and give sense, construct meanings and imprint symbols on the organisational stage. This can be explained metaphorically as the creation of a screenplay and assignment of roles of director and actors in an imaginary play.

The symbolic function is exceptionally important in understanding the way strategic leaders operate. We accept the idea that the key factor of strategic leadership is the capacity to influence and organise meaning, especially meaning that purposefully connects bundles of individual and group interests and influences goals, decision-making and patterns of organisational behaviour.

The task of strategic leaders is to give meanings to relationships, symbols and other artefacts that constitute reality, and to use existing or construct new ideologies in searching for and giving sense to organisational action.

Strategic leaders interpret the organisation and the world around them based on their own cognitive structures that indicate how *they internalise their knowledge and understanding of organisational life in the form of a simplified representation of reality* (Hodgkinson & Clarke, 2007; Hodgkinson & Healey, 2008).

Using their own cognitive structures (mental models), they simplify the complexity associated with the surroundings and, during that

process, determine which stimuli from the environment will be noted and which will be ignored (Starbuck and Milliken 1998, according to: Hruška, 2011, p. 47). These are different structures of knowledge in the form of representations and pictures that leaders have about how the world around them functions (De Wit & Meyer, 2010, p. 77).

Two cognitive processes are key: sensemaking and sensegiving; they both lead to collective interpretation of decisions and to taking of organisational action.

Firstly, *sensemaking* is a departure from commonality that helps to constitute an ambience of strategic leadership and interpretation during the formulation and implementation of strategy. It is a social activity motivated by something unusual, unexpected or very important—this involves any circumstance that departs from routine (Weick, 1995; Thomas & Porac, 2002; Narayanan et al., 2011).[7]

Secondly, *sensegiving* is an act of articulation by strategic leaders and their giving sense to change in the organisation as well as formulation of organisational interpretations (Gioia et al., 1994). This represents the leaders' steering of the process of sensemaking and construction of meaning in other members of the collective towards the preferred definition of organisational reality (Gioia & Chittipeddi, 1991). Use of signs and symbols is crucial in sensegiving (Narayanan et al., 2011).

Language and Culture

Similar view of reality and common mental models are the result of successful construction and they are suitable for understanding the position

---

[7] Weick (1995) lists seven basic properties of sensemaking: (1) reality has the properties of continuity (sensemaking concerns an ongoing process, continually varying interpretations of the past and variations of choices that alter the intensity of the organisation's members' behaviour), (2) the intention of the organisation's members is to create order, (3) sensemaking is a retrospective activity: recollection and retrospection are the primary sources of meaning, (4) every situation is *rationalised* and justified by the leader or manager by socially acceptable reasons, (5) symbolic processes are central because the assumptions about symbolic patterns that result in specific action limit interpretations, (6) managers create and maintain a broader picture of reality in order to have temporary instructions for action, and (7) the way the decision-making situation is observed rationalises activity: pictures of reality result from rationalisation of activity (according to Hruška, 2011, p. 58).

of all important organisational actors. Members interact with one another, exchange information and combine their existing knowledge structures. The same applies to other actors in the surroundings who have a cooperative or competitive contact with organisational interactions and transactions and who encounter similar problems and reach similar ideas about how to solve them. In time, their views of the world become more and more alike, and similar beliefs and ideas about things that define the organisation and its environment emerge.

The way of understanding things eventually becomes similar among members of the organisation; similar perceptions about the settings and milieu are developed; a common language is made; the way the situation and the surroundings are viewed is shared, and common "systems of meaning"[8] are created, thus resulting in an "enacted environment" being constructed. Story-telling, rhetoric, myths and signs play a major role in this process.

If key actors on the stage of the organisational game do not share the same fundamental beliefs and values, understand messages and symbols in the same way, if they do not have similar cognitive filters that simplify the reality for them in a way that is acceptable, and if they fail to even seemingly understand the allocation of roles in the process of division of power—they will have a hard time agreeing about the character of reality.

What is obligatory in all this is the role of existing organisational culture through which history, tradition and ideological assumptions are integrated, and collective beliefs and views within the organisation mirrored. It can be said that culture directly affects sensemaking and sensegiving, just like sensemaking and sensegiving can affect the potential (usually slowly occurring) change of organisational culture.

Strategic leadership plays an important role in the creation and change of language and organisational culture. Its enactment is intended to simplify the multiple and complex organisational relationships and assign clear roles; convergence and coordination need to be tightly interwoven with strong and inspiring messages and symbols. Rhetoric and

---

[8] Weick (1995) refers to such groups as communities of believers who have local rationalities or interpretative stances).

hermeneutics are irreplaceable elements of leadership: they serve as a mantle without which the core, the content, becomes pointless.

On top of that, success of leadership is to a greater or lesser extent connected with deep *immersion* of members of the collective in a formed atmosphere in which they accept existing constellations and recognise self-fulfilment in the development of mutual relationships. The members' commitment is a consequence of the capabilities of strategic leadership in the context of creating a climate of togetherness and a strong identification with the organisation, recognition and sharing of collective achievements, and freeing up of individual and group potentials.

Ideology and Power

Ideology defines the space for strategic leadership, it is the connective tissue of the collective and it provides justification for organisational existence. Strategic leaders rely on ideology because it underlines all the basic organisational values, gives intrinsic purposefulness to action and connects followers, making them more or less committed and loyal members of the collective.

It is impossible to understand the stage where strategic leadership is played out without social and organisational ideology and existing structure and dynamics of power. Ideology encourages the development of acceptable discourses, it binds together beliefs and values of members of the collective, establishes relationships and gives meaning to the strivings and intentions of strategic leadership.

Ideology always exists, but it can be weak, inconsistent and confusing to members of the organisation. Existence of heterogeneity in organisational values, unclear ideological assumptions, incoherent and sometimes opposing views of the world among individual members of the collective, insufficient level of identification with the organisation and the leader, additionally hinder the activities of organisational leaders.

Strategic leaders use power to facilitate the reaching of objectives that arise from strategic intent. They choose strategies of influencing the relationships inside the collective in order to achieve cohesion and

organisational harmoniousness, to additionally motivate and inspire others in order to fulfil the tasks that are relevant for reaching the defined objectives.

Power does not only have to be an instrument of strategic leadership; sometimes it is its primary meaning and content. The goal in such cases is a self-centred: to additionally strengthen one's position in the society and to use the organisation as means of self-actualisation and one's own promotion.

The stage of strategic leadership can also, over time, become an arena where one fights to achieve maximum influence in constellations of key organisational constituents. Competing for the position of the dominant entity in the organisation can blur the actual essence of strategic leadership, and so can the "stretching" or "narrowing" of the space for managerial discretion in the decision-making process (Tipurić, 2011).

Correctness

In modern-day world, we must not observe strategic leadership merely as a performative construct, not taking into consideration the long-term interests of the society; short-sightedness, alienation and inhumaneness must not be its support pillars. Humaneness and moral correctness of organisational action are no longer just pretty accessories which differentiate those who are better from others who are worse, but rather they are imperative substantial elements that any leadership must take into consideration.

One should also refrain from what we might call, similarly to Weberian determination, a "technical rationality," a rationality without morals that encourages the creation of dehumanised, highly bureaucratised relationships that destroy the humane mission of new age strategic leadership.[9]

Sometimes organisational actions can have consequences that may jeopardise the community, disrupt social relations and ethics, pollute or even devastate the environment, deplete resources and be in collision

---

[9] It is interesting that Max Weber believed that only charismatic leadership can fight bureaucracy and its fatal dehumanisation. See more about Weber's types of rationality in the next chapter, and for even more details, see the review by Stephen Kalberg written in 1980.

with the planet's sustainability and prosperity of future generations. Such actions may, from an opportunistic point of view, be successful in the short term and bring revenue for the organisation and/or owners of key organisational resources, but at the same time they are often socially unprofitable and destructive to social values.

A century ago, strategic leaders faced completely different, significantly smaller social expectations and demands. However, the world has changed almost beyond recognition since then. Over time, awareness of social responsibility and environmental protection, or in other words, awareness of inseparability of an organisation from its environment, has become much greater.

Gender, racial and all other types of equality, economic democracy and fairness, acceptance of diversity and overall humanisation have emerged as solid constituents of modern-day society. The ambience in which contemporary leaders think and act cannot even be imagined without considering the civilisational advancements that have done away with self-interest as the sole motive for action.

Construction and interpretation of reality is interwoven with the thread of ethics, with emphasis on special values and beliefs that strategic leaders bring into the ambience (Rowsell & Berry, 1993). The ethical dimension of their view of the world defines the boundaries of ideological space: it determines the ways actors on the stage think and act, the ways facts are fit into a mould and interpreted, and the consequences that can be expected from dissemination of power and dominance in an organisation and its environment.

Architecture of Strategic Leadership

Strategic leadership is a key configurational characteristic of an organisation: a bond between strategy and organisational action that need not always be observed as a set of tasks to be performed by top leaders. Therefore, it is an organisational phenomenon and not a designation automatically associated with persons on top positions in an organisation.

There are two opposing views in this context. According to the first one, organisational leaders have the crucial role in defining strategic

intent; they define modes and dynamics of the organisation's adaptation to its surroundings; they use their skills and knowledge to connect, motivate and integrate members of the organisation; they directly and indirectly influence the outcomes of leadership and organisational performance.

According to the other view, the environment and the collective play a more important role than the formally positioned leaders. Structure, rules, routines and processes in an organisation dominantly affect strategic leadership and leaders do not have too much managerial discretion: their space for independent making of strategic decisions is narrowed and limited.

In order to understand strategic leadership, one has to recognise key meta-activities and meta-processes that can be assigned to different actors in the organisation. Primarily, one has to identify the *architecture of strategic leadership* and only then look for attributes, characteristics and performances of persons involved in important decisions, processes and activities.

Architecture of strategic leadership is the result of orchestrating meaning and important interpretations that emerge in the interaction of organisational actors and build the main platform for organisational action. It is also defined by other elements of enactment: social construction of ambience and role assignment, language and culture, social expectations, ideology and power structures, and ultimately the issue of moral appropriateness in organisational behaviour.

It is the result of thoughts and actions of the leader or a coalition or network of leaders; and/or social, institutional and organisational properties; and/or collective intentions and agreements.

It refers to the role and place of creative, managerial and administrative mechanisms and clearly positions strategy in the centre of organisational goings-on. It provides a framework for defining main priorities, endeavours and guidelines, and for aligning the organisation with the determinants of the present and future environment.

Regardless of those extremes, we believe that it is possible to identify four components of strategic leadership architecture in any situation. These are: (1) strategic direction, (2) external adaptation, (3) integration of collective, and (4) strategic leadership outcomes (Fig. 3.2).
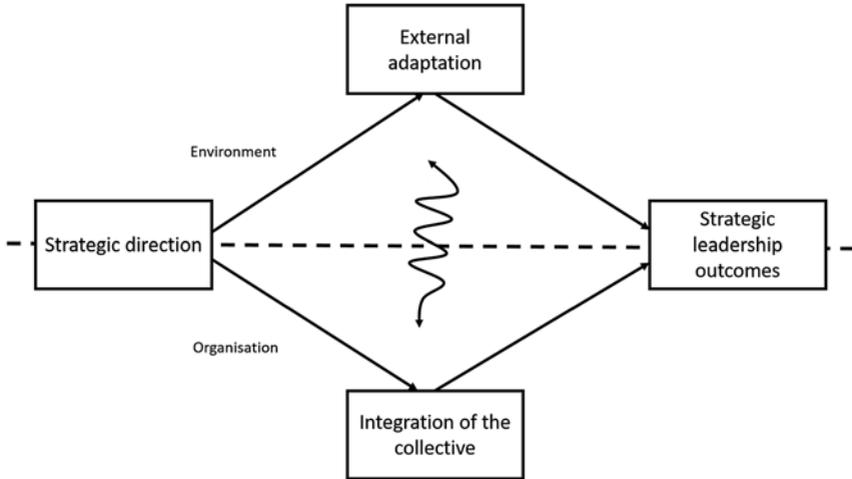
Fig. 3.2   Architecture of strategic leadership

Strategic Direction

The journey from the present towards an imagined future relies on intentions and abilities of key organisational actors in developing the imaginarium of the new reality.

Strategic direction answers the question how organisations deal with the challenges of present and future surroundings. This is a grateful task, because, as Victor Hugo wrote: *There is nothing like a dream to create the future*.

It creates traces of sense and produces clusters of important meanings for members of the organisation. It comprises the challenges that need to push the boundaries of the action horizon, by bonding people into a collective and encouraging their commitment and identification with the organisation.

Additionally, it integrates the vision and the mission: it shows what the organisation strives to, what the aspirations are, and gives a glimpse of the desired future. Mission interprets the principles of behaviour, recognises the purpose or reason for the organisation's existence, identifies the basic values, outlines the scope of operation and method of management, and

delimits the directions of action. Vision is an individual or group mental image of the future of an organisation and It lies at the heart of organisational strivings (Stacey, 1997).

Strategic direction might involve a different term to express the same meaning, for example the concept of *strategic intent*.

The domain of strategic intent is broader than the main priorities and strategic objectives and involves distinctive principles and guidelines of organisational action. Hamel and Prahalad (1994) define strategic intent as *an ambitious and compelling … dream that energizes … that provides the emotional and intellectual energy for the journey … to the future.*

Strategic direction can be the conception of the individual or group holding the top managerial position, or it may emerge as the result of intra-organisational agreements and actions. It can be the consequence of set plans or a lucky outcome after much trial and error in strategic experimentation that has become a behavioural pattern.

In any case, it is a more or less inevitable journey into the unknown; a departure from familiar shores towards clouded and unpredictable horizons of tomorrow.

The role of organisation's leaders in the forming of strategic direction is often emphasised. However, caution is needed in this context. Some leaders are known as visionaries, while others hardly possess the stuff that key elements of vision are made of. Some of them are unable to participate because they do not have sufficient room available to make decisions, but they are capable of transforming existing ideas into successful organisational actions.

External Adaptation

Interaction between the organisation and its present and future environment is an important element of strategic leadership architecture. Surroundings are inseparable from the organisation; the boundaries between them are often movable, fluid and permeable. Strategic leadership should help to find reactive and proactive ways of facing a dynamic, quick-changing and uncertain environment.

The way the ambiance in which the organisation finds itself is contextualised affects the way the two interact. It could be said that organisations and its surroundings are constructed together in the process of social interaction of key organisational participants, as Smircich and Stubbart (1985, p. 726) noted and added: *organizations and environments are convenient labels for patterns of activity*.

The same applies when we observe organisations that compete in the market. Indeed, it is hard to challenge the idea that organisations and markets are *sticky, messy phenomena, from which strategies emerge with much confusion and in small steps* (Whittington, 2001, p. 21).

External adaptation is at the same time a process of cognitive constitution and action adjustment. Subjective interpretations of external information are objectivised through the actions of leaders, organisations and other participants in the environment (Porac & Thomas, 1990; Thomas & Porac, 2002).

It is necessary to develop and support the process aimed at proactive maintenance of the organisation in continuous balance with its surroundings.

There are two perspectives, the managerial and the evolutionary one, and they view the strategic leaders' potential of affecting the organisation's adaptation to its surroundings differently.

Managerial perspective is based on strong trust in the leader, in the leader's willingness and capability of long-term planning, strategy formulation and decision-making, through which the leader can influence the positioning of the organisation in its environment. Obviously, one should not strive to an unreachable ideal of rational action, but rather one should accept the world as it is and act in accordance with it.

To develop a successful strategy means to align the organisation's potentials with the characteristics of the environment; adapt oneself to the surroundings and its demands, and, to the extent possible, shape the surroundings according to one's own needs and abilities. Cognitive, informational, cost-based and other limitations, just like the extent of decision-making discretion, define the perimeters of strategic action. This kind of approach is comparable to Whittington's *systemic perspective* of

strategy, which assumes that organisations are capable of planning ahead and that they can be efficient in interacting with their environment. Leaders are not *simply detached, calculating individuals interacting in purely economic transactions, but people rooted deeply in densely interwoven social systems* (Whittington, 2001).

On the other hand, the evolutionary perspective does not ascribe much importance to choices and deliberate action of the managerial big shots. Environment exposes organisations to contradicting selectional pressures so that in most cases it is completely uncertain whose and which strategies will "survive."

Selection in a social context involves, on the one hand, the processes of learning and discovering, and on the other hand, a selection mechanism of some kind for making choices (Dosi & Nelson, 1994, pp. 154–155). Selection processes often generate unexpected consequences and there are no guarantees that selection will result in survival of the most efficient. According to the evolutionists, surroundings will provide a *meta-criterion* for the selection of the best ways and strategy versions; the role of leaders of organisations is only a minor one.

Evolutionists emphasize that organisations are not too successful in anticipating and adapting to change of environment. They point out that the importance of deliberate strategic creation is overestimated by strategic leaders and other top managers, and that construction of "long-term strategies" distracts their attention from operational effectiveness and the aspiration towards achieving the highest possible efficacy. This is a view based on which strategic leadership is removed from inventive construction of future environment. Selection on markets will separate those that are fittest in evolutionary terms, those that have opted for strategies best suited to answer the demands of the environment and that consequently have the best performance and chances for survival.

Managerial and evolutionary perspective are extremes between which we need to look for the position of strategic leadership. In our opinion, within the permissible space, strategic leaders need to find adaptive responses to massive and critical changes happening in the environment. This is the key substance of their work.

Integration of Collective

The decisive activity of strategic leadership is integration of the collective. It requires a clear idea of the purpose of common action and the desirable future that is to be realised. Members of the organisation need to be inspired and encouraged, motivated and emboldened in togetherness; they need to be helped to better understand the vision, to accept it as their own, and to invest effort in making it a reality.

Integration of the collective depends on size, complexity and locational distribution of the organisation, or in other words, on the amount of information and scope of tasks that need to be covered in order for strategic leadership to be effective. The more actions performed by the organisation and the greater need for knowledge and special skills of members, the greater the challenges of integration of the collective.

Homogeneity of the collective and organisational cohesion are strengthened by socialisation and indoctrination of members.

Coordination of activities is also important to avoid redundancy, distraction and contradicting organisational action. Coordination-related activities falling within the scope of competence of managers need to be differentiated from those that fall into the category of strategic leadership. Lack of systematic approach and contradiction in the main objectives, policies, activities and programmes is an indication of strategic problems and overcoming those problems is the duty of the leaders of the organisation.

In other words, directing and connecting people in common action is an essential "ingredient" of strategic guidance. Integration of the collective is a prerequisite for efficient implementation of organisational action. Not only members, but also all other factors that are relevant in strategy implementation and that have an interest in and impact on the organisation have to be involved.

In addition to that, strategic leaders need to sensibly and plausibly communicate in order to create commitment and strengthen coherence of action within the organisation. Communication of important narratives, mission and strategic vision, signs and symbols, plays a part in integration. Symbols and rhetoric help with organisational bonding and encourage members to coordinated common action. Telling memorable

stories and putting emphasis on select examples can help to strengthen the feeling of connectedness and dedication among followers.

Integration of the collective depends on the traits that strategic leaders possess. Integrity is always central, and it has to be accompanied by imaginativeness and a high level of social awareness, self-confidence and determination. Leadership capacity, credibility, reputation, reliability and consistency between what is said and what is done encourage the creation of an atmosphere of confidence and belonging, with people trusting the leadership and the organisation, and inspiredly performing their assignments.

The relationship between the collective and the persons who take on the role of strategic leadership is not a simple one. Formal authority is not a guarantee that someone will become a leader. The collective has to accept a person's leadership and adhere to this person's ideas, intentions and conduct.

Imposed and unaccepted managers can rarely achieve anything more than what is guaranteed by the power of their position. They are unable to create a proper connection and motivate people in the performance of their assignments. Leader identity cannot be created without the collective endorsement of the actors the leader is supposed to lead (DeRue & Ashford, 2010).

Strategic Leadership Outcomes

The key result of successful leadership is an incremental or radical change in the organisation that can be recognised as progress in comparison to the present situation.

Taylor-Bianco and Schermerhorn (2006, p. 458) posit that organisations expect "*commitment to continuous change*" and that it is "*ever-present as a goal.*" They further note: *people in organizations are expected to both change and perform well at the same time*.

Success of an organisation can be decomposed to two elements: (1) efficacy of strategic leadership, and (2) efficacy of all other actors in the organisation and in its surroundings. The greater the share of the first component in overall success, the greater the sensitivity of the organisation to the quality of strategic leadership.

If strategic leadership is seen as *personalised*, then efficacy is directly associated with the skills, knowledge, human and social capital and managerial capabilities of organisational heads. Key capabilities are connected with formulation and implementation of strategy, articulation of a superior vision, potential for strategic thinking and excellent management of human potentials. If, on the other hand, it is understood as a *characteristic of the collective*, efficacy is related to the quality of key managerial processes (integration, alignment and commitment) in situational challenges an organisation might be faced with.

Besides that, strategic leadership outcomes are also represented in the selection of objectives that are set and that serve as a measure of success when organisational performance is observed *a posteriori*.

The setting of objectives is the process of determining the main areas of performance that can be controlled and delimited in time. It was Marcus Aurelius who wrote: *People who labour all their lives but have no purpose to direct every thought and impulse toward are wasting their time—even when hard at work* (2001, p. 23).

Strategic leadership needs to encourage the collective in the discovery of objectives that can be identified as possible outcomes and that can be the bonding and integrating force of the organisation.

Specifically, a lack of systematic approach and contradiction in the main objectives, policies, activities and programmes is an indication of problems in strategic leadership.

Strategic objectives need to be demanding, challenging and ambitious, they need to really stretch toward the limits of what is achievable so that the organisation may reach its full potential. Still, the objectives must not be unrealistic and unachievable, extending beyond what is possible in view of the available resources and capacities.

This approach was well portrayed by Porras and Collins (2002), who introduced the concept known as BHAG, the acronym of *Big, Hairy, Audacious Goals*. The underlying idea is the assumption that ambitious and almost unachievable goals can motivate people inside an organisation to achieve much greater things than what is normally expected from them. According to the authors' opinion, striving to exceptionally challenging goals gives greater chances for success of organisational action.

Stretched objectives are based on the assumption that it is necessary to motivate people and focus their creative energy by setting high levels of organisational aspirations.[10] We can paraphrase the words of the famous, early twentieth century car designer and manufacturer Henry Royce: *Take the best that exists and make it better. When it does not exist, design it.*

Strategic leaders might experience problems in applying the BHAG concept if organisational potentials and culture do not sufficiently accommodate large and radical steps, and when there are objective obstacles and limitations in the surroundings that might hinder such significant achievements.

Finally, it should be pointed out that defined objectives need to reflect multiple harmonized interests that emerge within the collective and around it and that are in furtherance of general welfare and well-being, and ultimately survival of the collective and its environment.

The issue of creating new value in organisations can, therefore, not be analysed without taking into consideration the society and the environment, specifically social profitability and protection of natural resources.

Responsible leadership has been developed as a distinct construct that observes leadership through the leader's interaction with other interest groups (with the aim of balancing out many different needs), where the leader's success is measured based on their providing of legitimate solutions for everyone involved, by including the economic, social and environmental dimension in the targeted domain of organisational action (Waldman & Galvin, 2008; Voegtlin et al., 2012; Carter & Greer, 2013).

Recently, the need for a triple bottom line has been underlined. This concept includes economic, environmental and social lines as the prerequisites for achieving outcomes of profit and non-profit organisations in the twenty-first century.

Important objectives can be categorised in three groups (*the triple bottom line concept*), which reflect the domain of organisational action: the

---

[10] Porras and Collins (2002) listed examples of four types of such objectives: (1) target BHAG, e.g. Ford's turn-of-the-century goal to "Democratize the automobile," (2) common foe BHAG, e.g. Philip Morris's "Knock off R.J. Reynolds as the number one tobacco company in the world," (3) role model BHAG, e.g. "Become the Nike of the cycling industry" of Giro Sport Design, and (4) internal transformation BHAG, such as, for example, Rockwell's "Transform this company from a defence contractor into the best diversified high-technology company in the world."

economic, the environmental, and the social domain (Elkington, 1997). In other words, organisations and their leaders need to simultaneously focus on economising, sustainability of life on the planet, and on people and the society as a whole (Fry & Slocum Jr., 2008). This leads to additional tensions being put before strategic leadership, considering the fact that those objectives exist in a natural conflict, which is then reflected in the expected results and achievements of organisational action (Fig. 3.3).

Firstly, the economic dimension of objectives is associated with economic prosperity, business success, and growth. It underlines the need for rational use of organisational resources, with indicators such as return on investment, revenue, profits, and other. Information about industrial profitability and other comparable indicators for comparison with the competition (such as sales growth rate, market shares, innovation success and the number of new products, numeric distribution, and other)
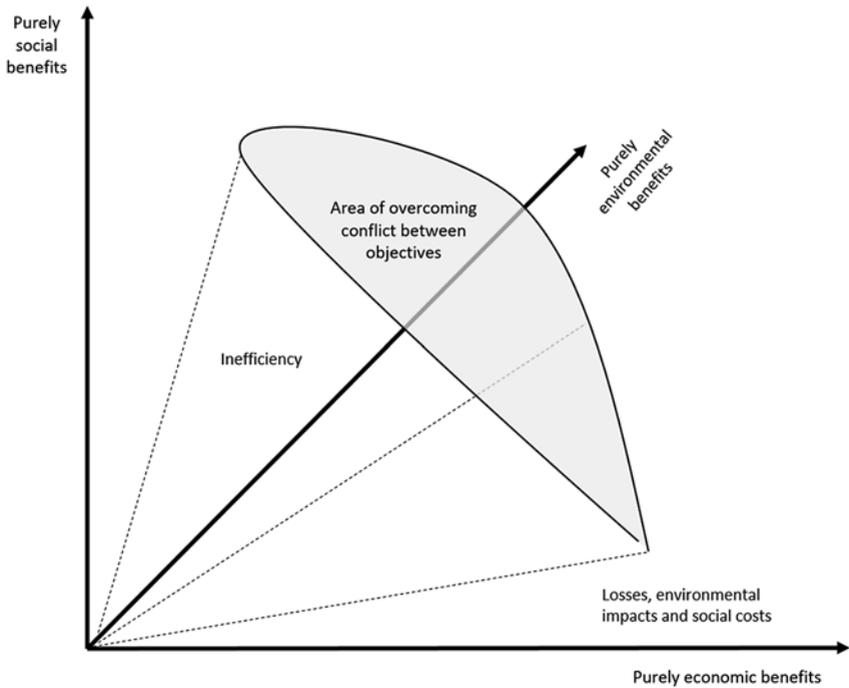

Fig. 3.3   Triple bottom line in contemporary organisations

influence the defining of economic objectives and measures of performance of a company.

Secondly, the social dimension of objectives presupposes a responsibility to the community and to people. Social measures reflect organisational commitment, welfare and vitality of the members of the organisation and the community, charitable contributions and quality of organisational connectedness in the society. Strategic leaders need to impose socially responsible business as an imperative for their organisations. The objectives and measures have to incorporate good-quality inclusion in the community, health and welfare of employees, commitment to society, contribution to community vitality, but also contributions toward humanitarian and other social agendas (Fry & Slocum Jr., 2008; Carter & Greer, 2013).

Thirdly, the environmental dimension of objectives reflects the importance of minimising the harmful effects of human action and the overall collective presence in the environment. Environmental indicators are based on sustainability of organisational and civilizational existence (e.g., protection of natural resources, balanced consumption of energy, reduced waste and harmful emissions, etc.), or in other words, on helping to preserve the living conditions on the planet (Slaper & Hall, 2011). Successful leadership cannot be separated from the great responsibility we each bear for the future of our planet. Development and expansion of circular economy, lower energy wasting, reduced pollution and harmful emissions, responsible waste management and proper valuable inventory management—all this should be integrated in the target area of modern-day leadership.

Strategic leaders have to overcome the contradictions and try to strike the right balance between the three dimensions. It is not easy to establish and maintain balance between the triad of the target areas and at the same time avoid redundancy, distraction or contradictory organisational action. This is a paradox, but at the same time it is also a challenge when it comes to creating value for the organisation and the society.

Being blinded by (purely) organisational achievements cannot be sustainable: without a holistic approach incorporating social balance, fairness, human rights, ecological challenges and circular economy, as well as the interests of future generations and sustainability of life on the planet as objectives defined and realised by leaders, there can be no prosperity.

References

Bass, B. M. (2007). Executive and strategic leadership. *International Journal of Business, 12*(1), 33–52.

Berčić, B. (2012). Filozofija. e-book: https://bib.irb.hr/datoteka/546996.Bercic_Filozofija_e-izdanje.pdf. (accessed 17.5.2021.).

Berger, P., & Luckmann, T. (1991). *The social construction of reality*. Penguin Books.

Boal, K., & Hooijberg, R. (2000). Strategic leadership research; Moving on. *Leadership Quarterly, 11*, 515–549.

Cannella, A. A. (2001). Upper echelons: Donald Hambrick on executives and strategy. *Academy of Management Executive, 75*(3), 36–42.

Carter, S. M., & Greer, C. R. (2013). Strategic leadership: Values, styles, and organizational performance. *Journal of Leadership & Organizational Studies, 20*(4), 375–393.

Collins, J. (2001). Level 5 Leadership-The Triumph of Humility and Fierce Resolve. *Harvard Business Review, 1*, 67–76.

Crossan, M., Vera, D., & Nanjad, L. (2008). Transcendent leadership: Strategic leadership in dynamic environments. *The Leadership Quarterly, 19*, 569–581.

De Wit, B., & Meyer, R. (2010). *Strategy: Process, content, context—An international perspective*. South-Western Cengage Learning.

Derrida, J. (1982). *Margins of Philosophy*. Chicago, IL: University of Chicago.

DeRue, D. S., & Ashford, S. J. (2010). Who will lead and who will follow? A social process of leadership identity construction in organizations. *The Academy of Management Review, 35*(4), 627–647.

Dosi, G., & Nelson, R. (1994). An introduction to evolutionary theories in economics. *Journal of Evolutionary Economics, 4*, 153–172.

Elkington, J. (1997). *Cannibals with forks—Triple bottom line of 21st century business*. New Society Publishers.

Finkelstein, S., Hambrick, D. C., & Cannella, A. A. (2009). *Strategic leadership; Theory and research on executives, top management teams and boards*. Oxford University Press.

Franklin, P. (1998). Thinking of strategy in a postmodern way. Towards an agreed paradigm. Part 1. *Strategic Change, 7*, 313–332.

Fry, L. W., & Slocum, J. W., Jr. (2008). Maximizing the triple bottom line through spiritual leadership. *Organizational Dynamics, 37*(1), 86–96.

Gioia, D., & Chittipeddi, K. (1991). Sensemaking and sensegiving in strategic change initiation. *Strategic Management Journal, 12*(6), 433–448.

Gioia, D., Thomas, J., Clark, S., & Chittipeddi, K. (1994). Symbolism and strategic change in academia: The dynamics of sensemaking and influence. *Organization Science, 5*(3), 363–383.

Goldman, E. F. (2012). Leadership practices that encourage strategic thinking. *Journal of Strategy and Management, 5*(1), 25–40.

Hambrick, D. C. (2007). Upper Echelons Theory: An update. *The Academy of Management Review, 32*(2), 334–343.

Hambrick, D. C., & Pettigrew, A. (2001). Upper echelons: Donald Hambrick on executives and strategy. *Academy of Management Executive, 15*(3), 36–44.

Hamel, G., & Prahalad, C. K. (1994). *Competing for the future*. Harvard Business School Press.

Harfield, T. (1998). Strategic Management and Michael Porter: a postmodern reading. *Electronic Journal of Radical Organization Theory, 4*(1).

Hodgkinson, G. P., & Clarke, I. (2007). Exploring the cognitive significance of organizational strategizing: A dual-process framework and research agenda. *Human Relations, 60*, 243–255.

Hodgkinson, G. P., & Healey, M. P. (2008). Cognition in organizations. *Annual Review of Psychology, 59*, 387–417.

Hruška, D. (2011). *Kognitivni pristup donošenju poslovnih odluka: teorija i praksa radikalnog odlučivanja*. Sinergija.

Kleiner, A., Thomson, J., & Schwartz, J. (2019). *The wise advocate: The inner voice of strategic leadership*. Columbia University Press.

Knights, D., & Morgan, G. (1990). The concept of strategy in sociology. *Sociology, 24*(3), 475–483.

Knights, D., & Morgan, G. (1991). Corporate strategy, organizations, and subjectivity: A critique. *Organization Studies, 12*(2), 251–273.

Kriger, M., & Zhovtobryukh, Y. (2013). Rethinking strategic leadership: Stars, clans, teams and networks. *Journal of Strategy and Management, 6*(4), 411–432.

Kriger, M., & Zhovtobryukh, Y. (2016). *Strategic leadership for turbulent times*. Springer.

Learmonth, M., & Morrell, K. (2020). *Critical perspectives on leadership: The language of corporate power*. New York: Routledge.

Levy, D. L., Alvesson, M., & Willmott, H. (2003). Critical approaches to strategic management. In M. Alvesson & H. Willmott (Eds.), *Studying management critically* (pp. 92–110). Sage Publications.

Liedtka, J. (1998). Linking strategic thinking with strategic planning. *Strategy and Leadership, 26*(4), 30–35.

Lloyd, G. E. R. (1990). *Demystifying mentalities*. Cambridge University Press.

Mintzberg, H. (1987). Crafting strategy. *Harvard Business Review, 65*, 66–75.

Mintzberg, H. (1994). *The rise and fall of strategic planning: Reconceiving roles for planning, plans, planners*. Free Press; Maxwell Macmillan Canada.

Mir, R., & Watson, A. (2000). Strategic Management and the Philosophy of Science: The Case for a Constructivist Methodology. *Strategic Management Journal, 21*(9), 941–953.

Morgan, G. (1986). *Images of organization*. Sage.

Narayanan, V. K., Zane, L., & Kemmerer, B. (2011). The cognitive perspective in strategy. *Journal of Management, 37*(1), 305–351.

Nutt, P. C., & Backoff, R. W. (1993). Transforming public organizations with strategic management and strategic leadership. *Journal of Management, 19*(2), 299–347.

Peters, T. (1991). Part two: Get innovative or get dead. *California Management Review, 33*(2), 9–23.

Porac, J. F., & Thomas, H. (1990). Taxonomic mental models in competitor definition. *The Academy of Management Review, 15*(2), 224–240.

Porras, J. F., & Collins, J. C. (2002). *Built to last: Successful habits of visionary companies*. Harper Business.

Porter, M. E. (2001). Strategy and the internet. *Harvard Business Review, 3*, 63–78.

Prokesch, S. E. (1997). Unleashing power of learning; an interview with British Petroleums John Browne. *Harvard Business Reviews, 75*(5), 132–145.

Rowe, W. (2001). Creating wealth in organizations: The role of strategic leadership. *The Academy of Management Executive (1993–2005), 15*(1), 81–94.

Rowsell, K., & Berry, T. (1993). Leadership, vision, values and systemic wisdom. *Leadership & Organization Development Journal, 14*(7), 18–22.

Rumelt, R. P. (2011). *Good strategy, bad strategy: The difference and why it matters*. Crown Business.

Slaper, T. F., & Hall, T. J. (2011). The triple bottom line: What is it and how does it work? Retrieved October 30, 2020, from http://www.ibrc.indiana.edu/ibr/2011/spring/article2.html

Smircich, L., & Stubbart, C. (1985). Strategic management in an enacted world. *The Academy of Management Review, 10*(4), 724–736.

Sparrow, P. R. (2000). Strategic management in a world turned upside down: The role of cognition, intuition and emotional intelligence. In P. C. Flood, T. Drogmgoole, S. J. Carrol, & L. Gorman (Eds.), *Managing strategy implementation* (pp. 318–339). Blackwell Publishers.

Stacey, R. D. (1997). *Strateški menedžment i organizacijska dinamika*. Mate.

Starbuck, W. H., & Milliken, F. J. (1998). Executives' Perceptual Filters: What They Notice and How They Make Sense. In D.C. Hambrick (Ed.), The Executive Effect: Concepts and Methods for Studying Top Managers (pp. 35–65), Greenwich: CT: JAI.

Taylor-Bianco, A., & Schermerhorn, J., Jr. (2006). Self-regulation, strategic leadership and paradox in organizational change. *Journal of Organizational Change Management, 19*(4), 457–470.

Thomas, H., & Porac, J. F. (2002). Managing cognition and strategy: Issues, trends and future directions. In   *Handbook of strategy and management* (pp. 165–182). Research Collection Lee Kong Chian School of Business.

Tipurić, D. (Ed.). (2011). *Promjene vrhovnog menadžmenta i korporativno upravljanje*. Sinergija.

Tipurić, D. (2014). *Iluzija strategija: Razotkrivanje socijalno konstruirane zbilje poduzeća*. Sinergija.

Uhl-Bien, M., & Marion, R. (2009). Complexity leadership in bureaucratic forms of organizing: A meso model. *The Leadership Quarterly, 20*, 631–650.

Voegtlin, C., Patzer, M., & Scherer, A. G. (2012). Responsible leadership in global business: A new approach to leadership and its multi-level outcomes. *Journal of Business Ethics, 105*, 1–16.

Waldman, D. A., & Galvin, B. M. (2008). Alternative perspective of responsible leadership. *Organizational Dynamics, 37*, 327–341.

Wang, H., Waldman, D., & Zhang, H. (2012). Strategic leadership across cultures: Current findings and future research directions. *Journal of World Business, 47*(4), 571–580.

Weick, K. (1979). *The social psychology of organizing*. Newbery Award Record.

Weick, K. (1995). *Sensemaking in organisations*. Sage Publications.

Weick, K. E. (1987). Substitutes for strategy. In J. D. Teece (Ed.), *The Competitive challenge: Strategies for industrial innovation and renewal* (pp. 222–233). Ballinger.

Whittington, R. (2001). *What is strategy- and does it matter?* Thomson Learning.

Worden, S. (2003). The Role of Integrity as a Mediator in Strategic Leadership: A Recipe for Reputational Capital. *Journal of Business Ethics, 46*(1), 31–44.

Yammarino, F. J., & Dubinsky, A. J. (1992). Superior-subordinate relationships: A multiple levels of analysis approach. *Human Relations, 45*(6), 575–600.

Zaccaro, S. J. (1996). Social contextual considerations of efficacy beliefs: Defining multiple forms of social efficacy. Keynote address at The annual meeting of the Association for the Advancement of Applied Sport Psychology.

Zhang, D., & Chen, Z. (1991). Zhong Guo Si Wei Pian Xiang. [The orientation of Chinese thinking style]. Beijing: Social Science Press.

4

External Adaptation

Environmental Turbulences

Strategic leaders have to adapt their actions to the basic characteristics of the organisation's environment. Their task is to find a way to get the organisation harmonized and almost imbued with its overall surroundings, both present and future.

Complexity, uncertainty and lack of definition are characteristic of both profit and non-profit organisations, regardless of their size or character, posing a great challenge for leaders and organisations alike.

Beyond the boundaries of the organisation, there lies a world of limitless possibilities and strong, sometimes destructive threats, including smaller or larger crises, sudden and sometimes fantastic opportunities, technological and market-related shocks, structural social changes, new institutional and legal arrangements, changes in sociopolitical and economic conditions, and a whole series of other environmental factors.

The more complex and dynamic the environment, the more uncontrollable variables there are, which means that leaders are faced with more difficulty when it comes to creating strategy and adjusting the organisation to its surroundings.

Environmental turbulences can be identified in a combination of three categories (Volberda, 1998). These are: dynamism (intensity and frequency of change in the environment), complexity (number, relatedness and diversity of environmental factors) and unpredictability (cyclical nature of changes and clarity of data).

Environmental dynamism shows the nature and strength of the powers that drive strategic changes. A dynamic environment is characterised by fast-occurring, strong, often very deep changes in its key elements. Stable environments, with slight, slow-occurring changes, are rare in modern-day world.

In most cases, strategic leaders have to base their action on the premise of changeability beyond organisational limits. Technological advancement, inventions and innovations, development of new business models, creation of completely new demands, increased eco-awareness and other factors influence the intensity and frequency of change, or in other words, the dynamism of the environment.

Environmental complexity is determined by the number of factors that surround a company, their relatedness and diversity.

Situations where organisations interact in a simple environment are not very common. If the environment involves a multitude of diverse elements that the leader has to monitor, it becomes that much more complex. There are contexts in which a multitude of various factors exist, with complex mutual relations that are hard to grasp; it is not easy to simplify and create easy-to-understand environment models that can facilitate understanding and effective managerial action.

Environmental unpredictability is defined as a lack of identifiable patterns of change in the environment and inaccessibility (or ignoring) of relevant information.

Predictability has two measures: the first is the *degree of change*, which can range from slow to fast, and the other is *visibility of the future* as a measure of availability and usability of information used for making predictions. Modern-day strategic leaders can rarely make predictions considering the frequent waves of changes that come rolling in suddenly and upturn organisational reality.

In this context it appears that turbulence is greater the greater the dynamism, complexity and unpredictability of the environment. Such

storminess brings uncertainty and creates and interesting paradox: on the one hand, greater uncertainty reduces the usability of collected information, but on the other hand, it creates the need for additional information.

The role of strategic leaders can be compared to the role of a ship's captain steering the ship across stormy seas full of surprises and uncertainty. To be able to reach its port of destination, the captain has to have a clear plan and guidelines for navigation—or in other words, he needs a strategy in terms of ways to adapt to changes that are happening around him and that may affect the success of his endeavour. On the other hand, leaders' strategic choices are often restricted because of their limited and insufficient understanding of the environment in which their organisations operate: they often find themselves in a situation where they do not really know what they want or how to achieve it (Simon, 1997).

Necessity of survival forces the organisation to find modes of interacting with the environment. Successful organisations have to be very adaptable and reactive, and they have to develop systems that will enable swift and flexible innovations in response to increasingly fast, unpredictable environmental changes.

Objective and Subjective Environment

An environment is a construct that can be understood and interpreted in different ways. Estonian biologist and founder of biosemiotics Jakob von Uexküll made a distinction back in 1909 between the *objective environment* (in German: Umfeld) and *subjective environment* (in German: Umwelt) (Kreye, 2013, p. 139).

The subjective environment is the way an organism sees and perceives the environment around it, whereas the objective environment encompasses and affects *all* entities in an environment.

The objective environment ("objective external reality"), if such a thing even exists, is not a relevant construct from the perspective of organisational leaders and managers; they perceive and understand things and act based on their own subjective environment, which is a construct of their own, created as a result of a specific social context existing in certain space and time.

Leaders (and other social actors) across different historic and cultural contexts and traditions perceive and shape their subjective environment differently, forming different patterns of interaction with that environment. An interesting example of subjectivity was given by Kreye in the paper referred to in the references, describing the differences in how Europe and the USA perceive the present. In Europe, the present is seen as *the most recent point in history*, whereas in the USA it is viewed as the *beginning of the future*.

There is no doubt that modern-day leaders operate in a complex and interconnected world riddled with uncertainty. They are inextricably connected with the environment that has created them and that significantly affects the manifestations and forms of their behaviour.

Recognition and structuring of the subjective environment, the disambiguation, segmentation and ultimately construction of that environment—in fact, the process of giving sense to an incredibly large number of elements that surround the organisation—depend on factors that have a crucial impact on changes in the world we live in.

Leaders and other organisational actors seek the purpose of their own action, they give meaning to the identified and constructed constituents, and create a world of their own interpretations in a socially constructed ambience they call environment. They interpret the environment based on their own *cognitive maps, cognitive schemata* or *mental models*: various knowledge structures in the form of ideas or images they have about how the world around them functions (De Wit & Meyer, 2010, p. 77).

Mental models are developed in social interaction and they are inseparable from the context in which they function. They serve as the instrument for giving meaning to information extracted from the environment; for example, when it comes to companies, this may involve the context of the industry, boundaries of competitive arenas, identities of competitors and the way they compete with the company, their position in the environment, and other similar information. They are necessary simplifications that help managers overcome the flood of information and their own cognitive limitations (Narayanan et al., 2011).

Reality is, hence, inseparable from cognition (how we understand the world we perceive), the way we express ourselves (language, both spoken and written word), and the way we interact with the environment we

have created—not only we as individuals, but also the groups and organisations we belong to, and the society as a whole.

We have already mentioned when we cited Smircich and Stubbart (1985) that organisations and environments are constructed simultaneously in the process of social interactions between key actors. The two authors identified three models of the environment that strategic leaders have to take into account: (1) *objective environment*, with a clear "organisation–environment" dichotomy, (2) *perceived environment*, which is identified as a sort of simplification of a multitude of unclear information, and (3) *enacted environment*, which is created by constructing the world, categories and relationships between the organisation and the environment.

There is no objective reality within an organisation. Leaders create elements of a constructed environment through *organisational routines, rhetorical devices, shared values and ceremonies* (Mir & Watson, 2000, p. 945). This sometimes creates "multiple realities" within the organisation, depending on the different perspectives and understanding of the ambience in which the organisation interacts with its environment.

Consequently, a leader's primary responsibility is to define reality (DePree, 1989, p. 19) which in fact implies *defining the reality of others* (Worden, 2003, p. 32) by influencing the systems of meaning and rounding-off the organisation's continued existence in time.

Environment Modelling

A model of the environment is the result of strategic leaders' cognition and experience, but also of harmonisation and convergence of mental models of a larger number of people at a certain point in time, in a certain activity or fragment of social reality.

Leaders *recognise* the environment in constructed structural elements that have been created and shaped through their cognitive processes or borrowed from existing methods of shaping the environment from available narratives, good business practices and *conventional wisdom*; they give sense to those elements and use them as the basis and foundation for development of strategy and strategic decision-making.

Strategy is bounded by their understanding of the environment or, more precisely, it is the answer to the environment that they themselves have created.

The collective understanding of the environment defines the permissible space for organisational action, seeing that key actors from the environment and their mutual relationships are embedded in the cognitive structures of strategic leaders. A change of environment happens retrospectively when the predominant cognitive structure is reformulated (or replaced) to give meaning to unexpected events that do not fit into the existing model of the environment.

Moreover, we can model the environment based on the characteristics of the era in which the organisation exists (Lenz & Engledow, 1986). According to this approach (the era model), environment is a set of social structures, values and assigned of social roles that characterise a certain period. Perspectives on environmental factors are harmonised and widely accepted among important social actors. The ambience in which organisations operate is perceived singularly: objectives, institutional relationships, ideologies and value creation methods define the point of view of strategic leaders. Organisations are firmly and inextricably incorporated in the complex network of social relationships existing at a given moment in time.

Perspective of the environment changes during the process of turbulent transition in which the existing order is replaced by a completely new one—one that will produce new structural elements, constellations and values. For example, a radical shift from one industrial revolution to another changed the strategic leaders' model of the environment. Similarly, the transition from real socialism towards capitalism that occurred in Eastern Europe thirty years ago changed the perspective of almost all social actors.

Not only radical social changes, but also technology and experiments of individuals in pursuit of self-fulfilment within the context of dominant institutions (such as family, organisations, society) can change the ambience. One has to keep an eye out for megatrends, chaotic and sudden events that upturn social developments and that can change the existing view of the world from the bottom up.

Finally, the model of the environment can be the result of plausible and accepted conceptualisations that strategic leaders use to better cope with environmental challenges.

In short, *environment* is a common name for a set of constructed and recognised factors that exist beyond organisational boundaries and affect, to a larger or lesser extent, the organisation's existence and actions in the present and in the future. An example of modelling is a generic environment model, which can be adapted to organisational specificities in any possible ambience, irrespective of the purpose or duration of the organisation (Fig. 4.1).

A generic environment model represents a cognitive simplification of reality depending on the era, organisational activity and characteristics of strategic leaders and other important members of the organisation. It is presented based on two groups of constituents depending on the distance and relations between them and the organisation.

The first group, comprising factors that exist externally, at a certain distance from the organisation, is usually referred to as the
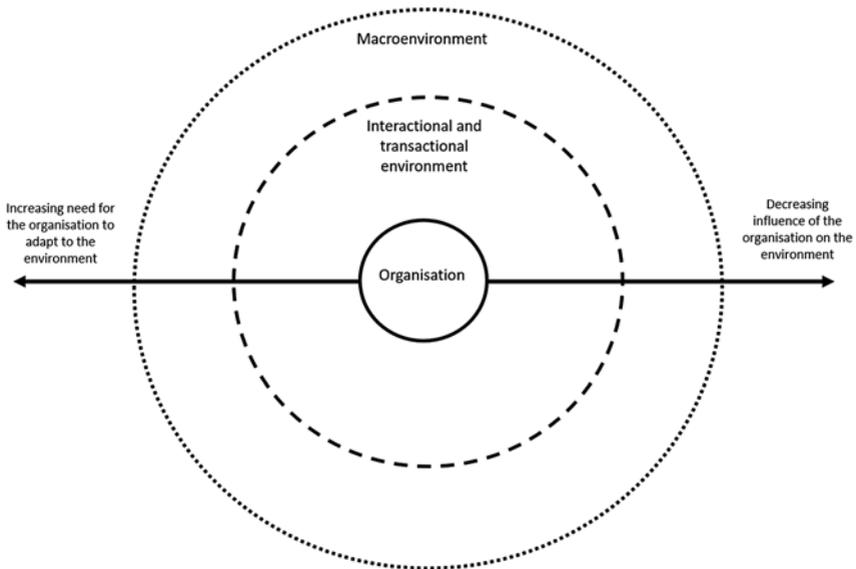

Fig. 4.1 Generic environment model

macroenvironment. The second group is comprised of the closer, interactional and transactional environment (sometimes also referred to as task environment), and in most cases it has a greater impact on the organisation than the macroenvironment.

Macroenvironment. Influence on the macroenvironment is limited; strategic leaders and organisations have to accept it as a set of uncontrollable variables and adjust the strategy to its specific characteristics, regardless of whether it generates threats or opportunities.

Macroenvironment-related factors are factual from the organisation's point of view. Leaders have to direct organisational action in accordance with imposed limitations and pressures. Some factors are more important than others; some represent major threats whereas others create special opportunities that are to be taken advantage of; there are also those that represent both a threat and an opportunity at the same time, and others that only have a negligible impact on the organisation.

Strategic leaders and their associates need to identify the factors that are important and they especially have to understand the structural determinants of the macroenvironment. They have to continually monitor and analyse the macroenvironment, particularly they have to be able to recognise the early signs of significant changes in the structure and relations between the most important factors, and think about interpreting the environment from various possible, often alternative perspectives (e.g., in terms of existing and potential competitors' view of the macroenvironment, threats and opportunities that may arise).

Analysis of the environment should help them interpret the important elements of the environment and understand their significance and influence on the organisation.

Assessment of the macroenvironment is an obligatory part of strategic leaders' work: without understanding the existing influences and defined frameworks, the degree of uncertainty and dynamism, or expected future changes in the constellations of environmental factors, it is impossible to create strategy and make rational strategic decisions.

Macroenvironment has to be sorted into sets of political, legal, institutional, economic, sociodemographic, technological, scientific, cultural and other important factors existing in the organisation's ambience.

Good examples of macroenvironment-related factors would be the COVID-19 pandemic and its impact on organisational action, or a change of government following an election in a country, a new scientific discovery or a radical technological change that affects the business model, or the demands of the users of services or products supplied by the organisation, and similar factors.

Strategic leaders have to adjust their intentions and organisational action to macroenvironment-related factors.

Interactional and transactional environment. The environment is a place of interaction *sui generis*: through its actions, the organisation affects the environmental factors and at the same time responds and adjusts to their influences. The forces of competition and cooperation interchange and complement one another, and sociopolitical and socioeconomic relations between organisations and other factors determine the elements of success or failure.

Every organisation can be observed as a system in which inputs are transformed in order to produce outputs. Transactions and interactions between the organisation and the environment include exchange of various types of resources, such as information, knowledge, money, property, services, products, and other, but they also involve a certain power play between competing organisations in their attempt to achieve the best possible market position to ensure their survival and further development.

Analysis of interactional and transactional environment involves identification of factors that the organisation affects more significantly and that play an important role in its transactions or interactions.

Factors belonging to this segment of the environment impact the organisation's conduct, performance and decisions, but in turn, the organisation can also influence those factors, and the intensity of those factors, through its own actions.

For example, a strategic analysis of a business organisation is intended to assist in assessing the structure and dynamics surrounding a specific task, and in understanding the competition-related circumstances with a view of predicting the key variables of competitiveness in the relevant industry. It is important for the analysis to determine the key factors of market success and foresee their potential changes, as well as the means and methods of potentially achieving competitive advantage.

Successful strategic action requires good knowledge of the factors and characteristics of transactional and interactional environment.

That environment can be structured differently. Factors inherent in the transactional and interactional environment of business organisations can, for example, be service users and consumers, customers, suppliers, current and potential competitors, agents and distributers, strategic partners, financial institutions, other creditors or potential investors.

It is important to highlight the existence of cooperation and competition relations between the organisation and its environment. Suppliers and customers, for instance, appear both as partners and rivals of an organisation in the value creation chain. The same applies to competitors, who can appear as partners in research projects, or associates when it comes to establishing competition standards, or other.

An organisation's strategic direction and strategic leaders' decisions directly depend on existing constellations of factors from the organisation's interactional and transactional environment.

From this perspective, external adaptation can be seen as a strategic leader's action toward positioning the organisation in both of the two mentioned segments of the environment, specifically to a position that promises the best chance of survival in the long run. This is very appropriately phrased in Charles Darwin's famous sentence, where he said that it is not the strongest or smartest that survive, but those *most responsive to change*.

Institutional Pressures

No organisation is an entity with complete autonomy to act: it is restricted and limited by the institutional context. Institutional pressures shape behaviour, directly or indirectly pressuring organisations and their leaders to act in a more or less restricted space.

Institutions are types of man-made, formal or informal restrictions that structure political, economic and social interaction and *consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)* (North, 1991, p. 97), representing points where discourses create so-called

communities of agreement (Mir & Watson, 2000, pp. 942–4). Institutions are imbued with symbolic elements, dependent on technological progress and material resources, and reliant on history in that they take into consideration previous practices and decisions (Scott, 2004).

Pressures on organisational action are exerted by formal or informal institutions, but a prominent role in this context belongs to shared beliefs and all forms of categorisation that contribute to objectivization and constitution of a social reality that the organisation is embedded into.

Scott (2001) noted that the process of institutionalisation yields three types of institutions that create a framework for, and rules of, conduct: (1) *regulatory institutions*, which rely on compulsory rules of conduct (mostly laws and regulations) that have to be observed or otherwise sanctions will be imposed, (2) *normative institutions,* which are based on norms of behaviour, social values and professional standards, and (3) *cognitive institutions*, which define social reality through shared values and concepts (socially acceptable behaviour is most often taken for granted as the only type of behaviour that is appropriate).

Strategic leaders are left with limited choices: the way they guide the organisation has to fit into the institutional framework. This reduces uncertainty and unclarity, and legitimises conduct from the point of view of the society. Legitimacy is, according to Suchman (1995, p. 574), *a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs, and definitions.*

Leadership is faced with a problem when the institutional framework is inconstant and fluid, or when it is in the stage of transition to a new institutional balance.

Institutions are, in most cases, very resilient and reluctant to change. Changes at an institutional level happen rarely and usually externally, and organisations mostly accept a certain conduct within the institutional area by making normatively rational choices in line with social expectations, norms, values and beliefs present in the institutional environment.

The environment defines the patterns of desirable action: those that fail to fit in cannot survive. As a result, leaders develop and implement *socially acceptable* forms of action (strategies, organisational structures and practices) that are in line with institutional requirements and

pressures, with a view of *legitimating* the organisation in the environ-
ment, i.e., getting the social approval of its actions. In other words, con-
duct that is in line with social expectations increases the likelihood that
the key environmental factors will support them in their activities and
decisions (Meyer & Rowan, 1977; DiMaggio & Powell, 1983;
Scott, 1995).

Institutionalists emphasise that (1) all organisations exist in a *milieu* of
institutional rules (there is no such thing as a market—all markets are
socially constructed), (2) all organisations are *settings* established based on
social expectations that force them to take only the kind of action that is
acceptable, and (3) all leaders and managers are socialised through accept-
ing the appropriate view of the world that outlines their understanding of
the available options. In other words, managerial discretion is very
limited.

Leaders and managers are not and cannot be autonomous agents; they
are restricted by social norms and expectations comprising assumptions
about their organisational world and appropriate behaviour (Jenkins
et al., 2007, p. 16).[1] There is no *unrestricted human agency* in strategic
decision-making and action. As underlined by Tolbert and Zucker
(1983), people make decisions but this is in no way free or unrestricted:
their conduct is always conditioned by social pressures.

When viewed from this perspective, strategic leaders' behaviour serves
to adapt the organisation to the presented demands of the institutional
environment and to achieve social legitimacy, or in other words, to action
that will be congruent with the values and expectations of key factors in
the social environment. Acceptance of norms, rules and practices of the
institutional environment is an imperative that shapes strategic choices
and decisions.

External adaptation, from this point of view, implies adaptation to
institutional pressures. The greater the demands, formalisation of
behaviour and restrictions, the easier it is for organisations to accept and
implement quick and simple strategies of aligning with such institutional

---

[1] The neoinstitutionalist approach is more about analysing the effects of institutionalisation than
about analysis of the processes through which organisations become institutionalised. *Eo ipso*,
organisations are treated as *black boxes*, and this is the most criticised element of this theory (Miles,
2012, pp. 148–149).

norms, with a view of avoiding being recognised in their field as non-legitimate (Krajnović, 2018, p. 48). This significantly restricts the space available for strategic leadership action.

Furthermore, successful adaptation and conformity with institutional pressures will make all the entities in the organisational field[2] mutually alike, which leads to a phenomenon known as *institutional isomorphism*.

Institutional isomorphism is a homogenisation of organisational practices in the process in which organisations become increasingly similar to one another in their intention to achieve social legitimacy. DiMaggio and Powell (1983, p. 149) define isomorphism as *a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions. At the population level, such an approach suggests that organizational characteristics are modified in the direction of increasing comparability with environmental characteristics*.

There are three types of institutional isomorphism: coercive, normative and mimetic isomorphism (DiMaggio & Powell, 1983). Coercive isomorphism emerges as a consequence of institutional pressures exerted on the organisation by the entities on which the organisation depends (it is the result of formal and informal pressures by the government, legislative bodies, regulatory agencies, but also cultural expectations from the organisation in the eyes of the society). Normative isomorphism is the result of professionalization within a certain organisational field. Mimetic isomorphism represents the process of copying and adopting practices and structures of an organisation perceived by others as being successful and legitimate.

DiMaggio and Powell (1983) noted in this context that one should not forget the phenomenon of *structuration*, which refers to processes through which institutionalised social structures shape action and behaviour, but also the processes through which those structures are recreated and reproduced through preformulated action and behaviour. Conformist behaviour on the part of organisations thus serves to reinforce existing social structures. The authors also underlined the problem of *reproduction*

---

[2] The concept of organisational field is recognised in the institutional determination of the environment comprised of multiple transactional relations in a network of participating organisations; each of them has a shared understanding of the form that such transactions should take (Jenkins et al., 2007, p. 21).

dynamics: institutional structures emerge from social interaction, serve to direct those interactions, and are ultimately reproduced through those interactions.

Oliver (1991) claims that organisations can adopt a wide range of strategies, from extremely passive to extremely active ones. According to her, possible organisational reactions are: (1) acquiescence, (2) compromise, (3) avoidance, (4) defiance*,* and (5) manipulation.

It is important to underline that the institutional approach explains strategy as a socially acceptable adaptation of the organisation to the existing network of institutional arrangements, social networks and expectations. The role of strategic leaders lies in the performing of activities aimed at the best possible implementation of strategy.

Qualitative comparison between organisations is based on creating *institutional advantage*: some organisations will be *better* than others because they are better and more successful at socially legitimating themselves in a given organisational field.

The twenty-first century world is also changing the way organisations and leaders approach limitations and pressures of the institutional environment.

Some organisations act like true *institutional entrepreneurs* (DiMaggio, 1988), or in other words, they are active participants in a more or less radical change in the environmental factors surrounding their institution (Oliver, 1991). These changes can be correlated with the phenomenon of deinstitutionalisation, which is a process *through which the legitimacy of an established organisational practice is lost or terminated* (Oliver, 1992) and which serves to challenge, negate or disapply the established or imposed practices or procedures.

Nowadays, the influence of organisations of this kind is getting greater and greater—they are the creators of economic value that not only offer innovative products, services and business models but also undermine the foundations of contemporary society by changing existing institutional arrangements and opening up new spaces by shaping new social structures and rules.

What connects organisations and systems such as AirBnB, Uber, Bitcoin, PayPal, M-Pesa, Pirate Bay and many others, are not just revolutionary innovations in business, but also massive institutional changes

that are created as a result of existence of such organisations. Such actors change the basic substance of society: customary practices, organisation and order that we have become accustomed to, as well as the methods of creating, appropriating and distributing value.

Their action more or less successfully *destroys* the rooted-in institutional logic and existing rules of the game. They do not accept the inherited social and market-related frameworks and do not hesitate to question the existing widespread categories and constructs: from money, capital market, goods and information, contracts, business models, to the character of entrepreneurial initiatives.

Some strategic leaders change institutions and create completely new organisational fields. Their success is not measurable by the level of institutional advantage in the existing organisational field, but by their ability to establish new institutional constellations and balances where they will have the pre-emptive advantage of social legitimacy in the eyes of organisations that they lead.

Neo-Darwinian vs. Adaptationist Discourse

There are two main discourses when it comes to understanding the relationships between an organisation and the environment that condition the actions of a strategic leader.

Neo-Darwinian discourse is based on the idea that there are evolutionary forces that affect survival in a population of organisations, whereas the *adaptationist discourse* relies on the hypothesis that organisational change happens as a managerial response to the dynamics of the environment (White et al., 1997). Based on the first approach, the role of strategic leadership remains in the organisational backstage, whereas based on the second approach, it is put on a pedestal as a key instrument and driver of change.

The key element in any evolutionary theory—regardless of whether it is in the field of linguistics, culture, technology, biology or economics—is the mechanism of creating new things, based on the concepts and logic of *variation, selection and retention.*

One continually questions whether it is possible to plausibly transpose evolution-related assumptions to social sciences, or whether it is just a trend among researchers, one that obscures the real nature of social phenomena involved in this process and reduces human behaviour to a game of natural selection, a so-called "blind choice" that remains outside the domain of people's conscious decisions and intentions. On the other hand, it is unquestionable that ideas stemming from evolutionary theory have enriched and provided a different, sometimes complementary, perspective on the scientific disciplines dealing with economic and managerial processes.

In strategic management, the recent popularity of evolutionary ideas is, as Augier (2005, p. 352) noted the words of Sidney Winter, based on the fact that *these ideas provide a fairly 'big tent', a fairly broad framework in which you can analyze the basic ideas of firm behavior. Firms commit themselves to trying certain things, and then the environment renders a verdict in terms of 'success' or 'failure' of those attempts*. He also noted that *that has so much descriptive plausibility that it is easy to think about strategy in that framework.*

A special contribution to Neo-Darwinian discourse that concerns survival of entire organisations was given by Howard Aldrich (1979). He attempted to explain how variation, selection and retention, as key categories of the theory of evolution, can be observed as predictors of organisational change over time. His hypothesis was that an organisation's greater or lesser adequacy to its environment (possessing of adequate organisational characteristics) translates into its prosperity or downfall much more than decisions and strategic guidelines selected by organisational leaders (Murmann et al., 2003).

In other words, the organisations that are best adapted to the environment will survive, while others will perish over time.

Evolutionary processes at organisational level can be presented as follows: Variations change existing structures or behaviour, and they can be *planned, unplanned, accidental, circumstantial, systematic, predictable or heterogenous* (Aldrich, 2017, p. 33). Processes of selection separate certain variations from all those that are available; i.e., they select the variations that will survive in the upcoming period.

Natural selection is the key mechanism of selection: Selection processes often generate unexpected consequences and there is no guarantee that selection will result in the survival of the most efficient.

The environment confronts organisations with contradictory selection pressures and, in most cases, it is completely uncertain which or whose strategies will be the ones to survive. The best way to tackle the future environment is to experiment and develop a multitude of minor strategic initiatives, some of which will be recognised by the environment as being good.

The trial-and-error approach redirects focus from developing coherent and consistent all-encompassing strategies to creating intraorganizational conditions that will allow for various responses to different changes in the environment to *emerge* over time. According to evolutionists, the environment will provide the metacriterion for selection of the best methods and versions of strategy; the role of strategic leaders and managers in this process is only a minor one.

Evolutionists emphasise that organisations (and their leaders) are not too competent when it comes to anticipating or adapting to changes in the environment. They underline that the importance of deliberate strategic creation by the upper echelons is overestimated, and that the concept of "long-term strategies" detracts managers' focus from operational efficiency and the aspiration towards the greatest possible efficacy. Instead of this being done by rational leaders or managers who willingly select and implement what they think are the best strategic directions, it will actually be the market that will select *ex post* the best strategies.[3]

---

[3] In the field of economics and management science, important fundamental ideas of the evolutionist approach have been contributed by numerous scholars. One such contribution was provided by Hannan and Freeman (1974) in the development of population ecology, which most researchers nowadays refer to as *organisational ecology*. In his analysis of social psychology in organisations, inspired by the works of Donald Campbell from the 1960s introducing a sociopsychological theory about how individuals coordinate their actions, Weick (1979) developed an approach wherein one can clearly see the evolutionary logic based on variation, selection and retention; Aldrich (1979) is also known for proposing that the concept of evolution should be an *overarching framework* in which all other business-related research approaches should be recognised. Nelson and Winter (1982) who, inspired by ideas and concepts of Cyert, March, Simon and Schumpeter, believed that the key of evolution was in routines as the fundamental unit of selection rather than individual organisations. Resource-based view of a company (e.g., Barney, 1991; Wernerfelt, 1984) was also strongly influenced by the evolutionist perspective of Nelson and Winter (1982) on the development of a company. Evolutionary ideas can also be seen with DiMaggio and Powell (1983) in their explanation of companies' behaviour based on the principles of neo-institutionalist approach. All of them (and numerous other researchers) find that evolutionary meta-logic is appropriate when it comes to researching the business world (Hodgson, 2002).

It arises that the evolutionary perspective does not place too much importance on managerial choice or planned action; selection occurring in the environment will select those who are more capable (in evolutionary terms), those who have opted for strategies best suited to the forces present in the environment and who stand a better chance of survival as a result.

Contrary to the view that purposeful and deliberate creation of organisational future is overestimated, the adaptationist discourse emphasises the importance of leadership, organisational strategy and choice.

Leaders and managers make conscious decisions aimed at aligning the organisation with the characteristics of its environment; adapting it to the environment and the demands it brings and, to the extent possible, shaping the environment according to the needs, capabilities and expressed aspirations. A strategic leader is usually perceived as a completely rational individual on top of the organisational pyramid, a *homo oeconomicus* who acts rationally, maximising benefits. This discourse is based on strong trust in the leader, their abilities and capacity to make long-term plans and shape a strategy that can maximise profits or achieve another tangible objective that the organisation aspires to.

The classic adaptationist discourse developed over time into a *systemic perspective* on strategy, as seen by Whittington (2001, p. 26), which is based on the assumption that organisations (or those that manage them) are capable of planning ahead and being efficient in interacting with its environment. It describes how strategic objectives and processes paint a picture of the social systems in which strategy is created, and rationality of behaviour is determined based on a particular social context instead on some general criteria.

Rules that govern company strategy are less constrained by the cognitive framework of those that create strategy, and more so by cultural rules and norms existing on a local social level (e.g., the influence of social class, profession, gender, nation, country, family, or other), irrespective of strong influences of globalisation.

The systemic perspective de-centres strategy as a universal category and positions it into different segments of human reality in various different ways, which results in strategy becoming a discourse significantly dependent on contextual variables that determine the ambience in which the organisation exists. This is a truly post-modernist alternative: a major departure from classical adaptationist perspective where the rationale behind any strategy is recognised in its instrumental role, with the mediation of the upper echelons, in achieving the highest possible earnings for shareholders or satisfying the interests of other dominant stakeholders.

In conclusion it can be said that there is no doubt that organisational adaptation to the environment is not a simple phenomenon, just like strategy is not something that can be singularly interpreted.

Strategic leaders can in some situations enjoy freedom and complete control in the forming of strategy, whereas other times they may be significantly restricted by ideology, history and past organisational practices. Moreover, organisational adaptation can be based on strategy development through incremental improvement of organisational processes (e.g., Barnard, 1938; Burgelman, 1994; Quinn, 1980) or in other words, through daily adjustments of organisational routines that occur irrespective of the defined plans and guidelines (Mintzberg & McHugh, 1985).

The greater the uncertainty in the environment, the less usable any pre-designed action plans, because it becomes harder to turn them into reality. In such situations, other characteristics of the organisation become more important: ability to experiment, potential for organisational learning, and greater flexibility and adaptability. These characteristics can help to adjust to fundamentally unpredictable future events and emergence of patterns of the organisation's behaviour that can then develop into a successful strategy (De Wit & Meyer, 2010, p. 114).

Strategic leadership has an important place in all the mentioned situations: in radical choices that create new configurations in the organisation-environment relationship, but also in the creation of a context and a stimulating climate that can indirectly and gradually lead to alignment of organisational components with important environmental factors. Strategy is an instrument of leadership in the dynamic interaction of the organisation and the environment; it is an adaptive response to important and critical changes that happen in it.

Strategy and External Adaptation

As already underlined, external adaption is an inextricable element of strategic leadership architecture and, together with strategic direction and integration of the collective, it affects organisational action and guides it towards the expectations and outcomes that contribute to the organisation's survival.

An organisation can be observed as an open system that merges with its environment, consisting of interconnected and interdependent elements that function as a whole in that interaction. Organisation is a system that depends on its environment to survive and flourish.

The boundaries between the environment and the organisation can be perceived as fluid and variable, allowing for the comparison to a very unstable *permeable membrane* which *de facto* outlines the organisation as a distinct entity. Across these boundaries, organisations receive inputs, transform them, and return them to the environment in the form of outputs (information, services, products or other) which reflect their primary purpose.

The organisation is affected by environmental developments but at the same time it, too, affects the environment. At times its entangledness with the environment is greater, and at times it is lesser, depending on the intensity of their mutual influences.

Potential for resource exchange, control of key resources, issues of resource scarcity and availability, greater or lesser resource dependence on others, mutual influences and all kinds of adaptations as well as other sociopolitical and economic relationships, determine the degree of the organisation's interwovenness with the environment.

The fundamental purpose and objective of any system, and consequently of any organisation, is survival. Successful adaptation to the present and future environment guarantees survival. This adaptation can be referred to as *strategy*, or as the organisation's way of more or less coherently or consistently directing its relations to and relationships with the environment, regardless of whether some action has been planned by the strategic leaders or emerges as a result of years of experience and gradually developed and unplanned behavioural patterns.

Hence, strategy is the mediating *force* between the organisation and the environment which increases the chances of survival in the long term.

From the perspective of strategic leaders, developing a successful strategy means coordinating the organisational potentials to match the specificities of the environment; adapting to the environment and its demands and, to the extent possible, moulding the environment according to one's own needs and capabilities.

In other words, strategic leaders need to continually strengthen their organisations' *adaptive potential*: their effort is important when it comes to eliminating or mitigating threats and weaknesses, utilising opportunities and maximising strengths in order to succeed in making their mission a reality.

Disambiguation and "diagnostics" of the environment are obligatory in that process. This includes researching and interpreting political, economic, social, technological and other factors. Leaders should pay special attention to the events or trends that have the potential to change the world radically. Value shifts in the society, significant technological innovations, structural shifts and other paradigmatic changes could completely change the way market competition works, the role the organisation plays, and also the way it interacts with the environment.

Standard forecasting techniques and methods are of little assistance when it comes to the complex and variable ambience in which modern-day organisations operate. Most forecasting methods can only be implemented when there is information available about the past that can be quantified in the form of input data, and when it is possible to assume with a relatively high degree of certainty that past phenomena will continue in the future. Nowadays, it seems that forecasts and trends are not useful even when it comes to relatively short-term forecasts: elements of *structure of the future* change so quickly that quantified indicators and expected future data, which usually appear as outputs in a classic forecast system, lose their qualitative character, and this represents a much bigger issue than a mere numerical error, which could sometimes be tolerated.

This brings to mind the witty remark of great physicist Niels Bohr, who said: *Prediction is very difficult, especially if it's about the future.*

A high degree of uncertainty that is inherent in the environment of contemporary organisations does not, from the adaptationist approach,

reduce the need for strategic leaders' visioning or the need to examine, explain and interpret the future by using organisational strategy, which is in essence a construct comprising the desired picture of the organisation's future, main strategic direction and organisational action required to making all that a reality.

Scenario planning. Scenario planning can help the organisation better face the challenging turbulences and provide a good link between two components of strategic architecture: external adaptation and strategic direction. It helps in the analysis of the future environment and development of strategy, strategic objectives and initiatives by helping strategic leaders think outside the box when it comes to the future and future events, in order to be prepared for them as much as possible.

The main purpose of scenario planning is the creating of a comprehensive and integrative picture of the future that can affect the decisions that are to be made by strategic leaders at the present moment and the purposefulness of which is beyond question.[4]

Scenarios are to be understood as schemata or *schematic concepts* that strategic leaders use to familiarise themselves with the consequences and actions involved in a hypothetical situation. Any possible future is presented based on a number of variables and their significant interrelations, and the term *scenario* is used for such a set of logically structured hypotheses the relevance and coherence of which can be empirically and analytically verified and the likelihood of which can be estimated, allowing for an estimate of opportunities and threats for the organisation in the future that require an immediate response (Tipurić, 1997).

Instead of the *most probable future*, scenarios focus on various possibilities and create room for thinking in terms of "if-then" statements. They are the tool for *editing* the perceptions of alternative future environments in which strategic leaders' potential decisions and aspirations can be compared. The most important step in scenario analysis is identification of the most important trends and so-called *critical uncertainties* (various

---

[4] Particular credit for theoretical elements of scenario planning introduced in the 1970s is owed to Pierre Wack, who understood that there were hidden forces that affect the creation of future and that planners need to look at and accordingly shape the future of the company in a new way, by affecting the "mental maps" of decision-makers so that they could have a set of scenarios based on which they could make strategic decisions with promising outcomes. See: Tipurić (1997).

phenomena and factors) which could have a positive or negative impact on the organisation's future ambience. By exploring their interaction, one can develop distinct structures of the future that serve as a basis for construction of scenarios as *alternative futures* that necessitate the organisation's strategic adaptation and create a foundation for strategic leaders' action.

Scenarios are developed as sets of only a few plausible stories that describe the organisation's possibilities in the most important optional futures, and these are then planned down to a few scenarios, i.e., unique and rational stories with suggestive plots that can intrigue strategic leadership and facilitate the understanding of the possibility of change management (Tipurić, 1997).[5]

Each scenario describes an outline of the future that is completely different from those presented in other scenarios. Wack (1985), for instance, claimed that the ideal number of scenarios was three, with one being a "surprise-free" scenario, and the other two presenting different perspectives of the world based on critical uncertainties of key variables. On the other hand, Schwenker and Wulf (2013) believed that it is reasonable to develop four scenarios that would be based on varying two important dimensions in the so-called scenario matrix. It would be inappropriate to design more than four scenarios, as most decision-makers cannot manage that many "worlds".

Scenarios should help strategic leaders develop their own perceptions of the nature of the environment and the forces and factors operating in it, and also of the uncertainty brought on by alternative scenarios and concepts of interpretation of data about the future. The central point of a scenario is the impact on the strategic leader's mindset: their internal model of reality, set of assumptions about the structure of the external world and the organisation's place in it.

---

[5] Scenarios are designed by taking distinct important trends and critical uncertainties and including them in the recognition and development of scenario dimensions in order to provide explanations that will help structure and understand how they correlate with one another. One should not focus on a cross analysis of mutual influences of all existing variables because that would create thousands of variations which could not be consistently incorporated in the development of alternative scenarios. Scenarios should: (1) portray an imaginable coherent future, (2) differ in terms of structure, (3) be distinct from standard predictions, (4) comprise elements that are of interest to, and that may potentially impact the organisation and its environment, and (4) challenge the existing frameworks and assumptions (e.g., mere copying of the present into the future by drawing on simple trends, or alike).

More than anything else, strategic leaders require plausible narratives about the future of the ambience. These serve to facilitate the designing and development of options that can prevent, redirect or encourage the constellations and processes in the environment that will have a key impact on the organisation in the future.

In short, external adaptation can be seen as a link created by strategic leaders between the organisation and its environment. Assessment of the present environment and anticipation of the future one helps to identify the potential space for important actors' influence on planned organisational action. Scenario planning helps understand and contextualise uncertainty, and strategic direction rounds off the organisation's mission and vision, serving as the foundation for decisions and moves that the leader and the organisation are going to take.

Coordinating one's own intentions with expected actions of other mutually dependent entities, with a realistic assessment of the current position, helps create a *strategic fit* as the main objective of organisational adaptation to a variable and uncertain environment.

Analysis of the environment cannot be complete or purposeful without analysing the future, nor can strategy be contemplated without thinking about what tomorrow will bring.

Blending intention and anticipation. Strategy can be understood as blending intention and anticipation, both in leaders and in organisations, as noted by Wensley ([2003](#), p. 105). Their relationship in external adaptation (in accordance with postmodernist discourse) should be observed from a synchronic perspective (which means that a diachronic observation of their relationship should be avoided).

Intention is connected with the leader's and the organisation's purposeful behaviour, and anticipation on the other hand is connected with understanding the behaviour of others who influence or could influence the effects of the organisation's behaviour. They are indispensable in the conceptual scope of strategic leadership: they represent the totality of environmental factors that we can refer to as "Others."

Hypothetically, an organisation could have only one important environmental actor with a stable and predictable set of actions that impact its existence. In such case, external adaptation comes down to a range of decisions and potential actions and reactions in that dyad.

The other extreme would be a huge number of all kinds of environmental actors, each with different objectives and intentions, whose actions cannot be predicted, making it necessary to develop alternative scenarios in the strategic anticipation process, and to group actors and factors from the environment by their similarities to create simplified models of the environment in which collective intentionality can be better understood and outlined. The more complex and variable the environment, the harder and more challenging the task to anticipate things in it.

In the range of possible situations between the two mentioned assumed extremes, external adaptation always comes down to potential and actual relations with "Others."

Wensley (2003, pp. 123–129) presented a simplified situation based on strategic leaders' intention and anticipation. Based on that approach, we can identify four types of external adaptation, depending on the intensity of those two constructs.

Where the intensity of strategic leaders' intentions and anticipations is low, external adaptation can be referred to as *meandering mode*, in which everything that happens to the organisation will be the result of external forces and influences, without any actual knowledge about the environment or activities that could be implemented. There is no strategy in terms of a defined intent or plan, and meandering implies reacting to changes and demands presented by the environment.

High-intensity intentions and low-intensity anticipations lead to a situation referred to by Wensley as *myopic mode* of external adaptation. Despite their aspirations and clear intentions, strategic leaders cannot (or are unable to) analyse the influence of the "Others" or the possible future changes in their environment. This myopia increases with the increased intensity of turbulences in the environment. A low level of anticipation indicates the need to adapt in a short period of time and to implement certain activities that will not threaten the organisation's existence in the long term.

Next, strategic leaders' low-intensity intentions can be connected with high-intensity anticipation. This situation is referred to by Wensley as *meditative mode*. The leader and their associates understand the environment but they are not sufficiently active when it comes to shaping a desirable future for the organisation in a way that would involve a clear and precise strategic intent as the backbone of strategy. External adaptation is the result of the organisation's dynamic adaptation to short-term and long-term changes in

the environment. Major strategic decisions are rare and consequently, strategy has an *adaptive* character: the organisation gradually adapts to changes by following a *logical incrementalism* (for more detail, see Quinn, 1980).

Finally, high-intensity anticipation and high-intensity intention is associated with the *manoeuvring mode*. External adaptation is based on good knowledge of the ambience and an unquestionable plan or strategy that is to be realised. Excessive manoeuvring can get the organisation into trouble, especially in situations when strategic intent is not in harmony with the expectations of important actors from the environment or when it is perceived as Machiavellian (Wensley, 2003, p. 128).

References

Aldrich, H. E. (1979), Organizations and environments. : Prentice-Hall, Inc.

Aldrich, H. E. (2017). *Organizations and Environments*. Stanford, CA: Stanford University Press.

Augier, M. (2005). Why is management an evolutionary science?: An interview with Sidney G. *Winter. Journal of Management Inquiry, 14*(4), 344–354.

Barnard, C. I. (1938, 1950). *The functions of the executive*. Harvard University Press.

Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management, 17*(1), 99–120.

Burgelman, R. A. (1994). Fading memories a process theory of strategic business exit in dynamic environments. *Administrative Science Quarterly, 39*, 24–56.

De Wit, B., & Meyer, R. (2010). *Strategy: Process, content, context—An international perspective*. South-Western Cengage Learning.

DePree, M. (1989). *Leadership is an art*. Doubleday.

DiMaggio, P. J. (1988). In L. Zucker (Ed.), *Interest and agency in institutional theory, in institutional patterns and organizations: Culture and environment* (pp. 3–21). Ballinger Publishing.

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review, 48*, 147–160.

Hannan, M. T., & Freeman J. (1974). *Environment and the Structure of Organizations*. Presented at the annual meeting of the American Sociological Association, Montreal.

Hodgson, G. (2002). Darwinism in economics: from analogy to ontology. *Journal of Evolutionary Economics, 12*, 259–281.

Jenkins, M., Ambrosini, V., & Coolier, N. (2007). *Advanced strategic management: A multi-perspective approach*. Palgrave Macmillan.

Krajnović, A. (2018). Institucionalna teorija i izomorfizam: razvoj i doprinos u menadžerskim znanostima. *Zbornik Ekonomskog fakulteta u Zagrebu, 16*(1), 129–140.

Kreye, A. (2013). In J. Brockman (Ed.), *Subjective environment, in this explains everything* (pp. 128–147). Harper Perennial.

Lenz, R. T., & Engledow, J. L. (1986). Environmental analysis: The applicability of current theory. *Strategic Management Journal, 7*(4), 329–346.

Meyer, J. W., & Rowan, B. (1977). Institutional organizations: Formal structure as myth and ceremony. *American Journal of Sociology, 83*, 340–363.

Miles, S. (2012). Stakeholder: Essentially Contested or just confused? *Journal of Business Ethics, 108*(3), 285–292.

Mintzberg, H., & McHugh, A. (1985). Strategy formation in an adhocracy. *Administrative Science Quarterly, 30*(2), 160–197.

Mir, R., & Watson, A. (2000). Strategic management and the philosophy of science: The case for a constructivist methodology. *Strategic Management Journal, 21*(9), 941–953.

Murmann, J. P., Aldrich, H. E., Levinthal, D., & Winter, S. G. (2003). Evolutionary thought in management and organization theory at the beginning of the new millennium: A symposium on the state of the art and opportunities for future research. *Journal of Management Inquiry, 12*(1), 22–40.

Narayanan, V. K., Zane, L., & Kemmerer, B. (2011). The cognitive perspective in strategy. *Journal of Management, 37*(1), 305–351.

Nelson, R. R., & Winter, S. G. (1982). *An Evolutionary Theory of Economic Change*. Cambridge, Massachusetts: The Belknap Press of Harvard University Press.

North, D. C. (1991). Institutions. *Journal of Economic Perspectives, 5*(1), 97–112.

Oliver, C. (1991). Strategic responses to institutional processes. *Academy of Management Review, 16*, 145–179.

Oliver, C. (1992). The antecedents of deinstitutionalization. *Organization Studies, 13*(4), 563–588.

Quinn, J. B. (1980). *Strategies for change logical incrementalism*. Irwin.

Schwenker, B., & Wulf, T. (2013). *Scenario-based strategic planning: Developing strategies in an uncertain world*. Springer Gabler.

Scott, R. W. (1995). *Institutions and Organizations*. Thousand Oaks, CA: Sage.

Scott, W. R. (2005) [2001]. *Institutions and organizations*. Sage Publications.

Scott, W. R. (2004). *Institutional theory: Contributing to a theoretical research program*. Oxford University Press.

Simon, H. A. (1997). *Models of Bounded Rationality: Empirically grounded economic reason*. Cambridge, MA: MIT Press.

Smircich, L., & Stubbart, C. (1985). Strategic Management in an Enacted World. *The Academy of Management Review, 10*(4), 724–736.

Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review, 20*(3), 571–610.

Tipurić, D. (1997). *Scenario analiza u oblikovanju budućnosti hrvatskog poduzeća. Poslovna analiza i upravljanje, 3/4*, 10–22.

Tolbert, P. S., & Zucker, L. G. (1983). Institutional sources of change in the formal structure of organizations: The diffusion of civil service reform, 1880–1935. *Administrative Science Quarterly, 28*, 22–39.

Volberda, H. W. (1998). *Buliding the flexible firm*. Oxford University Press.

Wack, P. (1985). Scenarios: Shooting the rapids. *Harvard Business Review, 12*, 139–150.

Weick, K. (1979). *The social psychology of organizing*. New York: Newbery Award Record.

Wensley, R. (2003). In S. Cummings & D. Wilson (Eds.), *Strategy as intention and anticipation, in images of strategy* (pp. 105–135). Blackwell.

Wernerfelt, B. (1984). A Resource-based View of the Firm. *Strategic Management Journal, 5*(2), 171–180.

White, M. C., Marin, D. B., Brazeal, D. V., & Friedman, W. H. (1997). The evolution of organizations: Suggestions from complexity theory about the interplay between natural selection and adaptation. *Human Relations, 50*(11), 1383–1401.

Whittington, R. (2001). *What is strategy- and does it matter?* Thomson Learning.

Worden, S. (2003). The role of integrity as a mediator in strategic leadership: A recipe for reputational capital. *Journal of Business Ethics, 46*(1), 31–44.

5

Strategic Direction

Strategy as a Transnarrative

The domain of strategic leadership is primarily connected with strategic direction, which could be recognised as that which the organisation is trying to do and what it wishes to eventually become.

The basic determinant of strategic leadership is the creation of a meaning structure and sensemaking with respect to common action and its purpose, relational networks between key actors, and activities that need to be taken. Construction of a reality and sensemaking on the organisation's path from the past towards the desired future are important elements of strategic leadership.

Our relationship with the passage of time can be best explained by comparing it to walking backwards: as we walk, our eyes are fixed on the past and our back is turned to the future, which is therefore always beyond our gaze—unknown, unclear, untouched, and uncertain.

An organisation is defined by the purposefulness of its members' actions. "Who are we, where are we going, and what are we supposed to become?" are the fundamental questions towards a definition that the leaders need to adequately answer in order to eliminate disputes, uncertainty, and lack of understanding within the organisation.

Strategy is about focusing on what is relevant in time: it necessitates construction and, consequently, an interpretation of the future based on the understanding of the present. Present time, on the other hand, is a remnant of the past that we create and interpret retroactively in order to construct the future.

There is no clear rule here: sometimes the past is created and interpreted from the viewpoint of a desired and shaped future, and other times the construction of the future results from existing images that we have of the past. The sense of organisational existence is constituted at the same time as the past, present, and expected future are constructed and interpreted.

Strategy is a deliberate effort to "delve into" and actually see the future while making those precarious steps with our backs turned to it; as noted by Cummings and Wilson (2003, p. 1), an organisation's strategy can be described as *its 'course', its onward movement in space in time, where it goes and where it does not go.* At the same time, it is an interpretation of reality: the way the collective members see and explain the organisation in the context of time.

Strategy relates to organisational destiny and important decisions and actions; it subliminates the alchemical magic of acting or thinking upon the essential questions that affect the collective. It connects the discovered and created meanings, gives them sense and congruence, and provides support in the attempt to make sense of the world so shaped.

Differences in opinion and doubts regarding the essence and content of strategy have not yet been resolved and are still as debated as ever, probably with even greater degree of frustration. In this context, some renowned scholars, having surrendered to scepticism and almost completely discouraged, concluded that: *We simply do not know what a good strategy is or how to develop a good one* (Markides, 2000, p. vii), and that *the idea and practice of strategy has so many meanings that now it has none* (Franklin, 1998, p. 320).

It is interesting that, about forty years ago, somebody noticed that the Japanese have no word or phrase for "something" that could be broadly defined as "company strategy" (Pascale, 1982; as cited in Whittington, 2001, p. 28).

Borges (2001, p. 99) wrote: *After all, what are words? Words are symbols for shared memories. If I use a word, then you should have some experience of what the word stands for. If not, the word means nothing to you.*

Strategy is, on the one hand, a construct created to explain the behaviour and intentions behind such behaviour of people, organisations and other social entities in their interaction with the environment. It exists in the minds of those who attempt to explain the world around them, give it meaning and sense, recognise and define purpose, and create a framework wherein one can influence action in the world so explained.

Strategy is shaped by those who create it through social interactions, interpretations, and meanings ascribed to it. According to Weick (1987, p. 231), strategy is *a form of discovery of meaning that arises from actions that have been taken*. As in other situations, its content and meaning depend on the degree to which they have been arranged into *sensible, coherent configurations*. Weick (1995) also asked*: "How can we know what we mean until we see what we build?"*[1]

According to Stacey (2011, p. xviii), strategy is *the emergence of organisational and individual identities, so that the concern is with how organisations come to be what they are and how those identities will continue to evolve*.

It is not possible, or necessary, to arrive at a singular definition of strategy. It is important, however, to identify the outline of its definition and to clearly determine the content associated with it. We could cleverly remark that strategy was not first perceived in the real world and then defined, but rather that it was the other way around: first it was defined and postulated, and only then was it "actually seen" in the reality of social ambience.

Strategy, like any other concept, is the "residue of metaphor" (Nietzsche, 1999, p. 13), but what happened to the metaphor?

As already emphasised in the second chapter, strategy is a *transnarrative* with clusters of variable meanings grouped around it: its sense and content vary depending on the situation and on the time, locality, and field in which it is implemented.

---

[1] Weick's famous sentence "How can we know what we mean until we see what we build?" pertains to explaining the essence of sensemaking. In another book, one published earlier (Weick, 1979, p. 133), this sentence was phrased differently: *How can I know what I think until I see what I say?*

Transnarrative is a neologism inspired by (but nevertheless completely different from) the familiar post-modernist concept of *meta-narrative* (or *meta-narration*), introduced by philosopher Jean-François Lyotard. Meta-narrative can be summarised as the overall ("grand") scheme that explains knowledge and experience (like a narrative about smaller narratives which, by arranging them into conceptual models, pieces together an overall picture).[2]

Transnarratives are concepts that are ubiquitous across various segments of human activity and the understanding of which cannot be singularly defined. This inability to arrive at a precise definition is not the result of insufficient or underdeveloped knowledge, nor is it the result of lack of (complete) insight into the matter. Transnarratives are *beyond* definition, but they nevertheless lie within the scope of hermeneutics. The meanings of these concepts draw closer and, at the same time, move further apart from one another; they exchange common "clues" and "constituents", but never actually converge or overlap completely; they create all kinds of different types of autonomous contexts which mirror side meanings.

Strategy can never achieve self-identity, nor can its scope of meaning be uniformly determined. Meanings of strategy converge and diverge at the same time; myriads of existing definitions never fully overlap; some of them are contradictory and divisible, some are too broad, encompassing the extensive scope of determination, while others are too narrow, accentuating only one, insufficiently comprehensive dimension of definition.

Strategy is a plurality of social constructs about distinctive aspects of human existence; there is no invariable substance that it transcends. It is omnipresent, widespread and often inevitable; its sense and contents do not coincide in every situation as they are dependent on time, locality, and field in which it is being implemented.

The reality of strategy becomes part of the big picture, and the chaotic relations between the multitude of unexplained elements of an elusive reality that is beyond comprehension become irrelevant in the world of actuality.

---

[2] See, for example, Lyotard, Jean-François (1979, pp. xxiv–xxv). For a definition of strategy as a transnarrative, see Tipurić (2014).

It is also a structure that establishes order in networks of meaning. Strategy is important because people only perceive selected pieces of reality (Lacan, 2008, p. 56), due to their own cognitive limitations and the complexity of everything that surrounds them. Strategy complements the incomplete, inconsistent and bare-boned human reality by filling it with important metaphors, and provides a reason for action not only after the fact but also before (Fig. 5.1).

The creation of a simpler, more comprehensible world in which one can navigate more easily, without cognitive gaps and mental mess, requires undoubting decision regarding the determination of organisational existence.
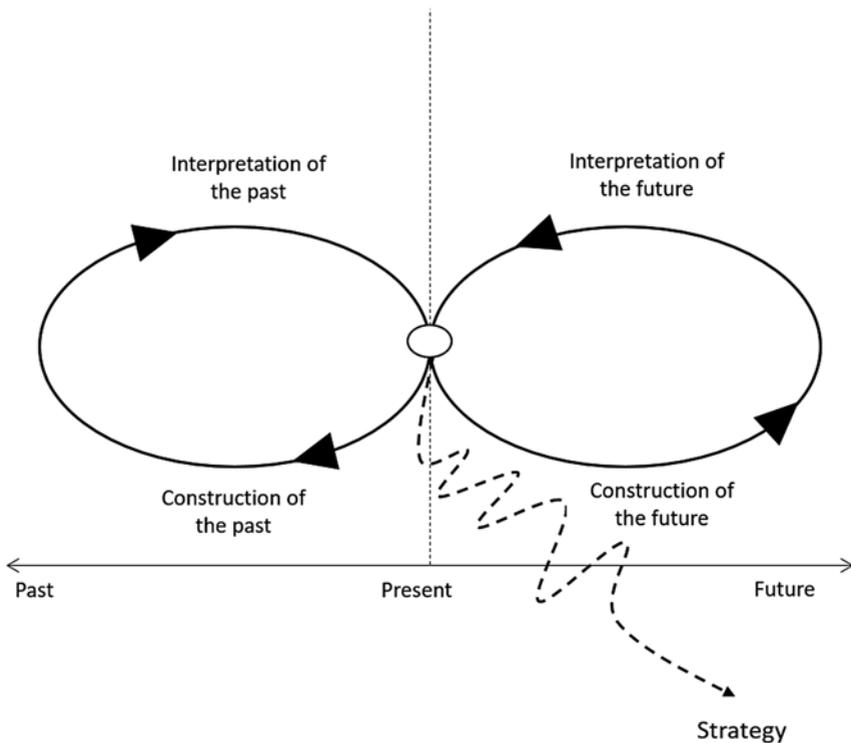
Fig. 5.1 Strategy between construction and interpretation

Strategy gradually emerges through collective understanding of the world and creates a foothold and guidance that encircle the collective with clusters of imprinted and interconnected meanings that justify their actions and mirror the sense behind them (Fig. 5.2).

Strategic direction arises in most cases based on the organisation's historical context and previous development path, its accepted guidelines and principles of action, available and newly-created resource combinations, as well as existing and expected impacts of environmental factors.

Strategy needs to provide a glimpse of the organisation's tomorrow; or, to be more precise, its tomorrow has to be explained and interpreted by strategy—by an imaginary picture of a desirable future, basic strategic directions, and other strategic actions that make such tomorrow possible.
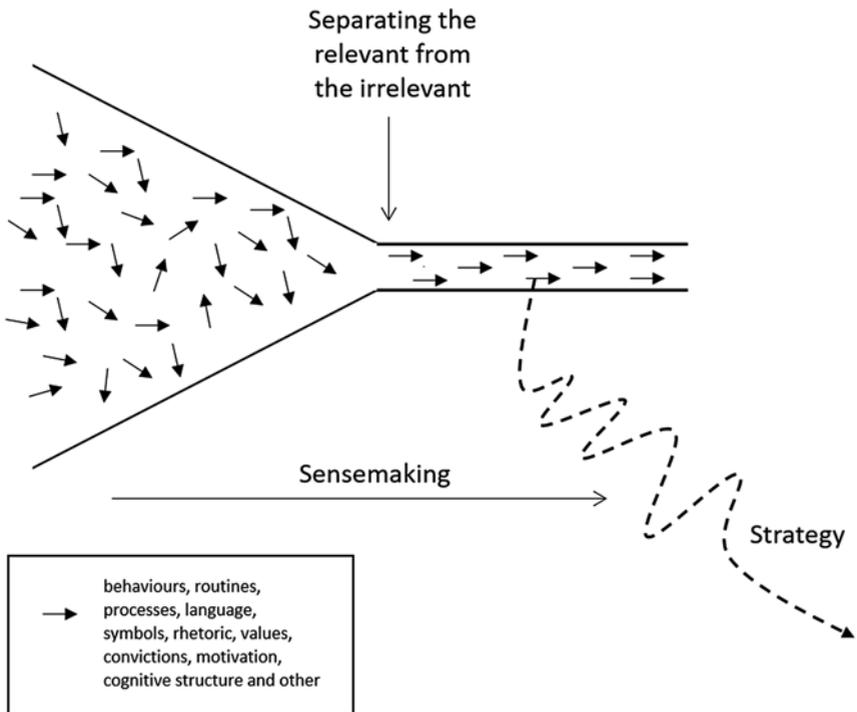

Fig. 5.2 Strategy as a structure for establishing order in networks of meaning

Understanding the organisation's environment cannot be complete or meaningful without exploration of the future, just like it is impossible to even begin thinking about strategy without making certain assumptions about what tomorrow will bring. Strategic leaders need to analyse the prerequisites for the organisation's continued existence in the future; they ought to take note of both the sudden and the slowly-occurring changes, and analyse the effects of individual factors on the environment that the organisation will find itself in.

In other words, strategic leaders attempt to monitor the organisational destiny and direct its main activities, moves and decisions toward the desired future, or toward an attainable picture of the organisation in a time that is yet to come. This kind of definition derives from human nature: the intention to create the future is inherent in human existence and action, both individual and collective.

What is important in this context is sensemaking and sensegiving, recognising and orchestrating meaning, and in particular, creating convincing narratives and symbols within the organisation, which will add to the plausibility of its strategic direction.

The sensemaking process involves three components: cues, frames, and ways in which cues and frames are connected. Frames are knowledge structures created in one's past, through socialisation, whereas cues appear in the present moment as it is being experienced. In and of itself, neither of them has any meaning. They contain rules and values and serve as a guide to facilitate understanding. Meaning is only created when people form a relation between frames and cues. In other words, connecting past experiences in the form of categories and frames with cues being perceived at the present moment, is what creates meaning.

Weick (1995) identifies six types of frames: *ideologies* as vocabularies of society, *categories*, which classify organisational practices (vocabularies of organizing), *paradigms* as vocabularies of work, *theories of action* (vocabularies of coping), *tradition* (vocabularies of predecessors), and *stories* (vocabularies of sequence and experience).

Formation of strategic direction needs to be differentiated from planning as a classic managerial function, although those two activities are complementary and mutually connected.

Planning is focused on deduction, it brings order into the system, and does not rely on major changes. Formation of direction, on the other hand, is an inductive process in which leaders explore and find patterns, relations, and connections between things that can be used as building blocks in the creation of a desired future. Outcomes and results of planning are plans, whereas the results of creating direction are visions and strategies (Kotter, 1990).

An organisation's Purpose and Mission

In an organisation, purpose acts as a kind of *social glue*: a logical and substantiated justification for its continued existence in the complex social fabric.

It is recognised in the basic principles of organisational action, its "higher ideals" so to speak, which serve as a motivational integrator for stakeholders and even more so as an inspiration for the management and the collective.

Purpose draws from organisational beliefs, the members' shared assumptions about the nature and character of the organisation's environment, and about what it should do to be successful.

Where key individuals and groups within the organisation do not share the same fundamental beliefs, the structure of the environment will be perceived and interpreted divergently; threats and opportunities will be assessed differently, and this in turn will result in strategic management and decision-making becoming sluggish, obstructed, and relatively ineffective. Perception, recognition and harmonisation of purpose is a prerequisite for existence and development of strategic direction.

On the other hand, purpose provides the power of leverage in the construction of collective identity and the core around which the ideological layers of the organisation are wrapped. It is possible for its integrating character to serve as a kind of a cloak concealing the intention of upholding existing social constellations and maintain the balance of power within the organisation.

Some authors even believe that the category of organisational purpose is a mythical construct that helps ideology-dependent organisations build

a complex illusion that masks the existing exploitative reality and helps indoctrinate or "brainwash" members of the collective (Levy et al., 2003).

Organisational mission is the concept that is superordinate to organisational purpose.

Etymologically speaking, the word *mission* comes from the Latin word *mittere*, which means "to send." It is about "sending somebody somewhere", about sending them on a *mission* to do a task or fulfil an obligation.

Firstly, mission mirrors the fundamental purpose of existence which is unique and specific to each individual organisational and deeply rooted in its history, specificities and relations between key stakeholders. It is a kind of self-definition of an organisation and it helps to identify its social task.

It should unequivocally define the sense, the reasons for existence, and the identity of the organisation. The beliefs and aspirations of the leaders, managers, and important stakeholders need to be manifested in it.

Secondly, mission provides guidelines about how the organisation is to cope with the passage of time: it can be understood as a general statement in which one should identify the present strategic position, principles of action, and other factors that move and direct the collective from the present towards the desired future.

A more comprehensive understanding of mission can be gained if answers to the following four questions are given: (1) Why does the organisation exist?, (2) What does it do?, (3) Whose interests and demands does it satisfy?, and (4) What are the core values on which it bases its existence?

Conventional wisdom places mission in the centre of strategy process. Mission creates context in which vision is shaped, strategic objectives defined, and strategic activities developed. It determines the activity, the markets and the technologies that are of particular importance to the organisation, and recognises the important elements of the organisation's history and the ways it interacts with actors in its environment. In the other words, a good mission provides a consistent framework for organisational action: it needs to be the basis for the development of the organisation's direction in the future. It defines the boundaries within which strategic choices and actions are made and implemented, and an appropriate ambience for organisational development created.

A mission should also address core values and main priorities: it needs to give answers to questions about what the organisation really is like and what the desired and welcome directions of its further development actually are. It has to reflect the interests, demands, and needs of key stakeholders. The mission is a reflection of the way the collective is woven into the ambience.

Organisations strive to having only a few core values that truly reflect their deepest essence. Values are beliefs and opinions that are easily recognised in day-to-day activities of the collective. In some organisations, core values originate in strong personal beliefs of the founders or charismatic leaders, whereas in others they slowly form over time—for various reasons—eventually becoming a set of timeless value principles deeply rooted in the behaviour of people inside and outside the organisation.

The role of mission is also connected with the development of a desirable culture and creation of organisational identity.

Mission has the function of ensuring *cultural cohesion* that enables the organisation to operate as a uniform collective. It comprises strict standards and values that influence people's behaviour, their joint work, and the manner of keeping up with organisational objectives (Campbell & Yeung, 1991, pp. 10–11).

Creation of shared mental models and common values can help leaders, other managers and employees understand and interpret events the same way, and encourage them in the creation of the same, distinct language used by the organisation that they can all understand.

Organisational identity is closely connected with important aspects of organisational mission: it represents the organisation's members' *collective understanding* of the crucial aspects of that which sets them apart from others in their environment. It includes a set of objects and symbols that members perceive to be central, distinctive, and enduring to their organization (Albert & Whetten, 1985) and provides members with an essential lens for their interpretation and sensemaking about different events that occur during organizational life (Dutton & Dukerich, 1991).

It can also be described as a set of narratives that give sense to the organisation's continuity and that are intended to answer the question "Who are we as an organisation?" (Fiol, 1998). As Gioia (1998) stated, organisational identity actually determines the organisation by indicating

what kind of organization it is and what makes it different from other entities in the environment. At the same time, it must not be forgotten that organisational identity has a dual nature: in addition to difference, it also points to similarity (Whetten, 2006; Ravasi, 2016).

Organisational identity is *socially constructed*: its continuity is maintained through conversations within the organisation (Narayanan et al., 2011). Conversation as a term involves language and rhetoric, narratives and stories.

Apart from that, mission gives legitimacy to organisational conduct.

It connects key actors in creating values that are in common interest and thus increases chances that the most important groups or members will trust the leadership, and also accept and support the organisation's strategic action.

Mission can inspire individuals to work together in a specific way. Development of fundamental principles that drive organisational action is accompanied by emergence of the *esprit de corps* with great potential to motivate people in the long-term (De Wit & Meyer, 2010, p. 600).

Creating a sense of togetherness and focus on interests of the organisation as a whole can have a stimulating effect when it comes to overcoming or reducing inherent conflicts between groups with contradictory objectives.

A mission may be well defined and enduring, widely accepted, and sufficient for achieving organisational aspirations. Moreover, even when desirable, a change of mission is not the least simple: it takes much effort and time to change, more or less successfully, the usages that the organisation's mission is based on.

Visioning

Mission and vision are mutually connected and inseparable constructs that are both comprised in the category of strategic direction. Unlike mission, which primarily focuses on principles of action (by recognising purpose or the *raison d'être* of an organisation, its values and business philosophy, describing how one should act, and outlining the activities, management and desirable future direction), vision on the other hand

represents a mental image of the desired future situation: a realistic, credible, and attractive future of the organisation (Stacey, 1997, p. 328).

Mission is the concrete cornerstone of the strategic process and the most important foundation for designing a strategic vision. Vision provides a glimpse of what the organisation could become in the near future (Grant, 2002, p. 60).

Vision is not a mystical, inexplicable or unattainable construct; it is supposed to paint a picture of the organisation's future and act as a symbol that facilitates development of a structure of meaning within the organisation. Vision indicates a transition from the present state to a desired future one within the framework outlined by the mission, and refers to a concentration of efforts of strategic leadership in the intention to develop and implement strategy.

Mintzberg et al. (1998) maintain that vision designates inspiration and the sense behind that which needs to be done; it is a general signpost that cannot be formulated in great detail, specifically or clearly. This makes vision flexible, which allows strategic leaders to change it based on their experiences.

Vision gives purpose of action and it can be viewed as a rationale of the organisation, but also as a foundation for building commitment and inspiring stronger engagement of the organisation's members. A clear, stimulating, and plausible vision shows that there are no conflicts within the organisation or any great doubts when it comes to questions such as "Where are we heading?" or "What do we want to become in the future?" It is the starting point of the process of strategic thinking and helps guide the organisation in the desired direction.

Vision can be shaped by entrepreneurs, leaders, managers, organisations, and groups of organisations.

Complexity, unpredictability, and ambiguity of future ambience make the need for a powerful vision even greater, in terms of it serving as an important lever in recognising and utilising the opportunities and challenges in the construction of organisational future.

Through creation and communication of vision, strategic leadership builds the bridge between the present and the future (Bennis & Nanus, 1985).

A good strategic vision needs to provide significant detachment from the present situation. It should be more than a mere following of the trends or an uninspired facsimile of the present. It should be a supporting structure within which one recognises the distinctive principles of action and organisational aspirations. When, back in early 1900s, Henry Ford conceived his challenging vision of "a car for every family," most people saw it as only an incredible fantasy. And yet, this fantastical vision changed everything, and made the world what it is today.

Vision needs to inspire the creation of clusters of attractive meanings and expectations for actors, by setting (relatively hard to reach) challenges to be overcome in the creation of a desired future and strengthening of organisational integrity. It should be strongly impressed upon the members in order to create commitment and increase motivation in them; moreover, flexibility and openness are also required, as are attractiveness and even magnetism; in short, it has to be at the heart of organisational action.

Despite the fact that it should be challenging and ambitious, vision must not be the point of setting off on a journey to the unreachable and imaginary; it has to focus on a future that is sufficiently distant but at the same time achievable through planning and acting in the present, and coherent enough to show an overall, comprehensive picture of an attainable future.

A vision has to be unique, distinct, and singular: it should be the element that distinguishes the organisation from others (Fig. 5.3).

It is interesting to consider the crucial role of integrity in intermediation and balancing out of the tension between strategic planning and organisational vision; in this context, integrity enables strategic leadership to function as a "coherent entity" (Worden, 2003, p. 38).

There are at least three important roles that vision plays in an organisation.

Firstly, together with the mission, vision constitutes strategic direction and defines the space for organisational action. It serves as a framework for developing priorities, main objectives, and policies. It is the basis for implementation of all changes that are required. Moreover, it acts as a prerequisite for consistency in organisational conduct, considering that strategic decisions and actions have to be aligned with the vision. As
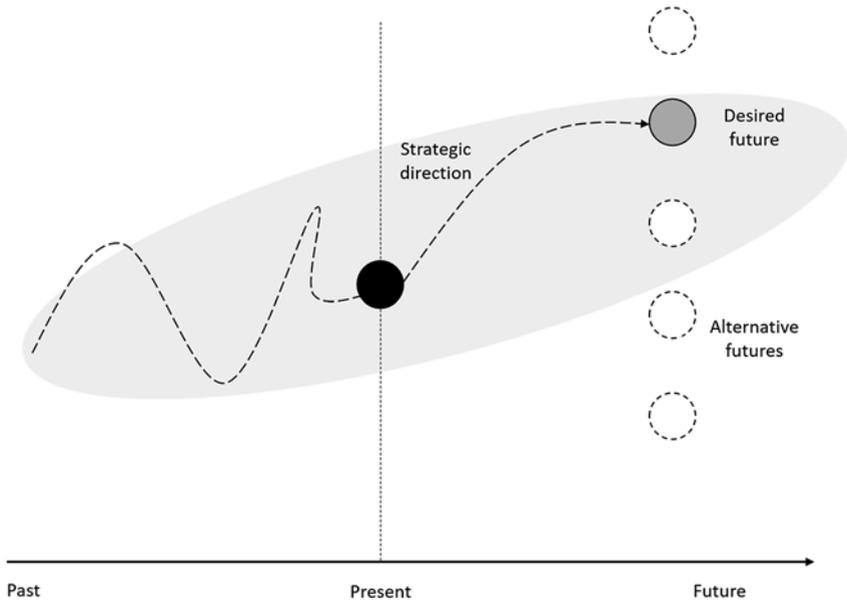
Fig. 5.3 Strategic direction

insightfully pointed out by Grant, vision demotivates optimisation of each individual business decision by considering every permutation of possible versions of decisions (Grant, 2002, p. 28).

Secondly, vision strengthens motivation among members by giving a clear perspective of organisational development and creating important determinants in the construction of common mental models. It encourages them to efficiently channel their activities in the strategic leaders' desired direction. The objective of visioning is not only to provide clear guidance for shaping strategy but also to articulate organisational aspirations that can create motivation for ultimate effectiveness (Grant, 2002, pp. 29–30).

Thirdly, vision serves as an important means of communication aimed at important stakeholders. Vision statements and slogans create new and reinforce existing connections between important individuals and groups within the organisation and outside it.

In conclusion, a powerful and plausible vision can be an important element in helping members of the organisation accept necessary changes required to ensure future survival. The very possibility of change is actually frightening and people need more than just a reason to move on from the present; they also need an idea of a better future.

Strategic Direction as a Symbolic Illusion

Things can be observed completely differently, though. Mission and vision can be viewed as narratives that *need not* be in touch with organisational reality. They don't have to give answers to questions about self-definition, core values, or targeted organisational future, nor do they have to be the big, ambitious action plans like strategic intent is.

Their role need not be one of placement in the process of strategy creation and implementation, nor does strategy itself have to be formalised the way it is usually understood in the processes of strategic management. This kind of rationalisation of strategic direction is only one of the possible options.

In fact, the purposefulness of organisational action has to have an anchoring point that may only be symbolic in nature. Strategic direction helps tie down bundles and strings of meanings around images, metaphors, pictures and stories that may not directly interpret the present or future organisational existence, but that nevertheless justify and legitimise organisation action.

It is *an illusion*, but one that does not obscure the subject-matter of organisational purposefulness. It envelops and permeates into decisions and activities of strategic leaders, justifying them in whatever form they may take. It does not attempt to explain the reason for acting or give a distinct picture of the future, but rather it generates memorable and unmistakable symbols that can be used as an encouragement to strategic leadership in all kinds of (often variable) organisational intents.

The illusion is broad and elastic enough to allow the narration of rationality of performance *ex post*, but still sufficiently plausible for a motivational web to be woven around it, in which members of the collective will be caught *ex ante*.

Therefore, there has to be a *support* of some kind on which the choices made by strategic leaders will be based, regardless of how realistic such support is or what it comprises.

Moreover, no matter how we understand strategy and creation thereof, it always paints a picture of stability in organisational conduct. On the other hand, *shaping strategy is generally connected with rapid and often discontinuous change* (Mintzberg, 1994, p. 240) and consequently there is greater need for a broad symbolic umbrella that will provide space for strategic leaders' action.

Strategy is an addition to the reality created in that space. It is inseparable from problem solving and social interaction within the organisation. The goal is to construct an ambience in which leadership will be given sense through rhetoric, symbols and values, and which will be conducive to organisational cohesion, identification, socialisation, and indoctrination of members.

From this perspective, strategic direction is a cloak without any clearly visible content underneath. It is a broad identifier where that which is identified changes depending on the aspirations of strategic leaders, and helps with integration and external adaptation of the collective. The idea that things exist independently from perception and that the key task is to recognise and describe them, is not easily accepted. If something really does exist beyond our mental capacities, then such a thing is unfathomable and beyond comprehension. Strategic direction, within the meaning used in recent "strategy lingo," is certainly not one of those things.

Indeed, that which strategic direction determines or refers to often may be found missing, but that's not really too big of an issue: strategic leaders and other organisational actors create, or rather *reveal* reality by giving it meaning and enriching it; they experience and internalise it, and live within their own ideas about it. They function in an illusion of a global reality explained by reason, oblivious of the fact that they are actually the makers of it.

Enactment of reality *attenuates* a chaotic and uncertain ambience: interactions between members and their exchanges of their take on reality create a common language, and when it comes to language, everything is possible. Thus, through listening and telling stories, creating and sharing meanings, games, enactments, and ceremonies, things can *eventuate*

inside the organisation which we usually refer to as mission, vision, purpose, strategy, or alike.

One must not forget that language is not a means of describing the human condition—in fact, language *creates* the human condition. The world we live in, which we perceive through experiences, is the product of language and, as a result, language not only describes an object, it creates it as well.

We do not live in reality; instead, we live inside our own ideas of what reality is—and these ideas are constructed in language. There can be no strategy without stories and myths, without acting and enacting, the paradoxical and the absurd, or without magic, imagination and illusion: in other words, without the things we have *decided* to refer to as *strategy* and which we communicate in different ways.

Metaphors and metonymies, as well as other figures of speech, are places where we can find sparks, shadows, and other traces of strategy. Language is an important part of the story of strategy, and interpretation of meaning can play an important role in the creation of new knowledge.

Enactment of strategic leadership is often accompanied by the imprinting of symbols and stories that turn to narratives we can sometimes call "strategic direction" or by some other, similar name.

The illusion of such constructed "common values," "organisational purpose," or "clear vision" can integrate the collective, reduce the use of control mechanisms, and enable the strategic leader to develop numerous interpretations that can be used to justify action planning and implementation, as well as some other of the leader's actions in the light of all possible circumstances that may occur. These constructs have to be distinctive and plausible, and they need to communicate powerful messages in order for their place in the organisational reality to be recognised and strategic leadership rationalised.

Finally, strategic direction has to be simple in expression. Cummings and Wilson (2003, p. 4) maintain that a good strategy (whether explicit or implicit) *animates* the organisation; they underline the importance of *images* in the simplification of a complex world, and argue that the *art of strategy lies both in the combination of framework, images or maps and choice of their focus (e.g., the big picture versus certain detail), toward mapping an organization's particular course.* They indirectly emphasise the

importance of semiotics in creating strategic discourse, concluding that *further postmodern paradox is that simple strategic images have never been useful than they are in these increasingly complex times* (p. 26).

Ownership of Strategic Direction

Strategy always has to be oriented towards the future: towards discovering, exploring and exploiting new potentials, resources and capacities, including opportunities and challenges that can contribute to survival in the long run.

Strategic direction is the starting point of strategy and the foothold of strategic leaders. It determines the space available for organisational action and major business decisions; it is a guide of sorts for interaction with the future environment. Its domain is broader than the strategic objectives; it includes distinctive principles of action and organisational aspirations, a vision of what the organisation's position should be at a future point in time. It is especially important in situations when the "rules of the game" are changing, or in other words, when innovative and visionary actions require a special kind of leadership and managerial skills.

It also helps members of the collective to make decisions and act with minimum formal monitoring or control mechanisms. This way, strategic leaders can focus on other matters, such as adapting the vision to suit the circumstances, or other (Rowe & Nejad, 2009). Besides that, strategic direction can help organisational leaders avoid the trap of dispersion of resources into too many directions or other pitfalls such as uncertainty or lack of clarity of planned objectives (Ansoff, 1965, pp. 105–8).

Continuation and instrumentalization of strategic direction open up the interesting question of "ownership," or control of mission and vision of the organisation, whether these constructs are merely a symbolic illusion or an important part carved out of the strategic process.

This question may be posed like this: is the role of strategic leadership decisive when it comes to organisational sensemaking and determining the direction of action, or is strategic direction the result of collective intentionality, where it emerges as a consequence of the organisation's

history, interactions of its members, and successful attempts at action that eventually turn out to be desired behavioural patterns?

Strategic direction can be created in several ways, with two extremes being identifiable. Strategic leaders can be (1) *visionaries*, so-called free-riders who use the organisation as an instrument for achieving their own intentions and ambitions, or (2) *team players*, organisational actors who merely embrace the existing mission and vision, and accept the obligation of fitting them into organisational action.

In the former case, there is high probability of identification of collective with the leader, whereas in the latter there is great change of leader's identification with the collective.

It is widely understood that strategic leaders need to develop and/or raise awareness of the mission and vision that mirror organisational uniqueness, imprint them into organisational day-to-day activities, create adequate narratives and clusters of meaning, bring them closer to members of the collective and stakeholders, and use them as a guidance and inspiration in organisational action.

According to this view, the role of strategic leaders is key because one has to bridge the gap between the situation "as is" and the desired situation. Identification, discovery or formulation of mission, just like the creation of a strong and credible vision, help create a context in which strategic objectives are defined, versions of strategy shaped and evaluated, and strategic decisions made and implemented. In other words, strategic direction has to mirror the principles, the boundaries and the directions of action, while at the same time strengthening the organisation's members' commitment to performing their tasks and duties.

Some authors find that the definition of strategic leadership implies an ability to project vision, believing that the key prerequisite for taking on the role of strategic leader is *conceptual capacity* necessary for good-quality visioning (Waldman et al., 2006, p. 360) or simply identifying strategic leadership with the leaders' capabilities, wisdom and experience in creating vision and making important decisions in a complex and uncertain environment (Guillot, 2003). This perspective is based on the idea that visioning is the primary task of strategic leadership (e.g., Lear, 2012) together with creating the preconditions for making vision, the desired future of the organisation, a reality.

"Ownership" of strategic direction requires distinctive transformation, integration and communication skills. Successful strategic leaders see *the big picture* and understand their environment; they know how to set the bar high and act accordingly over time; they are capable of motivating the members of the organisation and obtaining their consent for ambitious plans, and they know how to integrate their combined efforts and aspirations in the organisation's strategic action.

Leaders capable of articulating good visions are not magicians; they are strategic thinkers willing to take risks and depart from commonality and mediocrity (Kotter, 1990).

Imaginativeness and talent to see the world differently are key qualities that strategic leaders should have when it comes to creating vision. The magic of good vision lies in the imagination of the upper echelons, which is fuelled by purposeful gathering and creative analysis of important information, clever identification of key trends in the environment, and a business-minded attempt to define new rules in the game of competition. They not only accept, reveal and/or construct organisational vision, but also incorporate social reality of the environment into which the organisation is inextricably woven (Worden, 2003).

On the other hand, some think that strategic leadership does not play a crucial role in shaping strategic direction, and that it may be created and developed in countless ways.

"Ownership" of strategic direction in such situations is not acquired through creative power and imagination of the leader through an in-depth reformulation of purpose and direction of action, but rather it is the result of socio-political relations, power structures and other intraorganizational relationships (Fig. 5.4).

Strategic leaders strive to strengthen their position of power, primarily with a view of maintaining "ownership" of strategy and expanding their discretionary space in unforeseen situations, especially when business results are not at satisfactory levels (Tipurić, 2011, p. 357).

Strategy can be observed as a *power lever* in relationships between stakeholders, where its "usability" is not measured in business results but in the potential for stronger and deeper *entrenchment*) of top managers
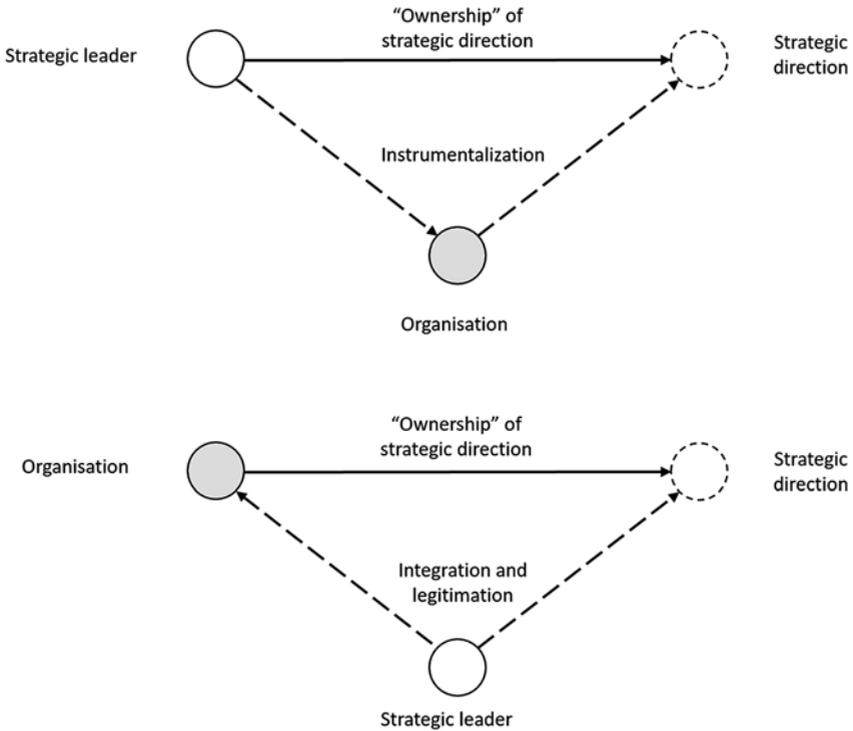
Fig. 5.4   Two types of "ownership" of strategic direction

(Tipurić, 2011, p. 12).[3] Its content alone (in terms of a formalised state-ment used to communicate strategy between organisational actors) is not of crucial importance; much more important is its role as one of the "sources of power" of strategic leaders vis-à-vis other members within the organisation and outside it.

Furthermore, vision can also emerge elsewhere in the organisation, or even somewhere in its environment. It can be inherited, original, or

---

[3] Entrenchment is a group of activities that a top manager uses to strengthen his/her position within the corporation, thereby reducing the influence of the board and major stakeholders. This is a deliberate, prudent activity by a top manager who, guided by his/her own interests, wishes to reduce the probability of being removed from the current position.

transferred. It can result from mimicry or transposition from another context. It can occur accidentally or under the influence of institutional pressures.

Strategic leaders can also have limits imposed on them in the form of managerial discretion, contextual limitations or through overpowering support of the current direction on the part of important constituents.

They have to *own* the mission and vision, recognise purpose, create plausible interpretations, and give sense to organisational existence. Their role is primarily to *integrate* direction into day-to-day organisational conduct, establish the mission and vision as beacons that will guide and coordinate the activities of all members individually and of the collective as a whole, and create a climate that will support the required change in strategic guidelines. In this context, they need to accept fundamental organisational values that are explicitly or implicitly comprised in the organisational mission.[4]

It is the task of strategic leaders to embody the distinctiveness of the vision, to legitimise it, and to align it with the organisational ambience (Nutt & Backoff, 1993, p. 330) or to efficiently connect strategy with organisational action in order to achieve the outcomes that promise an adaptive advantage and survival in the long term.

They must wisely and efficiently communicate the vision and mission, frame the way organisational aspirations are perceived, and give sense to important patterns of organisational conduct. Moreover, they have to invest time and effort in establishing and maintaining a common perspective of the world by strengthening organisational culture and identity.

Strategic leaders have to position strategic direction, irrespective of the method it was created, as the pivotal point of their work, and in doing so they have to take into consideration an idea aptly pointed out by Rumelt (2011, p. 5): *Strategy cannot be a useful concept if it is a synonym for success.* In the same text, he also added: *Strategy is at least as much about what an organization does not do as it is about what it does* (Rumelt, 2011, p. 20).

---

[4] Written mission and vision statements are primarily intended to communicate certain information within the organisation and outside it. A well-articulated mission statement has to provide an intelligible answer to the four mentioned questions and, together with the vision statement, clarify the long-term direction of the organisation. A vision statement usually begins with a motto or slogan which summarises its essence, followed by specific, more comprehensive images of the desired future and foundations for formulating strategy and objectives.

This way of thinking about the role of strategic leadership additionally accentuates the meaning of strategy as a *phenomenon of focus*: a cognitive and behavioural effort in the selection of the important from the unimportant in the context of time.

Strategic leaders need to think about the future and analyse patterns of past successes and failures by comparing them with others. The focus should always be on organisational change and on the setting of challenging determinants of development. In interaction with other members of the collective, strategic leaders need to construct the environment, develop strategic infrastructure, and orchestrate organisational meanings (Narayanan et al., 2011).

References

Albert, S., & Whetten, D. A. (1985). Organizational identity. *Research in Organizational Behavior, 7*, 263–295.

Ansoff, H. I. (1965). *Corporate strategy*. McGraw-Hill.

Bennis, W., & Nanus, B. (1985). *Leaders the strategies for taking charge*. Harper & Row.

Borges, J. L. (2001). *To umijeće stiha*. Naklada Jesenski i Turk.

Campbell, A., & Yeung, S. (1991). Creating a sense of mission. *Long Range Planning, 24*(4), 10–20.

Cummings, S., & Wilson, D. (2003). *Images of strategy*. Blackwell.

De Wit, B., & Meyer, R. (2010). *Strategy: Process, content, context—An international perspective*. South-Western Cengage Learning.

Dutton, J. E., & Dukerich, J. M. (1991). Keeping an eye on the mirror: Image and identity in organizational adaptation. *Academy of Management Journal, 34*(3), 517–554.

Fiol, C. M. (1998). The identity of organizations. In D. Whetten & P. Godfrey (Eds.), *Identity in organizations: Developing theory through conservations* (pp. 245–256). Sage.

Franklin, P. (1998). Thinking of strategy in a postmodern way. Towards an agreed paradigm. Part 1. *Strategic Change, 7*, 313–332.

Gioia, D. (1998). From individual to organizational identity. In D. A. Whetten & P. C. Godfrey (Eds.), *Identity in organizations: Building theory through conversations* (pp. 17–31). Sage Publications, Inc.

Grant, R. M. (2010) [2002]. *Contemporary strategy analysis*. John Wiley & Sons.

Guillot, C. W. M. (2003), Strategic leadership defining the challenge. *Air and Space Power Journal*. Retrieved October 30, 2020, from http://www.airpower.maxwell.af.mil/airchronicles/apj/apj03/win03/guillot.html

Kotter, J. P. (1990). *A force for change: How leadership differs from management*. Free Press.

Lacan, J. (2008). *The ethics of psychoanalysis 1959–1960: The seminar of Jacques Lacan: Book VII*. Routledge.

Lear, L. W. (2012). *The relationship between strategic leadership and strategic alignment in high-performing companies in South Africa*. Phd Thesis, University of South Africa, Graduate School of Business Leadership.

Levy, D. L., Alvesson, M., & Willmott, H. (2003). Critical approaches to strategic management. In M. Alvesson & H. Willmott (Eds.), *Studying management critically* (p. 92.110). Sage Publications.

Lyotard, J-F. (1979). La condition postmoderne: rapport sur le savoir. Paris: Minuit.

Markides, C. (2000). *All the right moves: A guide to crafting breakthrough strategy*. Harvard Business School Press.

Mintzberg, H. (1994). *The rise and fall of strategic planning: Reconceiving roles for planning, plans, planners*. Free Press, Maxwell Macmillan.

Mintzberg, H., Ahlstrand, B., & Lampel, J. (1998). *Strategy Safari: A Guided Tour through the Wilds of Strategic Management*. New York: Free Press.

Narayanan, V. K., Zane, L., & Kemmerer, B. (2011). The cognitive perspective in strategy. *Journal of Management, 37*(1), 305–351.

Nietzsche, F. (1999). *O istini i laži u izvanmoralnom smislu*. Matica hrvatska.

Nutt, P. C., & Backoff, R. W. (1993). Transforming public organizations with strategic management and strategic leadership. *Journal of Management, 19*(2), 299–347.

Pascale, R. T. (1982). *Our curious addiction to corporate grand strategy*. Fortune 25 January: 115–16.

Ravasi, D. (2016). Organizational identity, culture, and image. In M. Schultz, B. E. Ashforth, & D. Ravasi (Eds.), *The Oxford handbook of organizational identity* (pp. 65–78). Oxford University Press.

Rowe, G., & Nejad, H. (2009). Strategic leadership: Short term stability and longterm viability. *Ivey Business Journal, 73*(5), 2–6.

Rumelt, R. P. (2011). *Good strategy, bad strategy: The difference and why it matters*. Crown Business.

Stacey, R. D. (1997). *Strateški menedžment i organizacijska dinamika*. Mate.

Stacey, R. D. (2011). Strategic management and organizational dynamics: The challenge of complexity sixth edition. In D. S. Ralph (Ed.), *Strategic management and organizational dynamics*. Pearson Education Limited.

Tipurić, D. (Ed.). (2011). *Promjene vrhovnog menadžmenta i korporativno upravljanje*. Sinergija.

Tipurić, D. (2014). Iluzija strategije: Razotkrivanje socijalno konstruirane zbilje poduzeća. Sinergija: Zagreb.

Waldman, D., Siegel, D., & Javidan, M. (2006). Components of CEO transformational leadership and corporate social responsibility. *Journal of Management Studies, 43*(8), 1703–1725.

Weick, K. (1979). *The social psychology of organizing*. New York: Newbery Award Record.

Weick, K. (1995). *Sensemaking in Organisations*. Sage Publications.

Weick, K. E. (1987). Substitutes for strategy. In J. D. Teece (Ed.), *The competitive challenge: Strategies for industrial innovation and renewal* (pp. 222–233). Ballinger.

Whetten, D. A. (2006). Albert and Whetten revisited: Strengthening the concept of organizational identity. *Journal of Management Inquiry, 15*(3), 219–234.

Whittington, R. (2001). *What is strategy- and does it matter?* Thomson Learning.

Worden, S. (2003). The role of integrity as a mediator in strategic leadership: A recipe for reputational capital. *Journal of Business Ethics, 46*(1), 31–44.

6

Strategic Leadership Between Hegemony and Ideology

Hegemony and Leadership

The natural urge to dominate is incontrovertible in human communities. This urge is not equally expressed in everyone, but it nevertheless exists and endures as a constant in human history. The need for power is the energising element of civilisation and often the main goal and sense of being of individuals and groups; an unquenchable desire that trumps all other human needs.

Fertile ground for "power games" is found in all human collectives: from the smallest, loosely connected groups of just a few individuals, to large countries, global political organisations and transnational corporations.

Collective action of any kind requires coordination, guidance and consistency that can only be provided by leadership. By taking on leadership roles in collectives, leaders exert crucial influence on common action: they integrate, connect and motivate the members on the basis of access to available sources of power.

In this context, comparable with Child's (1977, p. 113) view on the political aspect of management, leadership can be defined as a system of power and authority in which various personal and group strategies are implemented.

It is a widespread belief that strategic management is *the most managerialist of the management specialties*: a modernist discipline with a clear accent on rational, linear and positivist determination, a continuation of *Tayloristic ideology of control* (Levy et al., 2001, pp. 1, 4; Levy et al., 2003, p. 92).

Strategy is thus reduced to a phenomenon of control, and strategic leadership to a *sui generis* emanation of it. Superiority is a prerequisite for control and the effort to achieve dominance is a rational action that may ensure integration, harmonisation and focus of members of a collective.

The logic behind this approach is the aspiration to achieve success: strategic leadership provides decisive leverage in adapting the organisation to its current and future environment. There have been numerous studies that analysed this relation very closely, trying to develop models based on which the benefit of strategic leadership will be clearly and undisputedly recognised as contributing to cost-effectiveness, achieving competitive advantage and ensuring a better and more sustainable adaptation to the ambience, among other things. This has been confirmed by the results of many studies that looked into the correlation between the extent of achievement and effectiveness of an organisation lead by strategic leadership and certain attributes and characteristics of heads of the organisation and/or their cognitive structures, and/or the ways they make decisions, and/or the way they behave in interaction with other actors, both within the organisation and outside it.

Our proposition is somewhat different.

Strategic leadership is the ultimate consequence of the inevitable side of human behaviour that surfaces in smaller or larger groups: the interwovenness of power and dynamics of influence with the intention to dominate and establish social control. This is what everything comes down to, irrespective of the various manifestations, hidden agendas and seeking of the "higher purpose" designed to obscure or distort the truth.[1]

From this perspective, supremacy can seem as the main objective of leadership. A radical interpretation of this presumption would be that a

---

[1] Our idea of discipline is based, among other things, on the concepts of supremacy and power. As underlined by Knights, the knowledge of management is never independent of the power exerted by managers and corporations (Knights, 2009, p. 109).

leader's objective is not to "provide good leadership" but to do everything they can to maintain a position of power in the collective.

This idea departs from the usual perspective of managerial disciplines that we are used to in the context of the dominant paradigm. Postmodernists believe that the views of advocates of modernism, focused on objectivity and reason, can be interpreted as a process intended to cloud and obscure the obvious legitimacy of existing social relations. Specifically, in the context of an enterprise, this would pertain to the maintaining and strengthening of the position of certain stakeholders in the function of preserving existing power structures within the organisation and around it.

Organisational science plays an interesting role in the function of perpetuating the power of the managerial elite. In his book *The Servants of Power*, Loren Baritz (1960) warned that, once the surface layers of this young discipline were lifted, the intention behind its research was to find the most effective means to exert control over employees with a view of further strengthening of managerial power.

Moreover, postmodernist deconstruction attempts to destroy the idea that the power attained and accumulated by organisational heads and other top managers as key agents in achieving the organisation's objectives is "natural." Giving more power to managers in the face of certain demands, owing to their ability to act rationally "in everyone's best interest", is only aimed at maintaining their supremacy and/or dominance over those who had given them the position they hold.

The power of the managerial elite cannot be understood solely based on horizontal and vertical differentiation of tasks in complex organisations. It has to be viewed as a way of reflecting on and maintaining the structure and relations of power in the society (Willmott, 2005, p. 30).

Similarly, in a critical analysis of the field of strategic management (using Giddens'[2] criteria in his disambiguation and referring also to

---

[2] Giddens (1984, p. 25) defined social structures as rules and resources that affect one another in reproducing social systems and thus exist or effectuate themselves through repeated social practices. His *structuration theory*) involves two opposite processes (the duality of structure and action): on the one side, people's intentional action towards shaping social structures (their agency in this process) and on the other, the impact of existing social structures on moulding, limiting and facilitating of the behaviour of individuals (Giddens, 1979, 1984).

Habermas[3]), Shrivastava (1986, pp. 370–374) concluded that this discipline is indisputably ideologized; strategic discourse helps legitimise and reproduce the existing power structures and resource inequality in organisations and in the society as a whole.

Consequently, power is not only an instrument but also a key purpose of leaders' action which can ultimately lead to complete supremacy, or *hegemony*, where members of the collective willingly accept the leader's superiority, identify with the leader, follow the guidelines they set, and refrain from questioning the existing structures of organisational and social power.

Hegemony (Ancient Greek: *ἡγεμονία)* is a concept brought to general use by Italian Marxist Antonio Gramsci, referring to a complex web of conceptual and material arrangements that produce the fabric of daily life in a society (Alvesson & Deetz, 2005, p. 77). The original meaning is connected with the supremacy achieved by a *polis* in political and military alliances of Ancient Greece, and in modern-day politics it pertains to supremacy of a social entity (state, nation, social class or other) which governs the conduct of other, weaker entities. In international relations, as emphasised by Norrlof (2015), it emphasises the ability of the hegemon to use voluntary or involuntary means to create a system of global relations in a period of time.

Hegemony mirrors the image of the world in a historic period, the constellations of power, the aspirations of people, and the permissible space for collective action. The governing elite imprints its understanding of the social reality on everyone else in order to maintain the *status quo. Hegemony emerges as "common sense," that is "inherited from the past and uncritically absorbed" and reproduces "moral and political passivity"* (Gramsci, 1971, p. 333, as cited in Herrmann, 2017). It is explained as a situation where there is no noticeable competition in imposing one's own view of reality (Spears, 1999, as cited in Glăveanu, 2009).

It establishes a rounded and accepted system of asymmetry of power, an ideological framework, a distribution of social and organisational

---

[3] Shrivastava indicates the need for emancipation through acquiring *communicative competencies* of all actors, as suggested by Habermas, in order to enable participation in strategic discourse with the aim of eliminating interactional obstacles (Habermas, 1984; Shrivastava, 1986, p. 373).

roles, and it maintains the order of things, by helping with sense-making in an intersubjective reality. Organisational (and social) reality appears as the only given possibility; the ambience in which organisations exist seems perfectly normal and the superiority of others is seen as a natural thing.

The meaning of hegemony lies in *the temporary universalization in thought of a particular power structure, conceived not as domination but as the necessary order of nature* (Cox, 1982, p. 38).

Schmidt (2018) highlights the relational aspect of hegemony, as it involves relationships between multiple actors in which at least one has the ability to dominate and control the activities of others.[4] Controlling an actor's behaviour means creating a situation in which that actor gives a positive response to requests to change or continue with a type of behaviour that has been established by the person in control.

Relational determination indicates that hegemony is closely related to leadership, regardless of the form such leadership takes in various collectives.[5]

Within an organisation, hegemony gets an additional meaning. It refers to the members' and the entire collective's acceptance of the dominant organisational ideology and aspirations established by the managerial elite. It is supported by economic, cultural and regulatory structures and arrangements; it is based on contracts that regulate organisational relations, common methods of giving rewards, advocacy of special values and visions, and rules that have been adopted in order to maintain and further strengthen a position of power.

If we were to accept the clever idea that *organisations are reflections of their leaders* (Hambrick & Mason, 1984), we could conclude that, in addition to the aforementioned, organisations are a reflection of the structure of supremacy existing in the society, brought and multiplied by

---

[4] *Control* is a process in which a person (or group of persons or organisations) determine(s) the behaviour of another person (or group of persons or organisations) (Tannenbaum, 1968). In social relationships it emerges as the result of the process of achieving dominance of one actor over others. The weaker participant has to follow suit and adapt their behaviour to the demands imposed by the dominant actor.

[5] Schmidt (2018) noted the definition of hegemony found in *The Cambridge Dictionary*, where it is defined as *the position of being the strongest and most powerful and therefore able to control others*.

the domination of a group that has the power of control. Acknowledgement of social and organisational acceptance of the role of strategic leaders and managers gives justification to existence of a superior position of technocratic elites and to hibernation of existing socio-political relations and structures.

Strategic leaders are *protectors* of existing social relations and inalienable representatives of the dominant view of reality. Their task is to establish order in a symbolic universe, to eliminate any alternative ideas of the truth and discrepant discourses from the organisational space, and to develop and integrate the collective based on a system of values that tacitly or completely explicitly protects hegemonic relationships. Leaders have to be aware of the fact that they, just like all other social hegemons, must *transcend their interests so that they may become the interests of other subordinate groups too* (Mouffe, 1979, p. 180, as cited in Jerbić, 2014, p. 69).

Hegemony, as must always be clear, is a mixture of coercion and consent. Nevertheless, coercion is only applied in extreme situations and exists more as a latent threat in the collective. The consensual aspect of hegemony is sufficient in and of itself to ensure compliance of the majority (Cox, 1983, p. 164; Destradi, 2008).

In most cases, members of an organisation take hegemony as a given, just like they accept the strategic leadership of powerful individuals or groups; they neither resist being in a subordinate position nor attempt to change the situation. They usually benefit from accepting to be subordinated, in terms of either financial or non-financial benefits and/or strengthening of the feeling of belonging to the collective, including the feeling of one's own self-fulfilment.[6]

Dominant ideas, myths, rhetoric and concepts shaped or represented by leaders are embraced by members of the collective as elements of their own discourses. As emphasised by Schmidt (2018), a key indicator of hegemony is the *degree of discursive incorporation of ideas inspired by the elite and the common sense of the masses.*

---

[6] For more details, see: http://slobodnifilozofski.com/2017/12/hegemonija-kolektivno-djelovanje. html(accessed 30 June 2020).

Hegemony within organisations is also evident in cases when strategic leaders prepare and adopt decisions that are implemented by members of the collective without any opposition, even when they are harmful for them. This usually involves the creation of a vague higher cause or a common benefit as a justification for such action (Herrmann, 2017).

Ideology, organisational culture, and other arrangements can be perceived as a framework within which the supremacy of the managerial elite is effectuated. Narratives, rituals, ceremonies and symbols help strengthen the position of strategic leaders and encourage the self-renewal of their supremacy by deeply instilling ideology, and by indoctrination and socialisation of the members of the organisation. Instead of repression and coercion in the imposition of the will of the leader, what emerges is identification with the collective, feeling of belonging and connectedness among its members, which in turn encourages and strengthens togetherness ("us" against "all others"), and makes it possible to recognise personal and collective benefits of the present situation.

Naturally, it would be wrong to non-critically think of hegemony in terms of absolute comprehensiveness. Its existence in the organisation is inseparable from resistance to dominance felt by members of the collective. Group dynamics is always a reflection of such resistance (Cindrić, 2020). It is formed by continual juxtaposition of acceptance and refusal of roles, norms, symbols and imposed understanding of reality; obedience and disobedience; belonging and lack of belonging; and alike. The members' identity is thus constructed depending on the degree of resistance to the influences exerted by leaders, whereas the level of socialisation depends on the level of acceptance of hegemonic relationships. Organisational and social innovations appear when such contradictions can no longer be reconciled in the existing hegemonic context Glăveanu, 2009).

A hegemonic relationship, as noted by Laclau and Mouffe (2005, p. 59), comes down to *a relationship where a certain particular presupposes the presentation of a universal that is completely incommensurate with such particular*. From our perspective, particulars are leaders and followers in the organisation, and the universal is their common and harmonious action. As the two authors explained, hegemony paints a picture of a particular and its contaminated universal, claiming that: *(1) it lives in this*

unresolvable tension between universality and particularity; (2) its function of hegemonic universality is not acquired for good, but is, on the contrary, always reversible.

The first problem appears when organisational existence is not accompanied by sustainable fulfilment of collective and individual objectives. The gap between reality and expectations becomes greater, which eventually results in the *unveiling of hegemony*, the recognition of its true, self-renewing purpose. Commitment and motivation among members of the collective disappears, ultimately leaving nothing but position-based power as the sole foothold of strategic leadership.

This situation cannot persist in the long run: one has to re-establish an ambience where the willing element will be a part of the organisational reality. Normally, this requires change in the upper echelons, or in other words, the inauguration of a new group of strategic leaders.

Another problem may arise when strategic leaders lose sight of the environmental factors, particularly in a complex, vague and dynamic environment, where there are strong challenges in terms of competing organisations. If leaders focus solely on strengthening their own power and personal prestige, they will inevitably be caught in the pitfall of strategic short-sightedness. An expected outcome of this kind of entrenchment is threatened survival of the organisation (Walsh & Seward, 1990).

This is, of course, an aberration in the hegemonic field: a one-dimensional, superficial type of conduct that does not serve the function of maintaining social and organisational balance.

Power and Strategies of Influence

Power is extremely important for understanding strategic leadership, considering that it delimits the space for organisational action and explains the key relationships that develop between organisational actors.

It is an inevitable category when it comes to understanding social relations and structures. As pointed out by renowned twentieth century philosopher Bertrand Russell (1938, p. 12): *The fundamental concept in social science is Power, in the same sense in which Energy is the fundamental concept in physics* (Fig. 6.1).
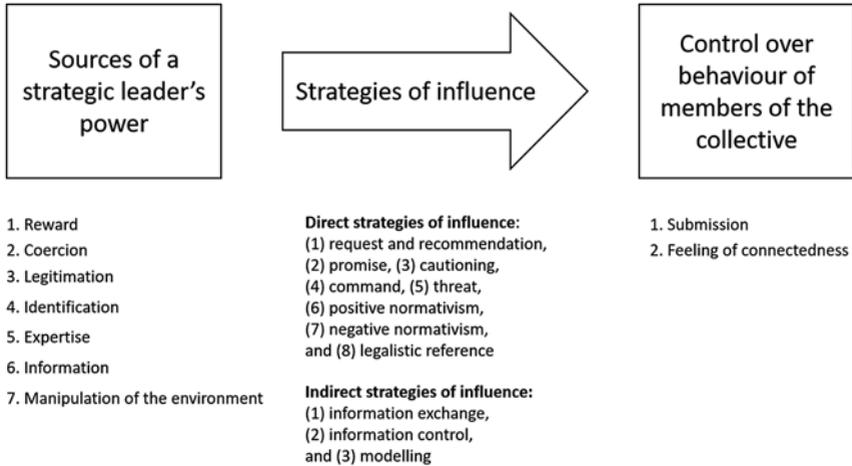
Fig. 6.1 Power, Influence, and Control of Strategic Leader Over Members of the Collective

Power is an asymmetrical relation between the behaviour of two or more individuals or other social entities, one that answers the question how a change in one of the individuals' or entities' behaviour changes the behaviour of the other (Simon, 1953).

Power, in the narrower sense, pertains to the degree of likelihood that, in a social relationship, individuals will succeed in imposing their will on others even in the event of resistance. Max Weber noted that *any true form of domination implies a minimum of voluntary submission, or rather an interest in obedience arising from either ulterior motives or genuine acceptance* (Weber, 1968, p. 212).

In the broader sense, power lies in creating discourse that, consisting of language and material practices and reasoning, organises institutions in the society and produces entities such as "leaders," "managers," "employees" or others (Alvesson & Deetz, 2005, p. 92).

There is a consensus in social sciences that the inherent nature of power is connected with the feeling of interdependence of social actors. Power can only exist when there is a relationship of inequality (imbalance) between the actors: when one entity depends on another.

Emerson (1962, p. 33) believed that there is a bond between those two phenomena that equalises their intensities: degree of power of A over B is the same as the degree of dependence of B on A. This idea has become quite influential in organisational science, despite the issue inadequacy of empirical proof.

Dahl (1957) claimed that the extent of A's power over B is equivalent to A's ability to convince B into doing something A wants. Salancik and Pfeffer (1978) noted that power can be easily recognised by its consequences—the ability of the person in the position of power (powerholder) to achieve the desired results, for the sake of ensuring their own survival, by accessing limited resources unavailable to other people.

Power is a latent ability to influence actions, thoughts and emotions of other groups or individuals (Nord, 1976, p. 439, as cited in Ott, 1989, p. 420) and this is a substantial determinant of leadership.

According to this perspective, leadership is *realised power* manifested as an influence on cognition and behaviour of others ("followers") and mirrored as their willingness to submit to another or their loyalty or commitment to another.

Power directly depends on uncertainty and changeability of the environment, complexity of tasks being performed, and on personalities of those that exert it and those that are subjected to it.

There are three determinants of power: (1) number and importance of variables based on which the followers' dependence on the leader is expressed, (2) degree of possible influence based on existing sources of power, and (3) time frame in which the leader exerts power (Dahl, 1957). Power can be measured in the relationship between social entities through which it is expressed, taking into consideration that the potential for change in a follower's behaviour is directly related to the degree of such follower's dependence on the leader as the powerholder. Its degree is measurable based on success in changing the behaviours of others: the easier it is to achieve submission or loyalty among followers, the greater the degree of power exerted by leaders.

Furthermore, power has to be put inside the frame of the leader-follower relationship. A fitting category for explaining the dynamics of that relationship is "elasticity of power," which can be defined as a relative

change in the leader's power in connection with change of alternatives available to the followers (Robbins, 1989, p. 348).

Leaders can base their superior position on different sources of power. French Jr. and Raven (1959) developed a taxonomy of bases of power by considering answers to these two questions: (1) What determines the behaviour of the powerholder? (2) What determines the reactions of the recipients of such behaviour? In this context, they identified five bases (sources) of power: (1) reward power, expressed as the leader's ability to give rewards, (2) coercion power, expressed as the leader's potential to coerce the follower, (3) legitimate power, which is connected with having authority, (4) referent power, which pertains to identification with another, and (5) expert power, which is based on having certain expert knowledge. In line with that classification, two more types of sources of power could be noted: (6) informational power, which emerges from access to and possession of information (Raven et al., 1970) and (7) ecological power, which is explained as the leader's ability to manipulate the followers' environment (Tedeschi & Bonoma, 1972).

Firstly, reward power is based on the follower's ("B's") belief that the leader ("A") can reward them as a result of A's actual or merely perceived ability to access resources that are valuable for the follower. Follower dependence emerges when the follower perceives, presumes or believes that the leader can access or control something that can be seen as a reward from the follower's point of view.

Power increases in proportion with the magnitude of rewards that B perceives as obtainable from A, and with the degree of importance of such rewards to B. The more important the reward to the follower, the more pronounced the power of the leader. This depends on the likelihood of the leader actually securing the reward the way the follower wishes it. Conforming behaviour, submission or commitment of followers is based on proper understanding of their needs and interests, realistic offer of rewards that are ethically acceptable and reasonably incorporable in the ambience of leadership.

Secondly, if B believes that A is capable of punishing them, this means that A has the power of coercion over B (French Jr. & Raven, 1959). This power of A over B is primarily based on B's fear that the perceived sanction will be implemented (Robbins, 1989, p. 341). Consequently, its

source lies in the follower's perception that punishment will ensue unless they do as the leader expects them to. The degree of that power depends on the magnitudes of negative valence of the threat of punishment multiplied by the perceived likelihood that such punishment will be avoided through conforming behaviour.

Coercion of followers is certainly not the best way to go if one wishes to achieve strong cohesion, motivation, and uniformity in collective action. Coercion power can create resistance among the followers, encourage poor performance, diminish commitment, and lead to conflicts in the organisation. It should only be applied if it is strategically important to achieve conforming behaviour of followers very quickly, when all other options have already been exhausted or where there are none.

The difference between reward power and coercion power exists due to their different dynamics (French Jr. & Raven, 1959). Reward power, if implemented, increases the attraction and appeal perceived by B vis-à-vis A and decreases rejection, whereas coercion power decreases attraction and increases rejection.

Thirdly, the follower's perception of the leader being entitled to regulate their behaviour is the source of legitimate power. This power is rooted in believing that B is obligated to accept the influence and fulfil the demands that A has imposed on them. French Jr. and Raven (1959) emphasise that this source of power is the most complex one.

Legitimate power is expressed in the form of formal or informal authority. Specifically, power can be based on predefined rules, whether these are laws, contracts or other legally binding regulations and documents that give the leader the right to influence others. Formal authority provides and defines the space for expressing demands expected to be fulfilled by followers. This type of authority is extremely important in bureaucratised structures with highly pronounced hierarchies where legitimate power is realised solely through position. On the other hand, legitimate power can emerge from unofficial authority that is the result of an informal relationship between the leader and the follower(s). It exists when B is willing to adjust their own behaviour to suit the demands established by A regardless of the fact that A has no legally defined authority. In such situations, followers perceive informal authority as the leader's legitimate power allowing them to regulate and influence the followers' behaviour.

Fourthly, power can also stem from the follower's identification with the leader. Identification is actually a feeling of oneness of B with A, or a desire to establish such identity: B interacts with the environment the way A does, mimicking A's behaviour and submitting to A's demands. French Jr. and Raven (1959) noted that referent power could be verbalised as follows: "I am like A and therefore I wish to behave like A does and believe what A does," or "I wish to be like A and I will be more like A if I behave like (or believe what) A does." The greater the identification of B with A, the greater the referent power of A over B.

Despite the fact that use of referent power is usually successful, there are some limitations to this. Referent power decreases through overuse, extreme demands, and underestimating and irritating of one's partners in the organisation (Yukl & Wexley, 1985, p. 125).

Next, if a person perceives that the powerholder has some special knowledge or expertise on which their own success or the success of the collective hinges, the prerequisites are there for the development of expert power. The degree of that power varies depending on the extent of knowledge in the relevant field attributed by the follower to the powerholder (French Jr. & Raven, 1959).

The follower evaluates the leader's expert knowledge based on general and absolute standards and in relation to the follower's own knowledge. Existence of power is not as dependent on the actual quality of knowledge the leader has as it is on the follower's perception of the role that such expert knowledge plays in achieving the follower's own business-related and other objectives.

Existence of an individual's expert knowledge is a prerequisite for the power that results in a primarily social influence on the cognitive structure of others. If B receives expert advice from A and learns to operate without A's help, A's expert knowledge ceases to be a source of power. In fact, B's continued dependence on A's expertise is necessary in order for A to remain in a position of power. Where a once solved problem ceases to appear, expert power no longer exists (Yukl & Wexley, 1985, p. 122).

Furthermore, power can also be created when B perceives that A can provide information that B finds inaccessible but relevant for their action. Informational power also exists when A, by emphasising the consequences of an action that B is not aware of a priori, succeeds in B accepting A's proposal.

French Jr. and Raven (1959) considered informational power to be a sub-type of expert power. Indeed, both powers appear to be very similar. However, Raven et al. (1970) found that the differences between the two were not completely insignificant. Informational power of A is based on B's acceptance of the logic behind A's arguments and not on the perception of A's expert knowledge.

In addition to that, ecological power in terms of manipulation via the environment can also be a source of power. Achieving control over as many factors that shape other individuals' environment as possible means being able to influence their behaviour. Based on this aspect, Tedeschi and Bonoma (1972) noted that manipulative (ecological) power can also be identified, in the case where A has the ability to control critical aspects of B's surroundings in a way that the potential newly-formed environment might result in a change in B's behaviour.

Creation of environment for other members of the organisation can certainly be a strong source of power. Use of manipulative power can have a significant influence on submission of followers. It is mostly expressed in the control of information, restriction of alternatives, and other direct actions that modify the environment or affect the followers' perception of such environment. In this context, Pondy (1989, p. 227) referred to Oldham's expanded definition of leadership (1974) *as any type of control that the leader has over the environment of a member of the group*.

Having power means being able to *influence* the behaviour of others but not necessarily to also modify their behaviour. As such, power is a specific resource than may but need not be utilised.

Hence, if A has the *capacity* to influence B, we say that A has power over B, whereas if A does something that results in modifying B's behaviour, we say that A has an influence on B (Cartwright, 1965).

Use of power results in changes in the degree of likelihood that an individual or group will adopt a desired behaviouristic change, which is defined as influence (Hersey & Blanchard, 1988, p. 203). Leaders who have power have the potential to exert influence in the collective. Consequently, influence is a *kinetic* or *actually used* power (Siu, 1979).

Possible results of the process of leader's exerting of influence can be generalised in the form of the following potential reactions of followers: (1) feeling of connectedness, (2) submission or (3) rejection.

Feeling of connectedness is a situation where the follower exhibits positive acceptance of the influence exerted by the powerholder. The follower finds the leader's position and role to be desirable and acceptable for achieving of the follower's own goals.

In case of submission, there is no positive reaction or satisfaction among the followers. Their behaviour is rational; they accept the control of another organisational actor because they either have no other choice, or because they believe it to be the least inappropriate solution for them and their own position.

Lastly, a person may reject influence and the attempt to exert control, regardless of the consequences that may ensue, especially when they fail to see a rational explanation of the powerholder's actions in terms of achieving the common goal, or when they feel that their own personality is threatened, when they feel humiliated, or in other similar circumstances.

Results of the process of influencing members of the collective directly depend on the sources of power on which the leader bases his or her influence (Moorhead & Griffin, 1989, p. 364).

Influence can be exerted directly or indirectly, depending on the way the powerholder approaches the realisation of his or her own potentials. For example, if the aim is to directly emphasise and influence the submission of, or feeling of connectedness in the followers, the powerholder will implement direct strategies of influence; if, on the other hand, such direct approach is not desirable, they will implement one of the indirect strategies.

Direct strategies of influence are the following: (1) request and recommendation, (2) promise, (3) cautioning, (4) command, (5) threat, (6) positive normativism, (7) negative normativism, and (8) legalistic reference.[7]

By giving recommendations or requests, a leader wishes to establish control without generating an off-putting attitude or behaviour in the followers. In this context, the leader informs the follower that, in order

---

[7] After having analysed the various approaches with respect to the types of strategies of influence (Raven et al., 1970; Tedeschi et al., 1973; Angelmar & Stern, 1978; Kipnis et al., 1980; Frazier & Sheth, 1985; Robbins, 1989), we identified the most common direct and indirect strategies of influence that leaders use in relation to their followers.

for their relationship to be good, the leader's dominant position has to be accepted (Raven et al., 1970). Firstly, a request is a strategy used when the holder of power does not wish to implicitly draw attention to the sources of their power and relies on simply asking for something in order to exert influence. Secondly, the follower can receive the information (in the form of a recommendation) that their submission or commitment to the powerholder will ensure better achievement of goals.

Moreover, the leader can also promise certain rewards for the follower should they accept control (this is an attempt to exercise the power of reward). Similarly, if follower B perceives that leader A has the capacity to secure a reward for B, the prerequisites for exertion of A's power over B are created.

Thirdly, a leader can caution the follower, by making them understand the negative consequences that may ensue unless the leader establishes control (Tedeschi et al., 1973), or they may simply issue a command explicitly requesting that the follower submit immediately. A command sometimes includes a possible sanction for the follower, but not necessarily in the same way as it is included in a threat, which serves to inform the follower that a negative sanction will take place if they refuse to submit. A threat can have negative consequences on the follower's cognitive structure (stress, dissatisfaction, fear, anger, or other). The source of the three mentioned strategies of influence lies in the power of coercion.

Next, positive normativism is a situation in which the leader makes it clear to the follower that their submission is in line with organisational norms and rules of conduct. The follower is made aware of the fact that all organisational members who are considered good and loyal comply with the rules and do what is expected of them. On the other hand, negative normativism is a situation where it is made clear to the follower that, unless they accept the leader's control and continue to disrupt and destroy organisational norms and rules, they will prevent the achievement of common interests and undermine the essence of collective action.

The last of the listed direct strategies of influence is legalistic reference. As the holder of legitimate power, the leader makes it known to the follower that there are certain legal standards involved in their relationship that require the follower's submission. By familiarising the follower with the existence of a legal relationship that implies implementation of control, the leader influences the follower into accepting a subordinate position.

Indirect strategies of influence, on the other hand, are applied when one wishes to use informational, expert and referent power. Implementation of this type of strategies is also desirable when leaders have access to other sources of power and wish to intensify the effects of influence. These are: (1) information exchange, (2) information control, and (3) modelling.

Information exchange is a type of influence when the leader exchanges views and ideas with others with the intention of indirectly showing their own quality and knowledge (Raven et al., 1970). The attempt is to highlight their own expertise (or references) so that the submission of followers would occur as a natural, logical process.

Furthermore, a follower can be influenced by controlling the flow of information. The leader can generate, select or reduce information with the aim of creating a perception in others that their submission is natural in the context of achieving better results. Information control has to be a long-lasting process if one wishes to successfully influence others. It primarily comes down to creating an informational environment where the follower prefers the validity of information received from the leader compared to information obtained from other possible sources.

Finally, one can always apply the strategy of influence via modelling. This is a situation where the leader shows examples to others to make them understand that the leader's control and influence is desirable. This way, followers are familiarised with situations where expertise (or references, information, possibilities of reward or coercion, manipulation of the environment, or any other source of power) is presented as effective and useful in important organisational matters. Modelling creates a context where followers independently correlate the examples with desirable behaviour, observe analogies, and submit without coercion.

Regardless of their character or type, influence strategies have a single major objective: to establish control over the behaviour of members of the collective in order to implement strategy and other planned activities and intentions of the leader.

Leaders need individuals who will follow them and be willing to accept leadership. Control can be observed through a causal chain that begins with the leader's access to sources of power and certain limited resources, continues with their exertion of influence on followers, which in turn results in their feeling of connectedness or submission, and ultimately ends in active inclusion in common action.

More simply put, leaders always try to turn followers into the effectuators of their plans. Having power and successfully implementing some of the strategies of influence are fundamental prerequisites for establishing control over members of the collective.

However, there are other ways to identify forms of mutual influence in collectives.

For instance, Cialdini (2002) listed six instruments of persuasion (also referred to as key principles of influence) in social interaction between people. These are: (1) the trap of commitment and consistency, (2) reciprocity, (3) authority, (4) liking, (5) scarcity principle, and (6) principle of social proof.

The first instrument is the *trap of commitment and consistency*. Perception of one's own consistency is inherent in most people. If a person commits to fulfilling a minor obligation in a social relationship with another person or persons, they are much more easily persuaded to accept a larger commitment if this can be portrayed as consistent behaviour.

The second instrument is *reciprocity*. Observing the intention to influence a person, one can also observe the human tendency to feel obligated to somebody who has given us something.

Apart from that, based on the authority principle, if someone has *authority*, they can more easily influence and persuade another to act.

Personal likeability and/or similarity can also be suitable instruments of persuasion (the *liking/similarity principle*).

The fifth instrument of persuasion is the *scarcity principle*; this involves our instinct telling us that something that is not available in large quantities must be valuable (Taylor, 2006, p. 77).

Finally, the *social proof principle* (social validation) indicates how widespread the so-called herd mentality actually is. Instead of thinking things through, people "go with the flow" and follow the "herd" (the majority in the organisation or society) in accepting or submitting to an ideology and/or strategic leadership.

As Cialdini noted, authority, scarcity and social validation principles serve to enhance decision-making effectiveness; liking/similarity and reciprocity are principles that meet the goal of establishing and sustaining social relationships; whereas the commitment/consistency principle is relevant to the goal of managing the individual's self-concept and works because it modifies one's self-perception.

Ideology and Instilling Beliefs

The idea that strategic leadership is supported by organisational ideology is not hard to defend.

Ideology is an *organic part of every social totality* (Althusser, 1969, pp. 231–232), one that creates space in which people operate, acquire an awareness of their position, and fight for their cause (Gramsci, 1959, pp. 19–23, 28–35, 38–39, 57, 90–92, 230–232; Ravlić, 2002). It is a system of collective beliefs, views, ideas, myths and concepts oriented toward representing, promoting, implementing and justifying special *patterns of social relationships and arrangements* (Hamilton, 1987, p. 38). Ideology is often the foundation for differentiating between "us" (collective or group we belong to) and "them" (competitor group or generally the world beyond the boundaries of our group).

A social group is made strong by tightly intertwined bundles of members' beliefs woven into its ideology. Beliefs are deeply rooted views of the world conditioned by sociocultural milieu and history that create an interpretative and constructional tool for shaping the global reality (Van Dijk, 2006a). Ethereal ideas, with their appealing and deceptive simplicity, help constitute beliefs and create illusions of a singular, self-explanatory reality that is the only one that is true.

Ideology can also be observed as the *process of constructing and legitimising shared values* (Pesqueux, 2002) which gives sense to existing rules of behaviour, rationalises direction of action, connects the members, and acts as a foothold of collective action that is to be undertaken. It helps to preserve and stabilise social structures and represents the connective tissue of every collective.

Ideology is a *symbolic system* (Geertz, 1964) that reflects a shared, value-based perspective on reality. This is a *special type of cultural construct, one which gives clearly formulated, value-laden and guidance-providing interpretations of the world* (Ravlić, 2002) that cannot, in and of themselves, be observed through the right/wrong or true/untrue dichotomy, because they lack the elements that usually characterise science and ethics. The basic level of ideology is not a deceptive illusion of reality *but rather a level of unconscious fantasm that creates our social reality* (Žižek, 2002, p. 55).

A strong ideology creates an *orthodoxy* ([Ancient Greek](): Ορθοδοξία), a set of accepted and unquestionable truths, as an element of an ideological dogma the questioning of which is not desirable, or even permitted.

An organisation has its own ideologies or concepts of the world: instilled, unquestionable bundles of symbols, views, beliefs and values that connect people by making them rely on organisational mission.

Ideology is a *system of representation* of ideas (Althusser, 1969): in it, one can recognise the character and actual essence of the organisation. It integrates the collective, unifies the member's views and perspectives, ties them firmly together in their action, and helps shape and strengthen the common identity and organisational culture. Existence of a common cognitive landscape shared by the leader and members of the collective makes it easy for them to understand and build the same ideas of reality.

Hegemony and ideology are two sides of the same medal: sophisticated tools in desubjectivisation of a person and their reducing to a mere fragment that is incomprehensible if observed outside the collective being.

Organisational ideology is not a construct that exists independent of civilisation, culture, space or time. It is indivisible from higher-level dominant ideologies; in fact, it is a constituent of such ideologies, a reflection of power relations in a social field; it serves to legitimise dominance of privileged structures in the society.

It is a mirror image of a constructed reality, often distorted and falsified in the rooted-in collective perception that aims to establish itself as the truth; it gives a more or less convincing interpretation of organisational existence. Its instrumental position is beyond contestation: it is the means of manipulation towards achieving the desired modes of action in the development of permissible discourse of key organisational actors.

Bias is at the heart of every ideology that clouds reality by constituting a "world of incontestable truths" firmly based on value propositions, and not necessarily facts. Ideological glasses are not about factuality—they are about fervour. Selective and suggestive emphasising of information is followed by narratives that come with inevitable distortions, and reality appears as a uniform fabric of artificiality, with subjectivity and infatuation as its warp and weft.

Ideology has completely enveloped us once we feel no conflict between it and reality. In the words of Žižek: *Ideology truly succeeds*

when facts that appear contradictory to it at first glance begin to serve as arguments in support of it (2002, p. 39).

The universe of meanings and explanations seems harmonious in the ideological play that is put on the stage, because any departures from accepted ideological footholds are clouded up and blurred, or are deemed an unprecedented heresy.

Ideology forms us. Bare facts as such never reach our cognitive landscape. They are *always covered up with a layer of hermeneutics to preserve virtue* (Taylor, 2006, p. 301).

Ideological layers that envelop an individual intertwine as supports for one another, creating a single system where the individual's conformism is a necessary consequence, and social power and desire to dominate are a solid core around which everything revolves.

Ideological hegemony includes all aspects of social existence and influences the individual's awareness through creating a consistent system of beliefs that is accepted as a given across all levels of interaction. Power springs from complete control of reality—language, education, institutional forms, means of communication, economic organisation, as well as from continual, explicit and implicit justification of social ambience—where ideology dominates. As underlined by Althusser (1971), ideology constitutes individuals, who will more or less submit to the existing order.

As long as there are no cracks or successful ideological shifts that serve to create upturn, the system remains congruent and unquestionable.

Discursive strategy that is woven into ideology is, according to van Dijk (2006b), an *ideological square*: a coordinated amplification of positive perceptions of an organisation and reduction of negative ones, but at the same time accompanied by amplification of negative perceptions and reduction of positive ones about others.

Organisational ideology is woven into the social field; it is fitted into the ambience where the existing order of things is natural, self-explanatory, all-explanatory, and acceptable for organisational existence.

It *rationalises and legitimises* the organisation: it provides plausible explanations for behaviour in different situations and justifies its action in the network of other social entities. At the same time, it helps to distinguish the organisation from other entities in the environment.

Ideology is the *spirit and the soul that inspires, leads and controls the vision of an organisation* (Pesqueux, 2002). It gives a framework and guidelines for behaviour of organisational members; it determines the way they understand reality, reduces ambiguity and lack of clarity in interaction, defines the available space for strategic leadership, and justifies the selected patterns of dealing with critical aspects of the organisation's survival. Ideology requires a special *language* with clusters of imprinted meanings that provide an explanation of organisational existence. The substrate of culture is contained in a delimited language space, symbols and rhetoric of organisational day-to-day life.

The convergence of perspectives on the world shared by members of the organisation is the consequence of organisational history and culture, and of the leader's strong or less strong influence on ideology, rules, behaviour patterns, and decision-making methods.

Whatever the intentions and aspirations of strategic leaders, they cannot be implemented without involved and committed members who share the same beliefs and values. Sources of power and strategies of influence, as already explained in the previous chapter, have to be observed in the context of organisational ideology that creates permissible space for organisational actors to operate in.

In some situations, there can be aspirations towards the so-called universalisation of organisational ideology, or in other words, the conversion of particular ideological frameworks into general, widely accepted, ideological perceptions (Eagleton, 1991, p. 58; van Dijk, 2006c). Expansion of parts of ideological substance beyond organisational limits is, in most cases, connected with creation of clearly distinguishable and memorable symbols, stories and practices that can offer other people an acceptable, and at first glance more attractive, image of their constructed reality.

In other words, ideology helps create social and organisational homogeneity, and facilitates action and exertion of the leader's influence on others. Moreover, strongly imprinted ideology reduces the chances for spreading *heterodoxy* (Ancient Greek ετεροδοξία), which involves the questioning of long-standing beliefs, narratives and principles, as well as the undermining of ideological foundations on which the organisation rests.

It defines the margins for permissibility of divergent behaviour: the stricter the doctrine, the faster and easier the heretic "missteps" and heterodoxies lead to exclusion and excommunication of members.

Nevertheless, ideology and its essence are not open pages of a book, as emphasised by Žižek (2002, p. 39), when he noted that *ideological reality is a social reality the very existence of which implies a lack of knowledge on the part of participants regarding its essence*.

The hypostasis of ideology is hidden to organisational actors, who interpret it oblivious of its original content. This raises two questions that are not actually the subject of this part of the discussion. The first is the issue of disclosure of the true nature of existing social relationships, and the second is the deconstruction of the symbolic universe of ideology beyond its limits.

Paradoxically, leaders can exist even before the existence of any followers, if they have an ideology that is successfully imprinted in a social field. The process in which a leader nominates and designates followers before they even exist as such, is referred to as *interpellation*. This concept was introduced by Louis Althusser as the explanation of the process through which state apparatuses imprint subjects before they even exist, thus bringing them into social existence.

Strategic leadership continually emerges from ideology and it cannot be understood if observed separately from it.

Leaders and other persons in charge act either as guardians of existing organisational ideology, according to Mintzberg (1979, p. 43), or as challengers who attempt to imprint new ideological patterns, more or less divergent from those that have taken hold and become historically accepted.

Imprinted, fortified and strengthened beliefs of members of the collective help leaders in their task of coordinating collective action in order to make strategic vision a reality. Aspirations and behaviours of leaders are determined by the ideological framework, and the success of their action is related to homogenisation of the collective, or in other words, with the achieved degree of integration, togetherness, and group identification.

Objectives of strategic leadership are the following: (1) achieve strong members' commitment to shared values and ideological principles, (2) instil in them the beliefs, and imprint on them the views held by the

leader, (3) create uniformity or similarity in the way members of the collective observe and perceive relevant elements of reality, and (4) develop organisational culture that supports organisational ideology, as well as the strategic leader's aspirations, rhetoric, and behaviour patterns.

Successful imprinting of ideological beliefs increases loyalty, commitment and conformity of members; it strengthens the potential for motivation as a result of value congruence, by facilitating the achievement of defined objectives and expanding the leader's decision-making space. At the same time, members also benefit from this because the ideological space makes it easier for them to understand the ambience and interpret certain aspects of organisational action in a complex environment, by helping them build a feeling of belonging to the group, achieve self-recognition, and connect with the ideas and actions of organisational heads, ultimately making them one with the collective.

Organisational ideology represents the collective spirit's circumnavigation of the illusion perceived as the true reality.

Socialisation and Indoctrination

Organisational ideology is adopted and spread by socialisation and indoctrination of members.

Socialisation (Latin: *sociare*, meaning *unite*, *join*, *associate*) is the process in which members of the organisation accept a system of values, norms and behaviour patterns (Schein, 1968, p. 3), adopt the organisation's principles of action and discourse, as well as the rhetoric and language, group beliefs, culture, organisational symbols, myths and rituals. This is a learning process in which members more or less successfully become part of the collective, by taking on the elements of shared identity: they get to have similar understanding and idea of reality, and acquire a perspective shared with others inside the organisation.[8]

---

[8] Socialisation is a concept introduced by French sociologist Emile Durkheim, designating the process through which individuals acquire beliefs and a value system or social norms of a certain culture. Durkheim defined socialisation as "making persons social," emphasising the dominance of social conditions in shaping an individual. Available at: https://www.enciklopedija.hr/natuknica.aspx?ID=56923 (accessed 10 January 2020).

Socialisation and indoctrination are mutually connected categories. Whereas socialisation draws from cultural or educational learning, indoctrination (derived from Latin *doctrina*, teaching) is a purposeful and noncritical instilling of ideas, views and beliefs in order for an individual to become an object—an indivisible element of the collective.[9] It can be defined as an endeavour of the organisation and its head people to impose the ideological principles on all their members, by any available means.

Overcoming of resistance to adoption of new beliefs is the precursor to those processes. The greater an individual's cognitive network (in number and strength), the easier it is for them to resist influence exerted by others. Abundance of cognitive landscapes in individuals makes it harder for them to be indoctrinated, and makes the process of socialisation more complex and demanding.

Socialisation is a means of protecting the collective from ideological aberrations. In the process of socialisation, one acquires knowledge in the form of "objective truths" that are internalised as "subjective truths", which have the power to shape an individual (Berger & Luckmann, 1992, p. 88). Apart from acquiring knowledge and experience, socialisation is also characterised by social interaction in which an entity is created by being moulded by the time period, culture, human community or collective.

Initiation into a collective is only completed when the individual becomes an indivisible part of the collective, when their perspective of the world is successfully interwoven with organisational ideology.

Indoctrination, just like learning in the process of socialisation, is aimed at adoption of certain beliefs. However, unlike socialisation, indoctrination promotes the adoption of those beliefs without the need for understanding them. Reference to it normally elicits a negative connotation, because it is associated with bigotry, unreserved acceptance of authority and established ideological dogmas.[10]

---

[9] indoctrination (from Latin): 1. Teaching, introducing to doctrine. 2. Forceful but purposeful imprinting of an ideology. 3. Intentional misleading of people into believing things that have not been scientifically proven. Available at: https://www.hrleksikon.info/definicija/indoktrinacija.html, (accessed on 21 December 2019).

[10] In his article "Propaganda: American Style," published in the *Propaganda Review,* Noam Chomski (1987) underlined: *For those who stubbornly seek freedom around the world, there can be no more urgent task than to come to understand the mechanisms and practices of indoctrination. These are easy to perceive in the totalitarian societies, much less so in the propaganda system to which we are subjected and in which all too often we serve as unwilling or unwitting instruments.* Available at: https://www.zpub.com/un/chomski.html (accessed 6 March 2020).

In organisation science, special attention was drawn to indoctrination by Henry Mintzberg (1979, 1983), who believed it to be one of key parameters of organisational design.

The difference between indoctrination and socialisation by learning can also be explained by Habermas's categories of communicative and strategic action (Habermas, 1982, pp. 128–132, 382–285; Puolimatka, 1996).

Communicative action is directed on reason-based knowledge and judgement, as well as on finding general principles that everyone involved believes to be valid. Truth and verification thereof form the basis for communicative action. It is based on openness and equality of participants. Logical reasoning should lead to consensual revelation of a common truth.

Strategic action refers to one actor's influence on another. The true intention behind the influence can remain undiscovered if this is important for achieving the intended purpose. In social interaction, actors are not equal: one person is used as a means to fulfil the interests of another. Personal growth is not encouraged. Habermas's strategic action, just like indoctrination, does not trigger the normative function, unlike socialisation through learning.

Organisational ideology, as a multi-layered and permanent set of beliefs, values and selected perspectives, is not a structure than can easily be deconstructed from within. It does not depend on the truth, facts or rational conclusion; it strongly distorts the perception of reality and imprints bundles of meanings and interpretations in organisational existence.

One should not forget that ideology provides a possibility to include the irrational and all kinds of beliefs presented in *the most rational forms* (Pesqueux, 2002).

Indoctrination is the way an organisation formally socialises its members in its own interest (Mintzberg, 1983, p. 41) through programs and techniques that serve to standardise norms, rules, and regulations; that way, members can be trusted to make decisions and take actions in accordance with the organisational ideology (Martínez-León & Martínez-García, 2011).

Characteristics of indoctrination are complete singularity in direction, dogmatism, and lack of criticism in the transfer of the ideological field. On the other hand, organisational socialisation is primarily an interactive process of learning through which new members come to understand the norms and roles they need to play in order to operate as part of the collective (Aleksić & Rudman, 2010, p. 242).

Indoctrination creates individuals who do not accept open and critical questioning of adopted norms and values; their perspectives of the world are impervious to plausible refutation of ideological principles or presentation of true facts that contradict the accepted system. Successful indoctrination results in passionate and committed members of the collective who strongly identify with the organisation and the strategic leader. Their mind is closed for any *rational argumentation in the domain in which they had been indoctrinated* and for *the possibility that those beliefs are not true*, regardless of new knowledge or insights (Puolimatka, 1996).[11] They are ideologically firmly anchored; they have a narrowed and false perception of reality; they do not question the beliefs, explanations and interpretations of meaning that were used to indoctrinate them.

This type of missionary-like commitment to the organisation facilitates leadership processes, but reduces collective mental elasticity and the value of having different perspectives, opposing ideas, and critical questioning of reality.

Limited indoctrination can also be permitted outside organisational limits in case of certain professions (attorneys, accountants, engineers, quality system experts, and other), especially if that contributes to the legitimacy of the organisation's future actions.

Indoctrination is normally associated with targeted propaganda, rituals and ceremonies, limited and closed set of information and knowledge, easy-to-remember stories, messages and symbols, inspiring lectures and meetings, and alike.

In some cases, indoctrination is a more successful form of instilling ideology than socialisation by learning, but not always. There are

---

[11] It should be noted that indoctrination and brainwashing are not identical concepts. Indoctrination can be seen as an "antinormative form of learning" in which no physical coercion is used, whereas brainwashing is normally characterized by elements of coercion, even torture (Puolimatka, 1996).

situations when socialisation by learning creates capable and able-to-think individuals who are better adapted to facing the challenges of collective action than indoctrinated individuals.

Socialisation and indoctrination are like twins: one activity should not exclude the other. They both help in homogenising and integrating the collective by aligning the individuals' values with those held by the organisation, and providing space for leaders in their efforts to implement strategic decisions more easily and effectively.

The influence of the leader is that much greater if there is a strong feeling of belonging and accepting of collective identity among the members, as an indivisible element of their self-definition. Socialisation and indoctrination strengthen trust, connect the individual with organisational culture, and enhance the feeling of togetherness and mutual understanding. Successfully socialised or indoctrinated members are more loyal to the leader and the organisation, and they show lesser tendency to leave the collective.

Coordination is easier when there is a high degree of homogeneity in the collective, a strong feeling of belonging and identification of members with the organisation. This is especially important when there are pressures and threats coming from the environment and when harmony of the collective is crucial for overcoming them.

Socialisation and indoctrination further strengthen organisational ideology and prevent the questioning of its essence.

In conclusion, strategic leaders are representatives and guardians of ideology: they have to manage a comprehensive system of continual socialisation and indoctrination which will integrate the collective and create the prerequisites for successful organisational action. In addition to that, they should consider the need to preserve critical thinking in the collective, which puts them in a very demanding position. It is desirable to have co-workers who will be autonomous, aware of their own identity, and willing to think for themselves, as long as this does not threaten the integrity and ideological principles on which the organisation is based.

Identification

The leader's influence on members is much easier to exert when members identify with the organisation and/or with the leader. Adoption of basic values strengthens the member's reliance on the organisation, which in turn increases commitment and the likelihood of engaged behaviour within the framework of the defined direction.

Identity is the personal footprint in collective predetermination; a multiple reflection of the individual in a house of mirrors that creates the illusion of society. It obscures the truth about substantial emptiness and fragility of being: it is comparable to a palimpsest which the collective keeps overwriting, creating the illusion of a self-created free individual.

Collectivity determines the identity or part of identity of a person, their being and the way they construct, understand and change the world in which they exist.

Identity is, at the same time, a social need of an individual, without which such individual could not coexist with others. It does not exist in and of itself: establishing identity requires relation with other actors. One's ego establishes its identity through its mirroring in others (Žižek, 2002, p. 44). Another human being is that which can show it the image of its own comprehensiveness.

It is a measure of selfhood ("me"), it pertains to separation and distinction from others ("them" or "the others"), but at the same time it brings persons together and connects them: togetherness is created based on *sameness* ("us").

An individual has a *network of identities* that can be categorised on a personal, interpersonal and collective (social) level (Brewer & Gardner, 1996; Brickson, 2000), or on a personal, social and material level (Ashforth et al., 2008; Skitka, 2003).

There are several ways that the identity of members is influenced by the collective. Two constructs need to be examined separately: organisational identification and identification with the leader.

Identification of members is an important element of collective homogenisation. The greater the degree of identification, the more likely it is that the leader's influence will be purposeful and successful, and the

commitment of members more solid and durable. Identification creates committed members who surrender a part of their own self in order to feel secure in the warmth and protection of a group identity.

Organisational identification is a construct we understand as a process of cognitive connection between the definition of organisation and definition of one's self (Dutton et al., 1994). It can be described as a perception of equivalence of the individual and the organisation (Mael & Ashforth, 1992) or through perception of a degree of integration of key organisational identities with one's own identity (Ashforth & Mael, 1989; Dutton et al., 1994; Ravasi & van Rekom, 2003; He & Brown, 2013). It is a variable, fluid and inconstant category that changes over time and depends on a series of influences and factors.[12]

The greater the extent of organisational identification, the larger the degree of work performance, inclusion in organisational goings-on and work satisfaction felt by members of the collective (e.g. Dukerich et al., 2002; Riketta, 2005; Schuh et al., 2016; Van Knippenberg & van Schie, 2000).

Identification is encouraged by a defined set of shared principles and values, a distinctive mission and common activities that connect members by giving them a strong sense of belonging. Collective intentionality, which we discussed in the first chapter of this book, is an important construct: it describes the power of togetherness that helps build a collective identity which serves as the gravitational force for fragile and changeable identities of the members. Identification with the organisation emerges through acceptance of shared beliefs, languages, intentions and interpretations of reality, whereas socialisation and indoctrination further strengthen those processes. All of this supports integration and cohesion processes and facilitates the anchoring of ideology as a support pillar in strategic leaders' action.[13]

---

[12] One has to differentiate between the construct of organisational identification and organisational identity. Organisational identity is explained through self-definition of the collective and it can be exemplified by questions such as "who are we as a collective?" and "what do we want to become?" and by the answers to those questions (He & Brown, 2013).

[13] In many cases, organisations are complex systems that give their members the possibility of simultaneously belonging to various organisational units, groups or teams. Membership in organisations implies simultaneous existence of a larger number of different organisational identities (Chen et al., 2013). Identification with a higher organisational category (such as the organisation as a whole) is referred to as *superordinate identification*, whereas identification with units embedded in that category is called *subgroup identification* (Lipponen et al., 2003).

With their behaviour, leaders influence followers and the level of their organisational identification, especially if they are characterised by styles of transformational or ethical leadership (Carmeli et al., 2011; He & Brown, 2013; Walumbwa et al., 2011). This applies in cases when collective members are very submissive and accommodating, and also susceptible to the symbols and narratives communicated by the leader.

On top of that, identification with the leader can be the result of their charisma and other qualities that make them a role model for others. Charisma emerges through personal identification of the follower with the leader, and through the follower's desire to imitate the leader (Crossan et al., 2008); it can also appear as a distinctive quality inaccessible to ordinary individuals.

Charismatic leaders draw people around them with the magnetic appeal of their aura. They are capable of motivating and inspiring others and, regardless of the intention and motivation, win them over to becoming their followers. There are no norms or rules that can explain the social relationship in which charismatic leadership emerges. It involves the creation of a relationship that contradicts formal authority; the core of the group is the emotional connection and loyalty to the leader, often interwoven with indoctrination and strong identification.

Consequences of charismatic leadership are primarily trust, admiration and respect exhibited by the followers, as well as a willingness to sacrifice their own interests in order to achieve the goals set by the leader (Waldman & Yammarino, 1999; House, 1991; Wang et al., 2012). Charismatic leaders have loyal followers that freely and usually unreservedly accept the leader's interpretation of reality, the values they underline, the instructions they give, and the patterns of behaviour they exhibit. This is, in Weberian terms, a "domination" over the followers, the source of which lies in certain exceptional qualities that the leader possesses.

Charismatic leadership leads to a culture in which cohesion of the collective is an important determinant and formal structures are of derivative significance. Specifically, the leader's charisma clouds the chains of command incorporated in organisational structure. Weber (1968, p. 243)

emphasised that in a situation where charisma is present, *there is no hierarchy; the leader only intervenes in a way that is general or in specific cases when they find that their staff members lack the charismatic qualification required to perform a specific task*. In such cases, lower-level managers identify with the leader and with how the leader behaves and operates, so there is no need to provide comprehensive systems for monitoring and controlling their work.

In short, socialisation, indoctrination and identification of members create the prerequisites for comprehensive and consistent organisational action, and integrate and strengthen the collective even more.

This can sometimes lead to the absurd, where content imprinted in identity networks helps create a desubjectivised "member" who only needs to be one of many, easily fitted building blocks in the structure that is the organisation. This results in the rooting in of a concept of leadership that may be compared to a beehive or an anthill, and in forgetting of the issue of alienation as well as natural human creativity and non-mechanical nature of human endeavours.

References

Aleksić, A., & Rudman, M. (2010). Organizacijska socijalizacija—ključne perspektive i pristupi. *Zbornik Ekonomskog fakulteta u Zagrebu, 8*(1), 241–251.

Althusser, L. (1969). *For Marx*. Penguin.

Althusser, L. (1971). Ideology and ideological state apparatuses. In: L. Althusser (ed.). *Lenin and philosophy and other essays*. New York: Monthly Review Press.

Alvesson, M., & Deetz, S. (2005). Critical theory and postmodernism: Approaches to organization studies. In C. Grey & H. Willmott (Eds.), *Critical management studies: A reader* (pp. 255–283). Oxford University Press.

Angelmar, R., & Stern, L. W. (1978). Development of a content analytic system for analysis of bargaining communication in marketing. *Journal of Marketing Research, 15*(1), 93–102.

Ashforth, B. E., Harrison, S. H., & Corley, K. G. (2008). Identification in organizations: An examination of four fundamental questions. *Journal of Management, 34*(3), 325–374.

Ashforth, B. E., & Mael, F. (1989). Social identity theory and the organization. *Academy of Management Review, 14*, 20–39.

Baritz, L. (1960). *The servants of power: A history of the use of social science in American industry*. Wesleyan University Press.

Berger, P. L., & Luckmann, T. (1992). *Socijalna konstrukcija zbilje*. Naprijed.

Brewer, M. B., & Gardner, W. (1996). Who is this "we"? Levels of collective identity and self representations. *Journal of Personality and Social Psychology, 71*(1), 83–93.

Brickson, S. (2000). The impact of identity orientation on individual and organizational outcomes in demographically diverse settings. *The Academy of Management Review, 25*(1), 82–101.

Carmeli, A., Atwater, L., & Levi, A. (2011). How leadership enhances employees' knowledge sharing: The intervening roles of relational and organizational identification. *The Journal of Technology Transfer, 36*, 257–274.

Cartwright, D. (1965). Influence, leadership, and control. In J. March (Ed.), *Handbook of organizations* (pp. 1–17). Rand McNally.

Chen, Y. C., Chi, S. C. S., & Friedman, R. (2013). Do more hats bring more benefits? Exploring the impact of dual organizational identification on work-related attitudes and performance. *Journal of Occupational and Organizational Psychology, 86*, 417–434.

Child, J. (1977). *Organization: A guide to problems and practice*. Harper & Row.

Chomski, N. (1987). Propaganda: American Style, Propaganda Review, Available at: https://www.zpub.com/un/chomski.html (accessed 6 March 2020).

Cialdini, R. B. (2002). *Influence: Science and practice*. Allyn and Bacon.

Cindrić, L. (2020). *Međuovisnost grupne dinamike i djelotvornosti nadzornog odbora*. Doktorska disertacija, Ekonomski fakultet, Zagreb.

Cox, R. W. (1982). Production and hegemony: Toward a political economy of world order. In H. K. Jacobson & D. Sidjanski (Eds.), *The emerging international economic order: Dynamic processes, constraints, and opportunities* (pp. 1095–1096). Sage Publications.

Cox, R. W. (1983). Gramsci, hegemony and international relations: An essay in method, in: Millennium. *Journal of International Studies, 12*(2), 162–174.

Crossan, M., Vera, D., & Nanjad, L. (2008). Transcendent leadership: Strategic leadership in dynamic environments. *The Leadership Quarterly, 19*, 569–581.

Dahl, R. A. (1957). The concept of power. *Behavioral Science, 2*, 201–218.

Destradi, S. (2008). *Empire, hegemony, and leadership: Developing a research framework for the study of regional powers*. GIGA German Institute of Global and Area Studies Working Papers, GIGA WP 79/2008.

Dukerich, J. M., Golden, B. R., & Shortell, S. M. (2002). Beauty is in the eye of the beholder: The impact of organizational identification, identity, and image on the cooperative Behaviors of physicians. *Administrative Science Quarterly, 47*(3), 507–533.

Dutton, J. E., Dukerich, J. M., & Harquail, C. V. (1994). Organizational images and member identification. *Administrative Science Quarterly, 39*(2), 239–263.

Eagleton, T. (1991). *Ideology: An introduction*. Verso.

Emerson, R. (1962). Power-dependence relations. *American Sociological Review, 27*(1), 31–41.

Frazier, G. L., & Sheth, J. N. (1985). An attitude-behavior framework for distribution channel management. *Journal of Marketing, 49*(3), 38–48.

French, J. R. P., Jr., & Raven, B. (1959). In D. Cartwright (Ed.), *The bases of social power, in studies in social power* (pp. 150–167). University of Michigan Press.

Geertz, C. (1964). Ideology as a cultural system. In D. Apter (Ed.), *Ideology and Discontent* (pp. 47–76). The Free Press of Glencoe.

Giddens, A. (1979). *Central problems in social theory: Action, structure, and contradiction in social analysis*. Macmillan.

Giddens, A. (1984). *The constitution of society: Outline of the theory of structuration*. Polity Press.

Glăveanu, V. P. (2009). What differences make a difference?: A discussion of hegemony, resistance and representation. *Papers on social representations, 18*(2), 1–22.

Gramsci, A. (1959). *Izabrana dela*. Kultura.

Gramsci, A. (1971). *Selections from the prison notebooks*. International Publishers.

Habermas, J. (1982). A reply to my critics. In J. Thompson & D. Held (Eds.), *Habermas: Critical debates* (pp. 219–283). MIT Press.

Habermas, J. (1984). *The theory of communicative action—Reason and rationalization of society*. Beacon Press.

Hambrick, D. C., & Mason, P. (1984). Upper echelons: The organization as a reflection of its top managers. *The Academy of Management Review, 9*(2), 193–206.

Hamilton, M. B. (1987). The elements of the concept of ideology. *Political Studies, 35*(1), 18–38.

He, H., & Brown, A. D. (2013). Organizational identity and organizational identification: A review of the literature and suggestions for future research. *Group & Organization Management, 38*(1), 3–35.

Herrmann, A. F. (2017). Hegemon. In C. R. Scott, L. Lewis, J. R. Barker, J. Keyton, T. Kuhn, & P. K. Turner (Eds.), *The international Encyclopedia of organizational communication* (pp. 2427–2435). Wiley & Sons.

Hersey, P., & Blanchard, K. H. (1988). *Management of organizational behavior*. Prentice Hall.

House, R. J. (1991). The distribution and exercise of power in complex organizations: A MESO theory. *The Leadership Quarterly, 2*(1), 23–58.

Jerbić, V. (2014), Hegemonija i čin „prolaska kroz fantazmu": o reafirmaciji koncepta ideologije kod Laclaua, Mouffe and Žižeka. *Političke perspektive: članci i studije*, 65–91.

Kipnis, D., Schmidt, S. M., & Wilkinson, I. (1980). Intraorganizational influence tactics: Explorations in getting one's way. *Journal of Applied Psychology, 65*(4), 440–452.

Knights, D. (2009). Power at work in organizations. In M. Alvesson, T. Bridgman, & H. Willmott (Eds.), *The Oxford handbook of critical management studies*. Oxford University Press.

Laclau, E., & Mouffe, C. (2005). Foreword for "Hegemony and Socialist Strategy" 2ed. 1991 (in Croatian), *Diskrepancije 56, 7*(10), 55–64.

Levy, D. L., Alvesson, M., & Willmott, H. (2001, July 11–30). Critical approaches to strategic management. In *Critical management studies conference*.

Levy, D. L., Alvesson, M., & Willmott, H. (2003). In M. Alvesson & H. Willmott (Eds.), *Critical approaches to strategic management, in studying management critically* (p. 92.110). Sage Publications.

Lipponen, J., Helkama, K., & Juslin, M. (2003). Subgroup identification, superordinate identification and intergroup bias between the subgroups. *Group Processes & Intergroup Relations, 6*(3), 239–250.

Mael, F. A., & Ashforth, B. E. (1992). Alumni and their alma mater: A partial test of the reformulated model of organizational identification. *Journal of Organizational Behavior, 13*, 103–123.

Martínez-León, M. I., & Martínez-García, J. A. (2011). The influence of organizational structure on organizational learning. *International Journal of Manpower, 32*(5/6), 537–566.

Mintzberg, H. (1979). *The structuring of organizations: A synthesis of the research*. Prentice Hall.

Mintzberg, H. (1983). *Structure in fives: Designing effective organizations*. Prentice Hall.

Moorhead, G., & Griffin, R. W. (1989). *Organizational behavior*. Hughton Mifflin.

Mouffe, C. (1979). *Gramsci and Marxist theory*. London: Routledge & Kegan Paul.

Nord, W. R. (1976). *Concepts and controversy in organizational behavior*, 2nd ed.. Pacific Palisades, Calif.

Norrlof, C. (2015). *Hegemony*. Oxford University Press.

Ott, J. S. (1989). *The organizational culture perspective*. Pacific Grove, Calif: Brooks/Cole Publishing Company.

Pesqueux, Y. (2002). *Ideology and organization. Developing philosophy of management—Crossing frontiers*. Oxford Press.

Pondy. (1989). Leadership is a language game. In H. J. Leavitt, L. R. Pondy, & D. M. Boje (Eds.), *Readings in managerial psychology* (pp. 224–232). University of Chicago Press.

Puolimatka, T. (1996). The concept of indoctrination. *Philosophia Reformata, 62*(1), 109–134.

Ravasi, D., & van Rekom, J. (2003). Key issues in organizational identity and identification theory. *Corp Reputation Rev, 6*, 118–132.

Raven, B. H., Bertram, H., & Kruglanski, A. W. (1970). Conflict and power. In P. G. Swingle (Ed.), *The structure of conflict* (pp. 69–109). Academic.

Ravlić, S. (2002). Politička ideologija: preispitivanje pojma. *Politička misao, 28*(4), 146–160.

Riketta, M. (2005). Organizational identification: A meta-analysis. *Journal of Vocational Behavior, 66*(2), 358–384.

Robbins, S. P. (1989). *Training in interpersonal skills*. Prentice Hall.

Russel, B. (1938). *Power*. Norton & Co.

Salancik, G. R., & Pfeffer, J. (1978). A social information processing approach to job attitudes and task design. *Administrative Science Quarterly, 23*(2), 224–253.

Schein, E. H. (1968). Organizational socialization. *Industrial Management Review, 9*(2), 1–16.

Schmidt, B. (2018). *Hegemony: A conceptual and theoretical analysis*. Retrieved October 30, 2020, from https://doc-research.org/2018/08/hegemony-conceptual-theoretical-analysis/

Schuh, S. C., Van Quaquebeke, N., Göritz, A. S., Xin, K. R., De Cremer, D., & Van Dick, R. (2016). Mixed feelings, mixed blessing? How ambivalence in organizational identification relates to employees' regulatory focus and citizenship behaviors. *Human Relations, 69*(12), 2224–2249.

Shrivastava, P. (1986). Is strategic management ideological? *Journal of Management, 12*(3), 363–377.

Simon, H. A. (1953). Birth of an organization: The economic cooperation administration. *Public Administration Review, 13*(4), 227–236.

Siu, R. G. H. (1979). *The craft of power.* John Wiley & Sons.

Skitka, L. J. (2003). Of different minds: An accessible identity model of justice reasoning. *Personality and Social Psychology Review, 7*(4), 286–297.

Spears, A. K. (1999). Race and ideology: An introduction. In A.K. Spears (Ed.), *Race and ideology: Language, symbolism, and popular culture* (pp. 11–58). Detroit: Wayne State University Press.

Tannenbaum, A. S. (1968). *The social psychology of work organization.* Brooks-Colef.

Taylor, K. (2006). *Ispiranje mozga: znanost kontrole uma.* Algoritam.

Tedeschi, J. T., & Bonoma, T. V. (1972). Power and influence: An introduction. In J. T. Tedeschi (Ed.), *The social influence processes* (pp. 1–49). Aldine-Atherton.

Tedeschi, J. T., Schlenkler, B., & Bonoma, T. (1973). *Conflict, power and games.* Aldine-Atherton.

Van Dijk, T. A. (2006a). Ideology and discourse analysis. *Journal of political ideologies, 11*(2), 115–140.

Van Dijk, T. A. (2006b). Discourse and manipulation. *Discourse & Society, 17*(3), 359–383.

Van Dijk, T. A. (2006c). Discourse, context and cognition. *Discourse Studies, 8*(1), 159–177.

Van Knippenberg, D., & van Schie, E. C. M. (2000). Foci and correlates of organizational identification. *Journal of Occupational and Organizational Psychology, 73*(2), 137–147.

Waldman, D. A., & Yammarino, F. J. (1999). CEO charismatic leadership: Levels-of-management and levels-of-analysis effects. *Academy of Management Review, 24*(2), 266–285.

Walsh, J. P., & Seward, J. K. (1990). On the efficiency of internal and external corporate control mechanisms. *The Academy of Management Review, 15*, 421–458.

Walumbwa, F. O., Mayer, D. M., Wang, P., Wang, H., Workman, K., & Christensen, A. L. (2011). Linking ethical leadership to employee performance: The roles of leader-member exchange, self-efficacy, and organizational identification. *Organizational Behavior and Human Decision Processes, 115*(2), 204–213.

Wang, H., Waldman, D., & Zhang, H. (2012). Strategic leadership across cultures: Current findings and future research directions. *Journal of World Business, 47*(4), 571–580.

Weber, M. (1968). *Economy and society: An outline of interpretive sociology*. Bedminster Press.

Willmott, H. (2005). Theorizing Contemporary Control: Some Poststructuralist Responses to Some Critical Realist Questions. *Organization, 12*(5), 747–780.

Yukl, G. A., & Wexley, D. (1985). *Organizational behavior*. LOMA Institute.

Žižek, S. (2002). *Sublimni objekt ideologije*. Arkzin, Društvo za teorijsku psihoanalizu.

7

Organisational Culture, Leadership Language and Integration of the Collective

From Ideology to Organisational Culture

The way we see things and the world around us depends to a great extent on the social and cultural context that has shaped us and of which we are an indivisible part; it depends on our life experiences and the paradigm that outlines our values, interests, cognition, and discourses. Social interactions, culture, group belonging, and *"the sea of ideas in which we swim from birth,"* shape our ideas and our identities much more than we realize (Taylor, 2006, p. 218).

It is beyond doubt that people, as noted by Berger and Luckmann (1992, p. 69), *together produce a human environment, with the totality of its socio-cultural and psychological formations*, and that *[m]an's specific humanity and his sociality are inextricably intertwined. Homo sapiens is always, and in the same measure, homo socius.*

Social actors across different historic and cultural contexts and traditions perceive and shape their subjective environment differently and form different patterns of interaction with that environment.

Our existence is woven into culture; culture constitutes and defines us, delimits the space for development of our discourses, and determines the way we act, both individually and collectively.

Culture encompasses a complex set of institutions, values, perceptions, learned thinking patterns, opinions, behaviours, and practices that form the life of a group of people; it paints a picture of its heritage and history; it outlines the space in which the group exists, and it gives sense to its existence in time.

It is created over time, it cannot be replicated, and it is very hard to fully comprehend.

Culture encompasses multiple social layers and delineates all types of collectivity. It is identified and imprinted across multiple levels; in this context, we can speak of a culture of a civilisation or of a time in which one lives, or of regional or national culture, as well as of various cultural circles and sub-cultures that people belong to, or of cultures of various collectives that encircle an individual's self, giving that individual the illusion of self-determination and social realisation as an entity.

Every organisation has its own culture, imbued with an ideological framework. It is constituted through social interaction: over time, collective characteristics and permanent attributes emerge, inseparable from the essence of the organisation and mutually interwoven in its inner workings. Culture is compressed in the forming press of organisational tradition and history.

Organisational culture mirrors the internalisation of a symbolic universe of collective action and acts as a frame for a fabricated reality: it provides the space for what is considered permissible and desirable in organisational actors' relations. It exists as collective cognition *sui generis*: organisational members share fundamental values, accept customary practices and norms, and develop similar expectations.

It can also be seen as a system of beliefs, understandings, and ways of thinking which is common to everyone in the organisation and implies a specific, distinct form of behaviour. Culture persists through symbols and narratives, assisting in the members' self-perception and in the development of their perspective of the world beyond the organisational limits.

Culture is, therefore, *essentially composed of interpretations of a world and the activities and artefacts that reflect these* (Mintzberg et al., 1998, p. 265). These interpretations become part of a world of symbols and meanings that tie members together in the social fabric of the organisation.

Culture differs from one organisation to another, comprising their inner identity delimited by ethical standards, rooted-in business principles, practices, unwritten rules of conduct, but also written internal policies that affect the management of human resources. It can be recognised in the style of life and work within the organisation. It is an important cohesive element of the organisation, one that invisibly strengthens its connective tissue.

Organisational culture is a cape that covers organisational ideology: it is hard to distinguish a clear boundary between the two.

Organisations with different cultures interpret their environment differently and ascribe different meanings to important constituents of that environment. Their strategies are "anchored" in culture: they are socially constructed through historically and culturally determined change. Rules that govern strategy are less connected with the leader's and other strategy makers' cognitive framework and more so with cultural rules and norms existing on the organisational and social level.

Behaviour of members of the collective is delineated by culture. Culture of a group of people, as defined by Schein (2004, p. 17), is *a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.* According to him, culture formation is always *a striving toward patterning and integration, even though in many groups their actual history of experiences prevents them from ever achieving a clear-cut, unambiguous paradigm.*

There are three layers of organisational culture (Schein, 2004).

The first layer is comprised of manifested elements of culture that we recognise in symbols and organisational members' behaviour patterns. Stories and myths, language and slogans, methods and contents of internal and external communication, rituals, norms and customs—these are all observable elements of organisational culture. There are also ceremonies, styles and desired behavioural patterns, other physical manifestations such as office design or acceptable dress code, and all other things that can be identified as differentiating and self-determining organisational dimensions. Such artifacts include the collective's observable creations and collective action.

The second layer of culture comprises espoused beliefs and values that provide clear guidelines for organisational actors' behaviour and action. They are not externalised and they do not exist in formal organisational documents or written procedures. Nevertheless, clues of their existence can be found and recognised in all forms of observable behaviour, primarily in stories retelling organisational history, or in metaphors and other narratives.

The third layer of culture comprises basic underlying assumptions. These assumptions are deeply-rooted in the organisation, least observable, and not open to questioning. They rarely change: only in cases of radical organisational transformations when the organisation's survival is at stake, or when new social values develop.

Unlike Schein's approach, Hatch (1993) developed a *dynamic perspective* of organisational culture that should give answers to the question how culture is constituted from assumptions, values, artefacts, symbols and processes that connect them. The cultural dynamics model comprises four simultaneous cognitive and social processes: manifestation (relation between assumptions and values), realisation (relation between values and artefacts), symbolisation (relation between artefacts and symbols), and interpretation (relation between symbols and assumptions).

Dynamic model defines culture as a set of continued cycles of action and sense-making, clouded by cycles of shaping organisational images and identities. Culture is permanently renewed through socialisation, learning and indoctrination of new organisational members who gradually adopt well-established assumptions, beliefs and values, and accept certain rules of conduct.

It is not wrong to say that culture "distorts" a member's perception of reality. Every mind is endowed with the ability to reach an objective truth, according to epistemological tradition of Western philosophy (Descartes, Hume, Kant and others), provided however that such mind applies the right method and that, as noted by Gellner (2000, pp. 49–50) it resists *the seduction of cultural indoctrination*; after all, the Cartesian principle is that *the path to the truth leads through voluntary cultural exile*.

For organisational members this is an impossible mission: they are "short-sighted" because of the cultural lenses that affect their fundamental beliefs and create blindness through entrenched assumptions that

they have adopted and that are inevitable in their understanding of organisational reality.

Strategic leadership is inseparable from the cultural stage built on shared assumptions, symbols, language, and behaviour patterns.

Organisational culture has a significant impact on the enactment of strategic leadership: it creates the context in which the desired and the undesired leaders' behaviour patterns emerge, provides additional definition of decision-making discretion, outlines the space available for leaders' action, and creates room for acceptable forms of intraorganizational interaction. It is a manifestation of the emotional organisational world: its content, on the other hand, can be one of the biggest obstacles in realising the strategic leaders' intention.

Strategic leadership is very dependent on culture because: (1) it establishes the rules of conduct (Weihrich & Koontz, 1994, p. 334; Greenberg & Baron, 1997, p. 471), (2) manages behaviour and guides the organisational members' action (Schermerhorn et al., 1991, p. 341) and (3) creates the prerequisites for learning and transferring knowledge, beliefs, and behaviour patterns over the course of time. Culture is directly associated with instilling beliefs and developing a desired perspective of the organisational members' world.

Organisational culture discourages radical change because its essence lies in consistency and inflexibility that are based on shared beliefs and assumptions of members. It *de facto* limits the action of strategic leaders', who have to adjust their aspirations to the playing field outlined by culture, or attempt to deal with the difficult and uncertain task of changing it.

Karl Weick (1995) made a lucid remark that an organisation does not actually have a culture but rather that the *organisation itself is a culture*, which makes changing it a very demanding, hard and uncertain task for strategic leaders.

Creating and implementing new strategies and managing the processes of organisational change is always associated with the question of character of the ambience in terms of how suited the current organisational culture is for any radical steps that the strategic leader intends to make. Culture draws strict boundaries around the space available for strategic leadership action.

Research shows that leaders of complex business organisations spend a sixth of the available working hours dealing with culture, which is primarily associated with organisational structure (Porter & Nohria, 2018).[1] They can influence organisational culture in countless ways: for example, from participating in corporate forums where shared values, beliefs and accepted norms are encouraged, to recognition and rewarding of members of the collective who deserve credit for strengthening that culture, and ultimately to explicit or implicit communication of their own example through model behaviour that is congruent with cultural determinants.

On the other hand, culture is not, and need not be, an instrument of personalised strategic leadership. As underlined by Shrivastava and Nachaman (1989, p. 64): *Some organizations can strategically lead themselves through their culture and/or structure.* In such situations, the cultural, structural and political forms of strategic leadership are enacted on all organisational levels.

Regardless of the complexity and difficulty of the task at hand, strategic leaders have to get to grips with targeted change of organisational culture in situations when this is necessary to ensure survival and prosperity of the organisation. This requires an understanding of the processes and mechanisms of cultural change and how it is connected with the shift from old to new organisational identity, as indicated, for instance, by an ethnographic study based on the example of the leading breweries in the world, Carlsberg (Hatch et al., 2014).

Furthermore, networking and connecting of the organisation with other organisations also affects culture and its characteristics. Strategic leaders have to deal with significant challenges, for example, in situations of organisational mergers, when they have to reconcile different cultures or implement the usages of one organisational culture in the newly acquired part of the organisation.

The idiosyncrasy of the cultural context in the organisation is undeniable, but we must not forget that it represents only a thin veil that is

---

[1] The research started in 2006, within the Harvard Business School, as the first comprehensive and detailed overview of the time certain CEOs spent in large and complex companies. A detailed analysis was performed of how 27 leaders, two women and 25 men, spend their work time, over a period of three months. Their companies, most of which are listed, generated an average annual income of USD 13.1 billion during the observed period.

inseparable from the existing social order, ideology, hegemonic relationships, and power constellations surrounding the organisation.

To change a culture means to boldly tackle the actual sense of, and reason for, organisational existence.

Networks of Trust

Trust is an obligatory element of strategic leadership: it needs to be encouraged and developed as a kind of "glue" for the collective that helps leaders lead the organisation, particularly so in the world of great uncertainty, drastic environmental changes, and unexpected crisis situations that have marked and continue to mark our time.

Without trust there can be no stable society, sustainable institutions or social structures; there can be no commitment or proper participation and partnership in human activities; one cannot create or share visions or intentions; reservedness and resistance to collectivity grow; bonds get dissolved and collectives weakened and hibernated.

Trust speaks to us about the intimate inner world of a person who, to a greater or lesser extent, opens up in intertwining relations with others. This is a psychological condition where a social entity (*trustor or trusting party*) puts a greater or lesser degree of trust in a *trustee* (party to be trusted, which can be one or more individuals, a group or another type of collective, society, time period, or other). In other words, it indicates to what extent the trustor feels secure and willing to act based on the words, actions and decisions of the trustee (McAllister, 1995; Podrug, 2010).

Trust is determined by two cognitive processes: (1) the trustor's feeling of vulnerability, and (2) expectation of reliable conduct on the part of the trustee over a certain period (Rousseau et al., 1998; Simpson, 2007; Bošnjaković, 2016, p. 123). Vulnerability is connected with a potential loss that may result from trusting another, from the trustor's readiness to accept risk by forming a relationship with the trustee. There is a firm belief that vulnerability will not be exploited and that the trustor will not be threatened by the trustee's behaviour or actions (Jones & George, 1998).

At the same time, credibility is expected from the trustee: the trustor accepts the trustee's behaviour as appropriate and reliable, without any

doubt or previous verification. Trust is the perception of a strong bond and a benevolence that makes us let our guard down and open up to others, believing it to be the way to obtain some benefit or eliminate a threat.

It is necessary for organisations to have a developed network of trust that connects its members and brings them closer to one another, thus making joint action possible. Networks of trust develop across all hierarchical levels, both vertically and laterally, and encompass all kinds of formal and informal organisational relations.

Leaders are usually the bridge and the centre of gravity of such a network of trust. Most of them are deeply aware that any irreparable loss of trust can shake up the collective, threaten its cohesion, and hinder the potential for integration.

In principle, we can observe trust through two relations; the leader's trust in the collective, and the collective members' trust in the leader. Both relations are important for integration of the collective and involve the risk and readiness to "go with the flow," an ability that is of exceptional importance when it comes to joint action.

Firstly, people choose whom to trust and who to respect (and under which circumstances), in which context they base their choice on the consideration of sources and evidence that would justify such trust. Respect and trust emerge in the trustor's cognitive process irrespective of the relations of formal authority, and as such they cannot be based on it.

Secondly, affective foundations of trust consist of emotional attachments between people who, by making emotional investments in trust relationships, exhibit true concern and care for the welfare of others, and who believe in the inherent virtue of such relationships and feel that those emotions are reciprocated (McAllister, 1995).

Trust is a sensitive thing and once it is broken, it is hard to fix. It was Nietzsche who so aptly put it: *I'm not upset that you lied to me, I'm upset that from now on I can't believe you.* Interestingly, this has also been very appropriately expressed in the (slightly adapted) words of Lady Gaga: *Trust is like a mirror, you can fix it if it's broken, but you can still see the crack in (its) reflection.*

Organisational actors build complex relationships of trust, in which they play the role of trustors and trustees at the same time (Mayer et al.,

1995). Strategic leaders put more or less trust in the collective, and in turn, members of the collective trust them to a greater or lesser extent.

Strategic leaders need to believe that members of the collective can be good associates in their work on making the defined vision a reality. In this context, they are the trustors who exhibit trust in individuals, groups, and units within the organisation. Trust in the collective is the *condicio sine qua non* for creating and implementing organisational strategy. Any hint of potential distrust must be eliminated in order to preserve collective harmony and congruence. On top of everything else, leaders take on the role of trustors in relations that extend beyond organisational boundaries: with external stakeholders, partners, institutions and other entities important for organisational existence.

Even more important is the reversible relationship in which strategic leaders appear as the trustees for members of the collective, who act as trustors, trusting them (more or less) to perform the underlying task. By putting their trust in leaders, members of the collective "surrender" to them and their ideas, plans and activities, which are important to both sides. They are willing to accept the risk of engaging in a relationship with the leader and, as underlined by Mayer et al. (1995), exposing themselves to the actions of the trustee without using any control mechanisms.

In other words, members of the collective form a network of trustors in the system of strategic leadership: they are willing to "make themselves vulnerable" because they have certain expectations, assumptions, or beliefs that the leader's behaviour will be positive and beneficial for them (Deutsch, 1958; Carmeli et al., 2011).

To make it clear, control and trust are two opposing mechanisms: a high degree of trust eliminates the need for control, regardless of the type of social relationship involved.[2] From a strategic leader's perspective, this means that the trust that members of the collective have put in him/her, just like the trust he/she has put in the collective, will reduce the need for intensive control and facilitate implementation of common action (Fig. 7.1).

---

[2] Mayer et al. (1995, p. 712) define trust as *making oneself vulnerable to the actions of the trustee, without monitoring or control, irrespective of the ability to implement such monitoring or control.* The action has to be of some significance to the trustor. Being vulnerable means exposing oneself to risk, and in this context, trust is a willingness to take risks, rather than risk-taking *per se.*
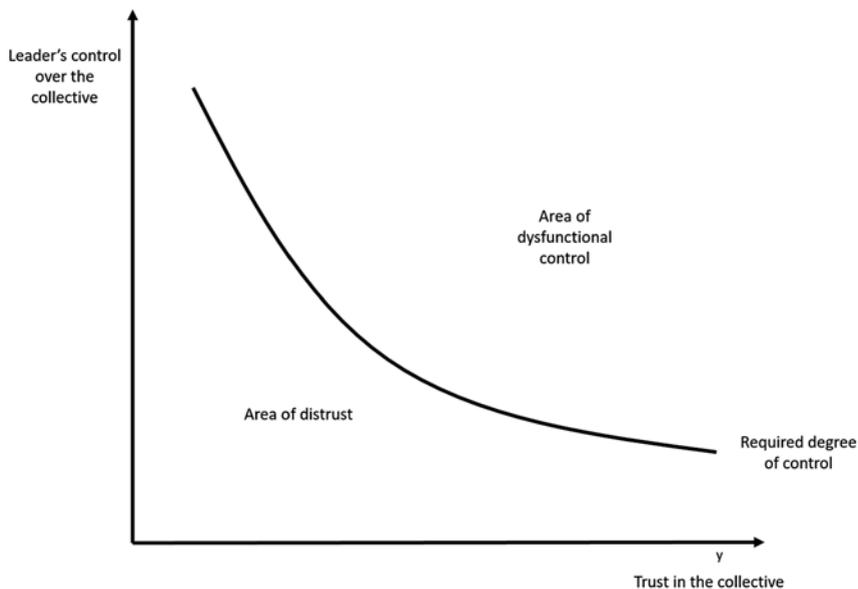
Fig. 7.1 Trust and Control in Relationships Between the Strategic Leader and Members of the Collective

Recognising mutual benefit is the basis for establishing trust between the leader and the followers. If we observe the relationship between two social actors, we can say that trust will grow (1) if both actors channel their planned outcomes toward what is best for the partner or the relationship, and (2) if the actors believe that their counterpart will also decide based on what is best for their mutual relationship, even if their personal benefit might be lesser (Simpson, 2007).

For leaders, this implies creation of a climate in which others will recognise the long-term importance of togetherness and common good, and where they will exemplify, through their own leadership, a departure from opportunism and selfishness towards common organisational interest, particularly in demanding situations in which they are exposed to pressures and threats that may potentially be harmful for the trustors.

A relationship-based perspective places trust inside the process of social exchange: the follower sees the relationship with the leader as the foundation of their interaction, in which parties operate (or should operate)

with trust, good will, and a perception of mutual obligations applying to both actors. The second perspective, the character-based one, shows trust as a positive perception experienced by the follower, where the leader's personality traits and character affect the follower's feeling of vulnerability in their mutual relationship (Dirks & Ferrin, 2002).

In both cases, the trustor's perception that the trustee will not betray their trust and disrupt the fragile and complex relationship in which they are entangled (in terms of hierarchical relationships and position-based authority) is very important.

A strategic leader should create an atmosphere conducive to building a network of trust with others.

As the trustee, the leader has to continually build such ambience of trust, and the members of the collective, as the trustors, have to avoid hindering the leader's efforts in a way that would result in trust that has been given becoming irreversibly lost, and they have to contribute to maintaining the perception of the leader's reliability.

Trust depends on: (1) previous experience and information about the leader that is available to members of the collective, and vice versa, and on (2) the degree of readiness to trust.

If members have positive previous experiences with the strategic leader, or reliable information about the leader's humanity, credibility, and previous work success, they find it easier to trust such leader and willingly accept his/her ideas and activities *ceteris paribus*. Research shows that trust in a leader grows in proportion with increased perception of the leader's capability and reputation in the community (Dirks & Ferrin, 2002).

Some people have greater and some have lesser tendency to trust others. The theoretical construct that explains this is referred to as the *propensity to trust*, which determines how fast, how much, and for how long people give their trust to others. Propensity to trust is affected by life experiences and personality traits. Simpson (2007) noted that individuals who are more loyal and possess a great deal of self-awareness and self-confidence are more prone to give trust and develop that trust over time. Differences in people's propensity to trust are also found between different cultures (Hofstede, 2001).

Strategic leadership will be more successful if the majority of members of the collective are prone to trust others. That makes it easier for the leader to strengthen the important relationship-based aspects of leadership: encourage collaboration, develop communication, and promote honest behaviour (Carmeli et al., 2010, 2011).

The leader's credibility makes members of the collective trust him/her more, and do what is expected of them. Trust develops based on the perception of the content communicated by the leader; a congruence between words and messages; a reputation of integrity and reliability, together with other elements that support the leader's credibility. Character and capability encourage trust in the leader.

Interpersonal trust has a positive correlation with the perception that the strategic leader is just and benevolent, and that his/her behaviour signalises good intentions (Young & Perrewé, 2000; Fulmer & Gelfand, 2012); it implies that the leader is capable of doing what he/she has committed to do (Perrone et al., 2003) and is able to communicate the shared vision (Dirks & Ferrin, 2002; Gillespie & Mann, 2004). Trust is also strengthened by the members seeing for themselves that the leader's behaviour is ethical (Bews & Rossouw, 2002).

Successful indoctrination and socialisation of members of the collective facilitates the giving of trust. Indoctrinated trustors unreservedly accept the leader's ideas and intentions, whereas socialised trustors have no reservations as long as the leader's actions are in line with fundamental organisational values.

Moreover, Fulmer and Gelfand (2012) emphasise that identification leads to greater trust in situations where members perceive certain similarities with the leader, if they identify with him/her through some common values, and/or if the leader represents a symbol in which the identity of the collective is recognised. Apart from cases of strong identification with the leader, the members' trust also increases in situations of high-degree organisational identification (Maguire & Phillips, 2008).

It is easier to develop trust if leaders are charismatic individuals with attractive messages and inspiring visions. More than anything else, followers have an emotional relationship with charismatic leaders; they can be blinded by their personalities and be at times oblivious to information that does not justify non-critical trust.

Some other leadership styles can also be correlated with greater follower trust. In this context, Fulmer and Gelfand (2012) noted that leadership is based on empowering followers, the same way that transformational, transactional, responsible and authentic leadership have a positive effect on the level of trust that members put in the leader.

Successful strategic leadership is based on multiple relationships of trust that develop among close associates and hierarchically (or spatially) distant individuals within the organisation.

The essence of strategic leader's ability to develop and maintain trust lies in inspiring and motivating members of the collective. Trust strengthens loyalty and job satisfaction, increases reliability of communication channels and information, develops organisational commitment and pro-organisational behaviour, and reduces retention of and potential for dysfunctional intraorganizational conflict. Apart from that, it improves the quality and speed of interaction and decision-making, and serves as an additional effectuator of organisational performance. The greater the trust, the higher the likelihood that common action in the organisation will be successful.

Recent studies show that CEOs of large corporations spend as much as a quarter of their work hours in meetings intended to build and improve relationships within the organisation and outside it (Porter & Nohria, 2018). Most of them are aware of the fact that development of mutual trust facilitates communication and delegation, reduces the need for control and monitoring of activities, and increases the likelihood of success of collective action.

Renowned management author Stephen Covey noted that a low level of trust creates additional costs in organisational action. He underlined that: *When trust is low, in a company or in a relationship, it places a hidden 'tax' on every transaction: every communication, every interaction, every strategy, every decision is taxed, bringing speed down and sending costs up. My experience is that significant distrust doubles the cost of doing business and triples the time it takes to get things done.*[3] Covey also referred to results of a study conducted by Watson Wyatt, which showed that companies with a high degree of trust have 300% better performance indicators than those with a low degree of trust.

---

[3] See: https://www.leadershipnow.com/CoveyOnTrust.html (accessed 6 March 2020.)

Leadership Language and Rhetoric

The world we live in and experience is the product of language, and language not only describes a certain object, but also constitutes it. Language *creates* the human condition and it is one of the most important instruments of social influence.

We do not live in reality but instead we live in our own idea about what reality is. That idea is enacted through common language; we are only able to understand reality through the discourse created by language.[4] Derrida's famous "nothing outside the text" maxim (although often misinterpreted and taken literally) implies a separation of our being from the so-called "objective" reality and refers to the fact that we perceive and understand reality through the prism of the language in which it has been created.

Language is the means to construct leadership socially; it exists, as noted by Marturano et al. (2010) referring to Searle, only if there are certain types of beliefs and values present in social relations between people in which symbols play a central role. According to them, leadership is *enacted as* a linguistic process of production and it cannot be reduced to a personal trait or a result of the leader-follower relation.

Leadership is the process of creating a dialectic relationship between the person who leads and the one who is being led, in which process the leader's actions give others a reference point and various interpretations for meaningful actions that need to be taken (Smircich & Morgan, 1982, p. 262).

Leadership is characterised by a delicate relationship between action and language, and any analysis of social influence, which represents the categorical core, has to begin with an analysis of language, as highlighted by Kelly (2008, pp. 767–768) who, paraphrasing Wittgenstein, noted that *leadership as a language-game is more than a spoken language—a language-game is an activity, it is a form of life. It follows that talking about leadership, writing about leadership, using the concept in any way, shape, or form is the product of some kind of action.*

---

[4] *Fields are greener in their description than in their actual greenness. Flowers, if described with phrases that define them in the air of the imagination, will have colours with a durability not found in cellular life* (Pessoa, 2001, p. 36).

Leadership, like any other concept, derives its meaning not from any action, relation or condition that it signifies, but from the historical context of discourse—the language-game—in which the word is used. This means that our knowledge and understanding of leadership are more likely to be a product of linguistic conventions than the result of direct insight into empirical reality of leadership (Astley & Zammuto, 1992, p. 444).

In other words, a language space has been created (specific vocabulary, rules and conventions of language) pertaining to leadership, and it is in that space that our understanding of this phenomenon develops. From this Wittgensteinian perspective, leadership can be viewed as a vague notion referred to as *family resemblance* between language games aimed at power and influence (Fairhurst & Connaughton, 2014, p. 8).

Organisations can also be observed as *language constructs* of some sort (Ford, 2001, p. 329) or as constructs that mainly comprise *language concepts* that are shared by their members. Language is not neutral: it depends on meanings attributed to it by the members, irrespective of the intentions of the speaker or writer of the text referring to an aspect of reality.

If organisations are interpretation systems, as highlighted by Daft and Weick (1984, p. 294), then it is the leaders' and managers' job *to interpret, not to do the operational work of the organization*, just as it is their job to outline the space for understanding and sharing experiences and to shape the stories and myths intended to input clusters of meaning in the collective consciousness (Pondy & Mitroff, 1979, p. 30; Astley & Zammuto, 1992, p. 454).

The exchange of experiences and story-telling makes it easier to understand the language and communicate the interwoven clusters of meaning around the organisation and its existence. As Pondy (1989, p. 229) claims, *it is not sufficient to enact a shared environment, it has to be talked about.*

The influence that strategic leaders exert in the collective cannot, therefore, be understood without language and the way it is used.

Language did not primarily originate as a means of information exchange, but rather as a means of maintaining cohesion in a group of people (Christakis & Fowler, 2011, p. 236).

Language connects the collective; it paints a landscape of understanding, creates the magic of togetherness, and facilitates identification. If leadership *per definitionem* is a kind of social influence, then language is the totality in which that influence is enacted. The boundaries between action and language of leadership are vague: meaning is constructed, maintained, destroyed and substituted by speaking and writing, or in other words, by language games that constitute leadership. Language, meaning and action cannot be observed as different from one another.

In this context, Pondy (1989, pp. 228–229) underlined that use of language is the least noticeable, the most-subtle and the most powerful method of exerting influence that creates control over what other people do and, as far as leadership is concerned, it can be an important factor in the leader's success in strengthening their own credibility and better managing the process of influencing others. Furthermore, he highlighted that one has to take a step back from behavioural determination based on the notion that leaders need to make sure followers do whatever they are expected to do. Change of the follower's behaviour is not a measure of success of leadership, but, as underlined by Pondy: *the effectiveness of a leader lies in his ability to make activity meaningful for those in his role set— not change behavior but to give others a sense of understanding what they are doing, and especially to articulate if so they can communicate about the meaning of their behavior (p. 229).*

Strategy opens up the playing field for language games.

By designing or recognising strategy, a specific organisational language is created, one which is imbued with elements of organisational culture. Strategic leaders mediate and designate, ascribe meanings, and interpret reality. Their rhetoric is an important foothold in the process of leadership: the world they tell stories about is given sense, and the decisions that are made or have been made are given rationalisation and justification.

Language is used to define the ambience in which strategic leaders operate. Strategic leaders do not need to be just excellent strategists, their role is extended to the language space: they also have to have oratory skills, and create narratives and messages to connect and inspire members of the collective.

Strategic leadership cannot be understood without maximum communication inside the collective; through listening and story-telling,

creating and sharing language-created meanings closely connected with the purpose and direction of organisational action. Reliance on language extends within and beyond the organisation, delimiting the space for strategic leaders' action.

Fairhurst and Connaughton (2014) listed two approaches to leadership communication: (1) transmissional approach to communication and (2) meaning-centred approach. Transmissional approach is about seeing leadership as a system, and communication as a variable or part of the process of leadership, or as a link to it, or a behavioural outcome of leadership. The alternative perspective is based on the idea that language creates reality and that communication is at the centre of creation of meaning, which is a post-modernist, specifically post-structuralist proposition.

Conger (1991, p. 32) noted that *leadership language* consists of two elements. These are: (1) framing, which represents a way of meaningful determination of organisational purpose in the messages communicated by the leader, describing the vision in an intrinsically appealing way and recommending a map of action; and (2) rhetorical crafting, which demonstrates the leader's ability to use a symbolic language in order to emotionally reinforce the messages communicated to the collective and outside it. Such messages provide guidelines for action that for the base of leadership, and the art of rhetoric enhances their memorability and motivational attraction.

Firstly, it is extremely important how strategic direction will be formulated and presented within the organisation and outside it. The expression of strategic intent has to be simple, suggestive, conducive to togetherness, encouraging, and far-reaching in terms of its communicational scope. Messages and slogans have to be clear and targeted. We can speak of framing as an ability to separate the important from the unimportant: communicating the key elements of strategy and interpreting reality for members of the organisation in the constructs that constitute strategic leadership (mission, vision, intent, and alike).

From this perspective, frames are understandable and meaningful representations that outline purpose and that create space for action; they are intended to amplify values and beliefs held by members of the collective and guide them towards the defined goals. Successful leaders communicate through simple messages and they are capable of turning vision into

slogans and symbols that are inspiring and easy to understand. Their interpretation of reality has to paint a desirable picture of the future that is within reach if the advocated strategy is followed. As Nutt and Backoff (1993, p. 329) underlined: *Leaders must dramatize importance to underscore the demands for transformation, making the strategic vision seem a viable and attractive way to change.*

True leadership skills lie in making sense of things and creating a language that is meaningful to a large number of people (Pondy, 1989, p. 230) and that brings the collective closer and more emotionally connected, especially in terms of building confidence and excitement about shaping a common future (Conger, 1991, p. 34). This comes down to *the use of language as a symbolic means of inducing cooperation in beings that by nature respond to symbols* (Burke, 1950, 1969, p. 43). This can be achieved, for instance, by recognising, emphasising or conjuring up an "external threat" in order to create additional cohesion and commitment in members.

We mentioned earlier that strategic leaders are not the only ones who can create vision. Similarly, Bennis and Nanus (1985) underlined a long time ago that vision is rarely the product of the leader's considerations; it is common for it to come from others in the organisation. We have also highlighted that the key role of strategic leaders lies in *legitimating vision* and accepting it as the basis for collective action. Leaders need to draw the members' attention to important issues and agendas; the goal is to create meaning through clear communication that is intended to encourage imagination and focus on action.

There are many types of messages that strategic leaders communicate to the collective and stakeholders beyond the boundaries of the organisation. Apart from confirming the vision and mission as well as the key elements of current strategy, leaders also have to plausibly communicate strategic initiatives, decisions, and other steps that require strong collective action, especially those that serve to achieve radical organisational transformation.

The messages through which leaders communicate their expectations from the collective are those that have the greatest influence. New business ventures, products, acquisitions, and other important events also represent a communication challenge for strategic leaders, just like all

other circumstances that can be used to create a motivational environment in which togetherness and collective directionality toward certain objectives take centre stage.

The second element of the language of leadership is rhetoric (Greek: ῥητορικὴ τέχνη: oratorical skill).

Messages are just as important as the way they are communicated. Strategy has to be plausible and strong communication-wise, and the rhetoric and language have to be powerful and distinct. One has to choose the language-based footprints and symbols that will best communicate the targeted content. The goal is to amplify general trust in the strategic leaders' competence in order to generate a perception that the organisation greatly depends on their actions, and to facilitate better understanding and embracing of the vision they are advocating.

The winning-over, emboldening and inspiring of the members of the collective is a task that requires strategic leaders' serious commitment in their effort to develop an effective communication strategic.

Top strategic leaders are narrators and orators. They are good at story-telling and creating other narratives that enhance the plausibility of action and encourage togetherness in fulfilling organisational objectives. Metaphors and analogies also help portray the experiences and reality as experienced through the eyes of others.[5]

The power of metaphor can inspire imagination and intellect, and amplify beliefs and values in the listener. Story-telling and giving real-life examples can become deeply instilled in the collective consciousness and give motivational momentum for organisational transformation. Feelings and emotions intertwine in language, and leaders are required to reach for them and discover them.

Consequently, they are excellent communicators, capable of rousing emotions both in members of the collective but also in the target audience outside the organisation. The content of the message being communicated is important but not necessarily crucial; rhetoric is the art of seduction that creates a feeling of attachment and followership. A language of symbolism helps to adopt their discourse. Bryson and Crosby (1992, p. 21) pointed out that capable leaders are those *who may or may*

---

[5] Davidson (2000, p. 295) says that metaphor represents the dreamwork of language and the way we interpret it says as much about us as it does about its creator… understanding a metaphor requires just as much imagination as making it, and there are just as few rules on how to go about it.

not have positions of authority, but who inspire and motivate followers through persuasion, example, and empowerment, not through command and control. The real power of Martin Luther King was not in the fact that he "had a dream," but in his ability to explain it in a way that was expressive and emotional (Pondy, 1989, p. 230).

We must not forget the elements connected with sound, such as repetition, rhythm, balance, and alliteration (Conger, 1991, p. 42). The way leaders accompany their words with sounds in their speeches has a significant influence on followers and others around them.

When leaders clearly communicate their expectations from their co-workers and other members of the organisation, this reduces the possibility of misunderstanding, misinterpretation, and disorganised action. Research shows that clear communication of expectations is one of the most important leadership characteristics.[6] As Cicero wrote: *Nothing is so unbelievable that oratory cannot make it acceptable.*

In summary, strategic leaders are creators of meaning who motivate and connect people in several ways: they create vision that relies on values of those affected by it; they include people in making decisions that are relevant for making vision a reality; they support staff efforts in the realisation of vision through coaching, feedback, and role modelling; they encourage people in their professional training and achieving of self-respect; they recognise and award good performance (Kotter, 1990).

In all this, language defines the space in which strategic leadership is manifested. Leaders interpret and shape reality, choosing the right messages and words to better explain strategy and objectives, and using rhetoric in order to encourage followers in joining them on the "journey to the future." The basic purpose is the creation of a feeling of belonging and mutual participation in fulfilling the organisational mission.

Many recognise communication as an important, or even the most important element of leadership. According to a 2018 LinkedIn poll that

---

[6] In a recent study, 56% of leaders found this characteristic to be among the most important ones (Gilles, 2006). The study involved participation of 195 leaders from 15 countries, employed with 30 global organisations. Subjects were required to choose 15 of the most important leadership competencies from a list comprising 74 competencies in total. See: https://hbr.org/2016/03/the-most-important-leadership-competencies-according-to-leaders-around-the-world?utm_source=linkedin&utm_campaign=hbr&utm_medium=social (accessed 10 November 2019).

asked business leaders "What do you think is the most important factor in leadership?", most of them (38%) named communication, whereas 24% said they would like to see better character.[7]

Study programs offered by some of the world's finest business schools place great emphasis on the importance of communication when it comes to leadership. In materials accompanying an INSEAD educational program, it was noted that CEOs might just as well be called "explanation, engagement or enlightenment officers," owing to the fact that their messages need to echo deeply with emotions, aspirations and desires that the target audience has to understand well.[8]

Integration of the Collective

Integration of the collective, together with strategic direction, external adaptation and outcomes, is a constituent of strategic leadership architecture. It is designed to establish *order*, or in other words, to unify and integrate the collective in all activities, so that it could advance in the desired direction. Careful harmonisation of all organisational activities is the imperative of strategic leadership.

Integration is an act in which mutually dependent individuals and groups, together with processes and structural units, constitute a single, well integrated unit. It can be understood as an interconnection and coordination between organisational parts (Barki & Pinsonneault, 2005) and as a *process of achieving unity of effort among the various subsystems in the accomplishment of the organisation's tasks* (Lawrence & Lorsch, 1969, p. 34). Specialisation of functions and tasks within an organisation demands a carefully designed and even more carefully implemented integration.

Another important aspect of integration is cohesion, which is defined as *a dynamic process that is reflected in the tendency for a group to stick*

---

[7] Learngage, https://www.learngage.com/ASPL.html (accessed 30 January, 2020).

[8] See: https://www.insead.edu/executive-education/open-online-programmes/leadership-communication-impact (accessed 30 January 2020).

together and remain united in the pursuit of its instrumental objectives and/ or for the satisfaction of member affective needs (Carron et al., 1998, p. 213).

Integration of the collective depends on the size, complexity and locational distribution of the organisation; in other words, on the amount of information and scope of activities that need to be done. The more activities performed by the organisation, the greater the need for knowledge, information and special skills of its members; this means that integration- and coordination-related challenges are also greater.

Aberrant behaviour among members of the collective reduces changes for successful performance; focus in action is lost, there is insufficient coherence or internal connectedness inside the collective.

In small groups, people tend to coordinate their behaviour through unconscious actions, adapting to one another. In larger collectives, this may not be sufficient: it is necessary to establish standardisation instruments, encourage homogenisation, and develop activities that will support better integration of the members and give room for leadership as a strong integrating factor.

Leadership is a mechanism that serves to eliminate procedural and structural redundancies, guide and motivate staff, overcome obstacles, and utilise opportunities that emerge from the organisation's interaction with the environment.

It contributes to creating a climate of togetherness, strengthening collective integrity, inspiring members in their performance of tasks and targeted convergence of all activities.

Collective alignment empowers members and reduces their vulnerability and lack of resourcefulness in individual and group activities. It helps them to understand the mission and vision more easily; to embrace strategic direction as their own, and invest effort in making it a reality. It needs to encompass not only members of the collective but also all those who have an interest in the organisation and who take part in its outcomes, interests, and claims.

Ancient Greek historian Xenophon made it clear ages ago that *whichever army goes into battle stronger in soul, their enemies generally cannot withstand them*.

Furthermore, integration can also be the result of hegemony and completely unrelated with the instrumental determination of strategic leadership.

If we were to delve deeper into the analysis of the *real* position of strategic leaders and their relationship with others in the organisation, we cannot avoid looking into the key sociopolitical relations, their antecedents and consequences, as well as their manifestations in the behaviour of all important actors.

The purpose and meaningfulness of the collective, when observed from this perspective, gets a different dimension, just like individual leadership-related processes.

Additionally, encouraging members to engagedly participate in organisational action is an important aspect of integration activities. Strategies of influence result in greater or lesser control of the members' behaviour and help congregate them around the main task, whereas successful motivation leverages stronger commitment and identification as well as a stronger feeling of connectedness of members with the leader, and with the mission and vision of the organisation.

Strategic leaders need to be an inspiration to members of the collective. The best ones among them are completely certain in knowing that in life, instead of doing nothing — to paraphrase Helen Keller — one has to be daring enough to embark on the adventure of creating a better future. Their task is to instil the principles and values, set the bar high, develop directions of action, strengthen the bonds between members, and create unity in action.

Togetherness surpasses individual limitations and strengthens capacities many times over so that it becomes possible to set high aspirations targeted at the use of collective power in building a desired future for the organisation. The most important thing is to embolden and motivate the members to act in order to create a strong collective synergy and a sense of pride in belonging to the group, as well as a feeling of mutual dedication and commitment among members. Strategic leaders need to continually build the *esprit de corps* and inspire membership by slogans, symbols and narratives that increase the degree of organisational identification and self-determination of the members as indivisible constituents of the collective.[9]

---

[9] There are numerous characteristics that are associated with inspirational leadership. For instance, research conducted by consultancy firm Bain & Co. identified 33 distinct and tangible characteristics relevant for inspiration in the leadership process (Horwitch & Whipple Callahan, 2016). The most important thing for the leader is centeredness, being at the centre of events and of the collective. See: https://www.bain.com/insights/how-leaders-inspire-cracking-the-code(accessed 10 January 2020).

If one aspires to be an inspirational leader, it is important to stop focusing on one's self and focus on the collective instead. The most successful leaders are those who are capable of creating a common identity with members of the collective in shaping and communicating an inspiring vision (Haslam & Platow, 2001; Molenberghs et al., 2017).

Besides that, the leader's ability to spread positive emotions throughout the collective is also important. In this context, charismatic leaders are more successful than those who lack charisma (Ilies et al., 2006) because they have a greater capacity of transferring their own emotions on the followers in an interpersonal process referred to as *emotional contagion* (Hatfield et al., 1994).

Inspirational leaders know how to paint a picture of a desired future, provide support to the members, and give them their trust. They lead by example and do so without holding back; they will even sacrifice their own interests for the sake of the collective.

Mahatma Gandhi is an example of an inspirational leader who inspired millions of people to act as one in peaceful protests against injustice, advocating togetherness, non-violence, love, and tolerance.

The strength of any organisation lies in motivated and dedicated members. Willingness, selfless inclusion, greater effort and readiness to accept responsibility in fulfilling organisational tasks are the prerequisites for success of any collective. Sharing emotions and a common destiny in the collective encourages members to put the common organisational interest before their own (Choi, 2006). Fulfilling visions, coping with problems, and accepting common challenges—these are the elements of a creative energy that strategic leadership needs to inspire, showing by the leader's own example the importance of serving the organisation.

The more important the vision for the identity or values of members of the collective, the more they will get engaged in making it a reality (Parker et al., 2010). In this context, one must consider the fact that efficient use of mechanisms of encouragement depends on the degree of members' perception that strategic leaders share the same identity with them (Ellemers et al., 2004) (Fig. 7.2).

Inspiration should not be confused with classic motivational instruments that rely on sources of power and strategies of influence. Irrespective
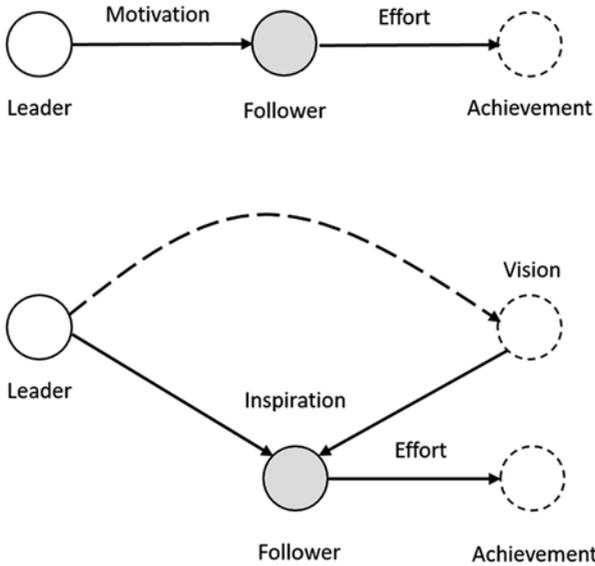
Fig. 7.2 Motivation vs. inspiration

of the differences between them, they "push" members of the collective forward, linking results with some forms of extrinsic or intrinsic gains.

Inspiration is a positive emotional perception of being connected with a person, a symbol, or an imaginary future; in other words, it is the feeling of being drawn to something that touches people's hearts, minds or souls.

The goal is to get a motivated and homogeneous collective held together by the mission and shared intentions. Strategic leaders have to create an atmosphere in which members will be united despite all their differences, where they can learn to listen to one another and understand that diversity is richness, not a threat; where they can coordinate their efforts and wishes toward a common mission and vision, be proactive, inspire, and shift from reaction to action. This is how energy, enthusiasm and flexibility are introduced into the organisation, and team spirit strengthened as an inexhaustible power that enables the achievement of objectives.

Members who are inspired continue spreading the "inspiredness" throughout the collective: this way, motivational power spreads across the organisation.

Richard Branson developed an inspirational leadership style primarily focused on employees working in one of his many companies (more than 60 of which comprise the Virgin Group), communicating a clear and easy-to-understand message: *Loyal employees in any company create loyal customers, who in turn create happy shareholders.*

Humanitarian organisations are a good example for explaining the importance of inspiration in collective integration. For instance, Rotary International uses a new slogan and accompanying narratives each year to empower new strategic leadership and strengthen cohesion between more than 1,200,000 of its members. This kind of approach, together with their cooperation with other organisations and individuals, contributed to eradication of polio and increased the overall quality of life globally; this was achieved through countless activities the organisation engages in worldwide, in all fields of human activity. Being at the service of others is at the heart of Rotarianism, and benefaction, or charity, as *the only treasure that increases with sharing,* as so nicely put by Italian historian Cesare Cantù, strengthens friendship and gives meaning to organisational action.[10] This applies to a great extent to other humanitarian organisations as well.

Inspirational communication seems particularly important as an instrument of integration of such organisations. It can be defined as *the expression of positive and encouraging messages about the organization, and statements that build motivation and confidence* (Rafferty & Griffin, 2004, p. 332). Communicating such messages increases the organisation's appeal in the eyes of its members and has a positive impact on the degree of their identification with and feeling of loyalty to the organisation.

---

[10] Rotary International plays a huge role in serving others and promoting the highest and most valuable human and humanistic values: tolerance, peace, and friendship. The organisation's mission is intended to inspire its members to committedly and selflessly serve others to make the world a better, more pleasant place, and to rely on friendship in building new bonds and creating unity among Rotarians worldwide. With their activities, Rotarians change the world for the better, encourage and promote the ideal of serving others, and connect with others who share the high ethical standards and cherish friendship as the backbone of the movement. They wish to be a pillar of support for the society at a time when humaneness should come before profits, and human compassion and caring for the needs of others the only way to stay true to one's self in the hard times that we live in.

Inspirational speeches strengthen the emotional connection and dedication between people. This brings to mind several speeches given by Winston Churchill during World War II, in which he encouraged the British in their unity in resisting Nazi Germany, or perhaps also Steve Jobs' famous 2005 Stanford commencement address.[11] These are the kind of speeches that inspire and connect, and reveal a reality that may not be plain to see, instilling clear meanings, giving sense, and strengthening collective commitment.

All things considered, strategic leaders should convincingly communicate the elements of strategic direction to strengthen shared objectives, show trust in membership and *energise* the collective (Bass, 1985), but also to improve the organisation's recognisability and reputation (Joshi et al., 2009).

Good communication skills enable a strategic leader to be an inspiration and a driving force that will unite, encourage and activate the collective in their shared aspirations.

References

Astley, W. G., & Zammuto, R. F. (1992). Organization science, managers, and language games. *Organization Science, 3*(4), 443–469.

Barki, H., & Pinsonneault, A. (2005). A model of organizational integration, implementation effort, and performance. *Organization Science, 16*(2), 165–179.

Bass, B. M. (1985). *Leadership and performance beyond expectations*. Free Press.

Bennis, W., & Nanus, B. (1985). *Leaders the strategies for taking charge*. Harper & Row.

Berger, P. L., & Luckmann, T. (1992). *Socijalna konstrukcija zbilje*. Naprijed.

Bews, N. F., & Rossouw, G. J. (2002). A role for business ethics in facilitating trustworthiness. *Journal of Business Ethics, 39*, 377–390.

Bošnjaković, J. (2016). Strah i povjerenje u čovjeku. *Journal of Applied Health Sciences, 2*(2), 121–132.

Bryson, J. M., & Crosby, B. C. (1992). *Leadership for the common good: Tackling public problems in a shared-power world*. Jossey-Bass.

---

[11] See: https://www.youtube.com/watch?v=D1R-jKKp3NA (accessed 15 January 2020.)

Burke, K. (1950). The vegetal radicalism of Theodore Roethke. *The Sewanee Review, 58*(1), 68–108.

Burke, K. (1969). *A rhetoric of motives*. University of California Press.

Carmeli, A., Atwater, L., & Levi, A. (2011). How leadership enhances employees' knowledge sharing: The intervening roles of relational and organizational identification. *The Journal of Technology Transfer, 36*, 257–274.

Carmeli, A., Gelbard, R., & Gefen, D. (2010). The importance of innovation leadership in cultivating strategic fit and enhancing firm performance. *The Leadership Quarterly, 21*, 339–349.

Carron, A. V., Brawley, L. R., & Widmeyer, W. N. (1998). The measurement of cohesiveness in sport groups. In J. L. Duda (Ed.), *Advances in sport and exercise psychology measurement* (pp. 213–226). Fitness Information Technology.

Choi, J. (2006). A motivational theory of charismatic leadership: Envisioning, empathy, and empowerment. *Journal of Leadership & Organizational Studies, 13*(1), 24–43.

Christakis, N. A., & Fowler, J. H. (2011). *Povezani: iznenađujuća moć društvenih mreža i kako one utječu na naše živote*. Algoritam.

Conger, J. (1991). Inspiring others: The language of leadership. *Academy of Management Executive, 5*(1), 31–45.

Daft, R. L., & Weick, K. E. (1984). Toward a model of organizations as interpretation systems. *Academy of Management Review, 9*, 284–295.

Davidson, D. (2000). *Istraživanja o istini i interpretaciji*. Demetra.

Deutsch, M. (1958). Trust and suspicion. *Journal of Conflict Resolution, 2*, 265–279.

Dirks, K. T., & Ferrin, D. (2002). Trust in leadership: Meta-analytic findings and implications for research and practice. *Journal of Applied Psychology, 87*, 611–628.

Ellemers, N., de Gilder, D., & Haslam, S. A. (2004). Motivating individuals and groups at work: A social identity perspective on leadership and group performance. *The Academy of Management Review, 29*(3), 459–478.

Fairhurst, G. T., & Connaughton, S. L. (2014). Leadership: A communicative perspective. *Leadership, 10*(1), 7–35.

Ford, J. (2001). Call for papers. *Academy of management review special topic forum: Language and organization. Academy of Management Review, 26*, 328–330.

Fulmer, C. A., & Gelfand, M. J. (2012). At what level (and in whom) we trust: Trust across multiple organizational levels. *Journal of Management, 38*(4), 1167–1230.

Gellner, E. (2000). *Postmodernizam, razum i religija*. Naklada Jesenski i Turk.

Gillespie, N., & Mann, L. (2004). Transformational leadership and shared values: The building blocks of trust. *Journal of Managerial Psychology, 19*, 588–607.

Greenberg, J., & Baron, R. A. (1997). Behavior in Organizations. Prentice-Hall, Upper Saddle River, NJ.

Haslam, S. A., & Platow, M. J. (2001). The link between leadership and followership: How affirming social identity translates vision into action. *Personality and Social Psychology Bulletin, 27*(11), 1469–1479.

Hatch, M. J. (1993). The dynamics of organizational culture. *Academy of Management Review, 18*(4), 657–693.

Hatch, M. J., Schultz, M., & Skov, A. M. (2014). Organizational identity and culture in the context of managed change: Transformation in the Carlsberg group, 2009–2013. *Academy of Management Discoveries, 1*(1), 58–90.

Hatfield, E., Cacioppo, J., & Rapson, R. L. (1994). *Emotional contagion*. Cambridge University Press.

Hofstede, G. (2001). *Culture's Consequences*. Sage Publications.

Horwitch, M., & Whipple Callahan, M. (2016). *How leaders inspire: Cracking the code*. Retrieved October 30, 2020, from https://www.bain.com/contentassets/2024cdcfe439496d99d49e84e4c489d9/bain_brief_inspirational_leadership.pdf

Ilies, R., Judge, T., & Wagner, D. (2006). Making sense of motivational leadership: The trail from transformational leaders to motivated followers. *Journal of Leadership & Organizational Studies, 13*(1), 1–22.

Jones, G. R., & George, J. M. (1998). The experience and evolution of trust: Implications for cooperation and teamwork. *The Academy of Management Review, 23*(3), 531–546.

Joshi, A., Lazarova, M. B., & Liao, H. (2009). Getting everyone on board: The role of inspirational leadership in geographically dispersed teams. *Organization Science, 20*(1), 240–252.

Kelly, S. (2008). Leadership: A categorical mistake? *Human Relations, 61*(6), 763–782.

Kotter, J. P. (1990). *A force for change: How leadership differs from management*. Free Press.

Lawrence, P., & Lorsch, J. (1969). *Organisation and environment*. Harvard Business School Press.

Maguire, S., & Phillips, N. (2008). "Citibankers" at Citigroup: A study of the loss of institutional trust after a merger. *Journal of Management Studies, 45*(2), 372–401.

Marturano, A., Wood, M., & Gosling, J. (2010). Leadership and language games. *Philosophy of Management, 9*, 59–83.

Mayer, R. C., Davis, J. H., & Schoorman, F. D. (1995). An integrative model of organizational trust. *Academy of Management Review, 20*(3), 709–734.

McAllister, D. J. (1995). Affect- and cognition-based trust as foundations for interpersonal cooperation in organizations. *Academy of Management Journal, 38*(1), 24–59.

Mintzberg, H., Ahlstrand, B., & Lampel, J. (1998). *Strategy safari: A guided tour through the wilds of strategic management*. Free Press.

Molenberghs, P., Prochilo, G., Steffens, N. K., Zacher, H., & Haslam, S. A. (2017). The neuroscience of inspirational leadership: The importance of collective-oriented language and shared group membership. *Journal of Management, 43*(7), 2168–2194.

Nutt, P. C., & Backoff, R. W. (1993). Transforming public organizations with strategic management and strategic leadership. *Journal of Management, 19*(2), 299–347.

Parker, S. K., Bindl, U. K., & Strauss, K. (2010). Making things happen: A model of proactive motivation. *Journal of Management, 36*(4), 827–856.

Perrone, V., Zaheer, A., & McEvily, B. (2003). Free to be trusted? Organizational constraints on trust at the boundaries. *Organization Science, 14*(4), 422–439.

Pessoa, F. (2001). *Knjiga Nemira*. Konzor.

Podrug, N. (2010). *Odnosi uslužnosti između menadžerskih razina u velikim hrvatskim poduzećima*. Phd Thesis: University of Zagreb, Faculty of Economics & Business.

Pondy. (1989). Leadership is a language game. In H. J. Leavitt, L. R. Pondy, & D. M. Boje (Eds.), *Readings in managerial psychology* (pp. 224–232). University of Chicago Press.

Pondy, L. R., & Mitroff, I. I. (1979). Beyond open systems models of organizations. In B. M. Staw (Ed.), *Research in organizational behaviour* (pp. 3–39). JAI Press.

Porter, M. E., & Nohria, N. (2018). How Ceos manage time. *Harvard Business Review, 8*, 33–39.

Rafferty, A. E., & Griffin, M. A. (2004). Dimensions of transformational leadership: Conceptual and empirical extensions. *The Leadership Quarterly, 15*(3), 329–354.

Rousseau, D. M., Sitkin, S. B., Burt, R. S., & Camerer, C. (1998). Not so different after all: A cross-discipline view of trust. *Academy of Management Review, 23*, 393–404.

Schein, E. H. (2004) [1992]. *Organizational culture and leadership*. Jossey-Bass.

Schermerhorn, J. R., Jr., Hunt, J. G., & Osborn, R. N. (1991). *Managing organizational behaviour*. John Wiley & Sons.

Shrivastava, P., & Nachman, S. A. (1989). Strategic leadership patterns. *Strategic Management Journal, 10*(1), 51–66.

Simpson, J. A. (2007). Psychological foundations of trust. *Current Directions in Psychological Science, 16*(5), 264–268.

Smircich, L., & Morgan, G. (1982). Leadership the Management of Meaning. *The Journal of Applied Behavioral Science, 18*, 257–273.

Taylor, K. (2006). *Ispiranje mozga: znanost kontrole uma*. Algoritam.

Weick, K. (1995). *Sensemaking in Organisations*. Sage Publications.

Weihrich, H., & Koontz, H. (1994). *Menadžment*. Mate.

Young, A. M., & Perrewé, P. L. (2000). What did you expect? An examination of career-related support and social support among mentors and protégés. *Journal of Management, 26*(4), 611–632.

8

Configurations of Strategic Leadership

1. Configuration Determinants

The situation determines the range of possible variants of strategic leadership. The characteristics of the organization (its history, size, complexity, structure and processes, life cycle, power and corporate governance, organizational culture, etc.), same as the environment in which the organization is settled (structural determinants of the surroundings and the degree of turbulence in it, technology and innovation shifts, other characteristics of the trade, constellation and the strength of the competition, national culture, etc.), significantly impact the way strategic leadership is embodied.

Strategic leadership appears in different forms, depending on the situational and organizational characteristics. It is not possible to uniformly copy-paste strategic leadership structures and processes from one organization to the other.

Strategic leadership can, but doesn't have to be, associated with a single person or the upper echelons of an organization.

It can be concentrated or dispersed, i.e., centralized or decentralized in the collective; constant or variable; purpose-built or spontaneously-emerging in relations between key actors; rigidly adhering to administrative rules or completely personalised.

The differences that exist between the types of strategic leadership can be better understood if we analyse the possible configurations in which they occur. A configuration is a representation or form of a phenomenon, created as a distribution of elements in a set, i.e., the shaping of an entity on the basis of important characteristics. It is a conceivable, comprehensive and unambiguous unit that rounds up the variants of important characteristics and distribution of its constituents. It is a distinct pattern of a set of connected elements forming a recognisable harmoniousness of a phenomenon.

In line with the foregoing, configuration of strategic leadership is an imaginable abstraction of the ways in which coordination efforts in the collective are integrated. It depicts sense-making and sense-giving, sets the direction and builds a framework (*meta-leadership)* for all the activities and processes of management and leadership in the organisation.

Alternative configurations act as boundaries around the space available to variants of strategic leadership and they are not the only forms of their manifestation. We see them as some sort of extremes the combinations of which appear significantly more often in organizational reality than it is the case when we speak of their "pure" form.

We have singled out important determinants when it comes to formation of strategic leadership configurations.

The determinants could be analysed in dichotomies: (1) personalized vs. depersonalized strategic leadership, (2) individual vs. collective strategic leadership, (3) concentrated vs. dispersed strategic leadership, (4) stable vs. interchanging strategic leadership and (5) linear vs. network-based strategic leadership.

Determining their interrelations, recognizing seemingly irreconcilable contradictions and searching for ways to reconcile them so that they may coexist, helps to better understand the differences between the basic configurations and the environment where their combinations occur.

Relations relevant for strategic leadership can be observed across three directions: vertically (up and down the organisation), laterally (on the same level in the organisation), and externally (beyond the boundaries of the organisation).

Vertical strategic leadership includes direct relationships that leaders have with their immediate subordinates, as well as indirect relationships

they have with every other person in the organisation, with whom they do not have direct contact within the chain of command.

Lateral strategic leadership is based on the influence that the leader has on other leaders and other actors at the same or approximately the same organisational level (usually at the middle hierarchical levels) with the aim of achieving some of the defined objectives, strengthening their position within the existing power constellation, changing the power structure or encouraging joint action (e.g., lobbying, negotiation, coalition, etc.) in the interest of the group or the individual.

External strategic leadership is focused on relations with important factors outside the organisation, whether it is groups with vested interest in its survival (e.g., owners, investors, external board members, major suppliers, key customers and users, etc.) or other entities that may exert decisive influence over its behaviour (country, local community, media, unions, etc.).

The determinants help shape a few alternative generic configurations and analyse (1) the relationship toward hierarchy and (2) the number of actors who assume the role and tasks of leadership.

Firstly, strategic leadership can follow a hierarchy, but it can also depart from it. A hierarchy can be understood as order based on superiority and inferiority in organisations, i.e., as a system for ranking individuals or groups based on their absolute or relative status. The main characteristic of a hierarchy is the existence of formal authority: individuals or groups at lower levels have to follow the orders of those at higher hierarchical levels.

In an organisational hierarchy, the chain of command is clearly visible and leading from the top to the bottom of the organisational pyramid. In most cases, concentration and distribution of power within the organisation follows the hierarchical structure. At the organisation's apex, there is usually an individual or a group with the greatest authority and responsibility. Decision-making power can be held by the upper echelons of the organisation, or it may sometimes be decentralised toward the lower positions within the hierarchy.

Three situations relevant for configuration can be identified. These are: (1) positioning of strategic leadership at the top of an organisational hierarchy; (2) dispersion of strategic leadership roles and processes within the

hierarchy; and (3) departure of strategic leadership away from the established hierarchy and hierarchical relationships.

Secondly, configuration of strategic leadership depends on the number of actors assuming the role of leader. Three situations may be considered: (1) where an individual is tasked with strategic leadership (single-actor leadership); (2) where several persons assume the role of strategic leaders, and (3) where strategic leadership is assumed by a number of persons connected through a network (multi-actor leadership).

By considering their determinants and dimensions, five generic configurations of strategic leadership can be identified: (1) egocentric strategic leadership; (2) horizontally distributed strategic leadership; (3) vertically distributed strategic leadership; (4) network of strategic leaders; and (5) collective strategic leadership.

2. Egocentric Strategic Leadership

Common understanding of strategic leadership is based on the dominant position of one person at the top of the organisational pyramid who defines the direction and designs a strategy, makes the most important decisions and has a crucial impact on the future of the collective. Examples of leadership of strong individuals in history who had totalitarian or autocratic power, such as pharaohs, emperors of China, Roman emperors, great military leaders, but also some powerful statesmen and entrepreneurs in recent centuries, show a structure in which one person is positioned as the centre of the collective reality.

Egocentric strategic leadership is a configuration with an extremely asymmetrical structure of power and influence. As Northouse (2007) underlines, such strategic leadership involves powerful and charismatic individuals who make independent strategic decisions and influence others in the implementation of those decisions.

One person, the strategic leader, has a decisive impact on the goings-on in the collective and on the way it interacts with the environment. His/her role is crucial and unavoidable in all aspects concerning the organisation. He or she assumes the decisive role in defining the strategic intent and the direction of organisational development. Such leadership

is mainly autocratic,[1] but it can range from full totalitarian power to enlightened and inclusive domination of an individual which does not exclude consultations and two-way communication.

Egocentric strategic leadership is nowadays commonly associated with well-known entrepreneurs or managers who have had a significant influence on modern-day business. A few examples of powerful leaders come to mind in this context: Henry Ford, who adopted every important decision and was extremely rigid in managing and supervising his associates; Walt Disney, who likewise made decisions independently and was very demanding of his employees, although he sometimes asked them to develop new ideas and concepts; Steve Jobs, who was a true autocratic leader who strongly insisted on complete loyalty and trust; Elon Musk, who holds the strategic direction and key choices in his hands in all of his companies. Regardless of the concentration of power and autocratic leadership style, they all had a powerful vision that fundamentally transformed the global economy; they showed incredible dedication to their work and made bold decisions that radically changed the world as we know it.[2]

Egocentricity creates a stage on which the collective becomes a demonstration of the leader's aspirations *sui generis*. The leader makes all of the important decisions and demands that everyone in the organisation follow their rules and the direction they set. They shape the space for strategy, set the pace and direction of action, and create space for interpreting meaning relevant for organisational actors. In his interview with *The New York Times*, former CEO of Cisco Systems, John Chambers, made this illustrative remark: *I'm a command-and-control person. I like being able to say turn right, and we truly have 67,000 people turn right.*[3]

Egocentric strategic leadership is similar to "stars," one of the four main generic configurations developed by Kriger and Zhovtobryukh

---

[1] Autocracy (from the Ancient Greek αυτοκρατία; *autos – self* and *krateín – power, strength*; autocrat »ruler with unlimited power«) literally denotes *self-rule*.

[2] For more details, see: https://qz.com/701895/the-best-companies-in-the-world-are-run-by-enlightened-dictators/ (accessed 30 June 2020).

[3] For more details, see: https://qz.com/701895/the-best-companies-in-the-world-are-run-by-enlightened-dictators/ (accessed 30 June 2020).

(2013) as part of the typology based on two key situational characteristics: internal complexity and environmental turbulence.[4]

Leadership ambience can be generalised and simplified based on the above dimensions: the first situation is one where there is a low level of internal complexity in an environment that is not overly variable and unpredictable; the second is a situation with low internal complexity associated with a high degree of turbulence beyond the boundaries of the organisation; the third involves high internal complexity embedded in a non-turbulent environment; and the fourth situation is characterised by high internal complexity associated with a high level of turbulence in the environment.[5]

"Stars" mainly appear in a placid, non-turbulent environment where there are no internal challenges due to the relative organisational simplicity. Such leaders are mainly characterised by a tendency to act as an autocrat when making strategic decisions, but not at all times. In certain situations, they may have the tendency to share power and control with others and they may adopt consultative and participative leadership styles. According to the authors, "star" leaders are most efficient in small and medium-sized organisations.

A suitable environment for the emergence of egocentric strategic leadership is developed in organisations which are the result of entrepreneurship; the kind with a simple, non-complex structure based on entrepreneurial decision-making; the kind that is not faced with an overly

---

[4] Kriger and Zhovtobryukh (2013) identified four generic configurations that are the most appropriate for each of the four situations of leadership ambience. They identified "stars," "clans," "teams" and "leadership networks" as manifestations that imply fundamentally different forms of strategic leadership.

[5] Firstly, internal complexity is a distinct organisational characteristic that points to the level of intricacy and complexity of structural and process elements. It can be defined as the amount of information and coordination required in order for strategic leadership to be sufficiently effective within the given environment. It grows proportionately to the size of the organisation, scope of operations and intensity of knowledge required for a collective action. There are simpler and more complex organisations: with lesser or greater interconnection of building blocks and various modes of interaction with the environment needed to transform inputs into outputs. Secondly, the situation beyond the boundaries of the organisation is characterised by a lower or greater level of uncertainty and environmental dynamics. The organisational environment can be more or less turbulent, variable and predictable. It is sometimes possible to understand the structural determinants of the environment and their potential effects in the future; however, this is sometimes not possible at all due to turbulence, intensity and speed of changes.
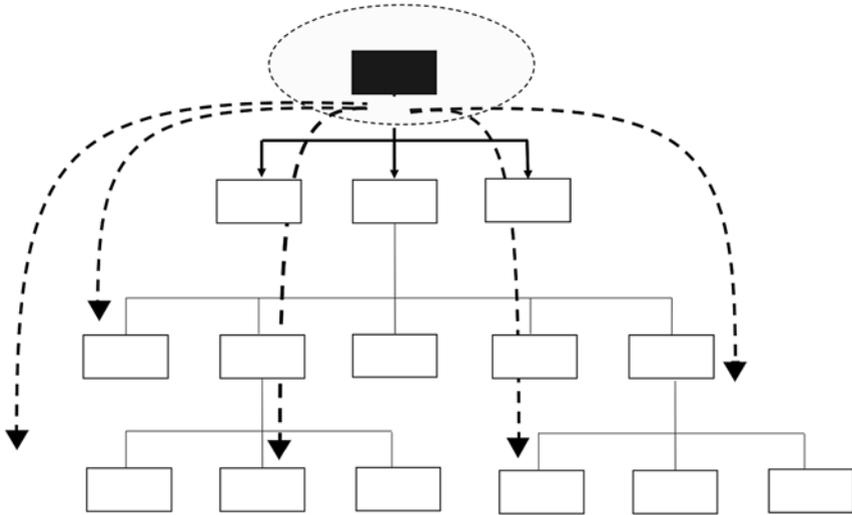
Fig. 8.1 Egocentric strategic leadership

complex and turbulent environment; and also in fragile organisations going through a period of severe crisis or facing a threat to their survival. Egocentric strategic leadership is a consequence of domination of a powerful organisational leader, entrepreneur or manager, and their dominance in the relationships of key interest groups (Fig. 8.1).

Successful strategic leaders create a world of new possibilities.

Dietrich Mateschitz, Austrian entrepreneur who created the energy drink company and megabrand Red Bull, is an example of a dominant strategic leader who created a business opportunity by identifying a niche not yet exploited in the market.[6] Trusting his gut feeling and intuition, he dismissed strong recommendations of market surveyors and other consultants who advised against investing in an energy drink business. And he was not wrong. Today, the company is a global leader. In 2018, nearly 7 billion cans of Red Bull were sold in 171 countries around the world.

---

[6] Red Bull was jointly founded by Dietrich Mateschitz and Thai businessman Chaleo Yoovidhya in 1987. Today, Mateschitz is faced with two great challenges: the matter of succession, owing to the fact that the company depends on him too much, and the matter of the product's potential negative health effects.

His vision, creativity and way of thinking significantly affected global business. Before he started this business, the energy drink industry was a minor and negligible one, with very low market demands. Mateschitz de facto created a need for this type of product. In time, he became the personification of the business he runs. Over the course of his term of office, he has challenged entrenched views of business, avoiding bureaucracy and administrative systems whenever he could. Basing a brilliant marketing concept on an association with extreme sports (which he himself prefers), he has created a completely new market niche, with loyal consumers of his product growing in numbers incredibly quickly from one year to the next. The recent business expansion into popular sports, such as football, has opened-up completely new challenges and additionally strengthened the corporate brand.

Red Bull greatly depends on Mateschitz and his leadership. It will be interesting to observe how the succession problem will be resolved in the future of the organisation, without sacrificing innovation, high level of success and reputation that the company enjoys at the global level.

Egocentric strategic leadership can be successful or unsuccessful, depending on the leader's capabilities and numerous contingency factors. It is riskier than other leadership configurations because the asymmetry of power results in no restrictions, authorisations or other filters being set in order to obstruct plans and actions that may have unwanted consequences and jeopardise the survival of the organisation.

Successful leaders should sooner or later achieve balance between the autocratic leadership style, autonomy in decision-making at lower hierarchical levels, and empowering employees. Secondly, they must be aware of the fact that a high level of centralisation of strategic decision-making is appropriate for entrepreneurship-focused organisations with simpler structures. A more turbulent environment and a horizontal business expansion (diversification) likewise decrease the potential and space for an individual to hold all the cards.

Interaction of powerful strategic leaders with members of the organisation occurs on two substantively different levels: (1) within a circle of only the closest associates, and (2) with other members of the organisation, through direct or indirect communication and different methods of exerting influence.

Leadership in the immediate organisational environment (*close leadership*) is based on established formal and informal relations between the leader and their first line of subordinates in the chain of command. Primary associates play the role of advisors and/or intermediaries who convey the leader's messages and intentions to remote parts of the organisation.

Strategic leaders also fulfil their role by bypassing the first layer of followers in the organisational hierarchy. Their audience are the "more remote" members of the organisation and they often have to address them. Such *distant leadership* (indirect leadership) requires the use of visions based on symbolism and ideology, high-quality narratives and convincing rhetoric (Hunt, 2004; Vera & Crossan, 2004; Waldman & Yammarino, 1999).

Both approaches should be wisely combined in order for the leader to have a significant influence at the smaller and larger social distance within the organisation, taking into consideration all relevant factors that may affect the defined objectives, mode of operation, and performance of the organisation.

3.   Horizontally Distributed Strategic Leadership

Strategic leadership may be distributed and shared among a number of persons within the organisation.

Collective leadership is a consequence of horizontal and/or vertical distribution of roles which creates a tightly-knit or loosely connected group in charge of the strategic process. By including multiple members of the organisation in the tasks of defining objectives and making decisions, leadership becomes a collective act in which good cooperation, open communication, mutual trust and respect are prerequisites for success.

A group of persons assuming the tasks of strategic leadership is generally referred to as the *dominant coalition* (Cyert & March, 1963) or the *inner circle* (Thompson, 1967). It includes actors who share the power to make important decisions. Multiple dependencies derived from possession of or access to limited resources or emerging from specialisation of

functions commonly result in the formation of a coalition in the upper echelons of the organisation.

Horizontal "distribution" of the strategic leadership function at the highest level creates a *top management team*, which consists of a group of highest-ranking managers in charge of making strategic decisions, outlining the vision and mission of the organisation, developing and implementing the strategy and other activities of vital importance for the organisation.

Decisions of the top management team are a function of the human and social capital of its members. It is a group that is in most cases led by the CEO or the chairman of the board of directors.

In complex organisations, the leadership function is almost always a joint activity involving multiple people, which is why it is necessary to consider their *collective* cognition, abilities and interactions (Hambrick, 2007, p. 334). In addition to individual characteristics, capabilities and experience of team members, characteristics and group dynamics of the dominant coalition affect the strategic leadership process and consequently affect organisational performance (Hambrick & Mason, 1984; Hambrick, 2007; Finkelstein et al., 2009).

Organisations are reflections of their leaders (Hambrick & Mason, 1984), which means that the character of the organisation's direction and mode of operation lies in the domain of personalised strategic leadership, and organisational outcomes are directly influenced by the organisation's leaders' values and defined guidelines.

A group of people does not act as an individual: it has different behaviour patterns that depend on characteristics of the group and mutual interactions of its members. Sometimes, interchanging strategic leadership emerges when strategic challenges and problems of different kinds appear at the organisation top, and the task to tackle them is assigned to teams of top managers (or teams of top and middle managers), comprising managers from different functional or geographical units, and when there is a collective willingness to trust those most competent for the situation at hand to take the lead. We mentioned earlier that interchanging leadership implies organisational leaders continually swapping their roles depending on their knowledge of the problem, context and challenges.

Horizontally distributed strategic leadership is a consequence of development and expansion of an organisation.

It is not easy to find a large organisation relying fully on a single strategic leader. Large corporations are as a rule managed by management teams. The larger and more complex an organisation, the greater the need to include a larger number of people in leadership and management tasks. For example, Walmart, Sinopec, Royal Dutch Shell and China National Petroleum, four of the largest companies by revenue in 2018, all have management teams at the organisation top, which collectively manage the operations of their respective corporations.[7]

The board of directors of Alphabet, the parent company which manages the world's largest search engine, Google, comprises, in addition to the founders Larry Page and Sergey Brin and CEO Sundar Pichai, eight more members who jointly manage all strategic and business operations.

Based on recent research by the Crowe network, the Swedish industrial giants Atlas Copco and Volvo have the best strategic leadership in Europe.[8] Atlas Copco has a nearly 150-year-long tradition of successful operation at the global level. Its board of directors is made up of 13 members, while its top management team is made up of 9 members. Volvo, which is owned by the Zhejiang Geely Holding Group, also has a board of directors consisting of 13 members, and a management team of 12 persons.

Strategic leadership in such companies is positioned in the upper echelon of the organisation, which assumes activities and tasks of establishing the direction, development and programming of strategy, market positioning, coordination of all activities and processes, maintaining and improving organisational culture, and establishing comprehensive control mechanisms. This implies collective action in designing objectives, creating a common vision and ideology, attracting human resources, and

---

[7] Apart from horizontal distribution, large companies are also characterised by vertical distribution of strategic leadership.

[8] In 2018, Crowe published the annual index of the top organisations in terms of leadership (Fortune 2000 list of the largest companies), which was calculated based on the assessment of effects of growth, diversity, boldness and innovation in the companies over a five-year period. For more details, see: https://www.consultancy.uk/news/17744/the-50-global-companies-with-the-best-leadership-team (accessed 11 August 2019).

creating mental models and encouraging social construction of reality from the perspective selected by the head people in the organisation.

One of the constructs that can be used to describe horizontally distributed leadership is the category of *strategic shared leadership*. It includes relations within the dominant coalition, initiated and implemented by the head of the organisation or by a smaller group of strategic leaders within the organisation. Pitelis and Wagner (2019, p. 234) define it as *leadership of the firm, involving the purposeful sharing of strategic decisions, and the process of making and taking these, between the dominant coalition that is initiated and implemented by a focal strategic leader or a small group of strategic leaders such as the CEO and Chair of the Board.*

"Sharing" in this category pertains to careful coordination and directing of the team by one focal leader acting as *primus inter pares*. In addition to that, this can lead to partial depersonalisation of strategic leadership. It is *"de-coupled from any one person, and can survive the absence of any one individual"* (Pitelis & Wagner, 2019, p. 236).

Top managers are rarely a homogeneous group. Most gain their position through long-term functional specialisation, during which they acquire specific patterns of thinking and acting. It is natural for them to have diverse, often diverging interests and objectives, risk appetites and approaches to decision-making.

Positions of members in the upper echelons are almost never equal and balanced. Asymmetry of power is natural in such situations: it is never equally distributed nor are the influences of members equal within the organisation and outside it. Some members have greater formal authority, others have greater informal influence, while others again have better access to information and greater managerial or functional expertise. However, they act as a team: strategic leadership is a process by means of which they jointly manage and share responsibility (Fig. 8.2).

Egocentric strategic leadership can grow into horizontally distributed strategic leadership by following the development and growth of the organisation. Microsoft is known for Bill Gates and his innovative strategic moves from the founding of the company to the moment when he withdrew from the leadership position. Today, it is managed by a group of excellent managers led by CEO Satya Nadella; a group that, according
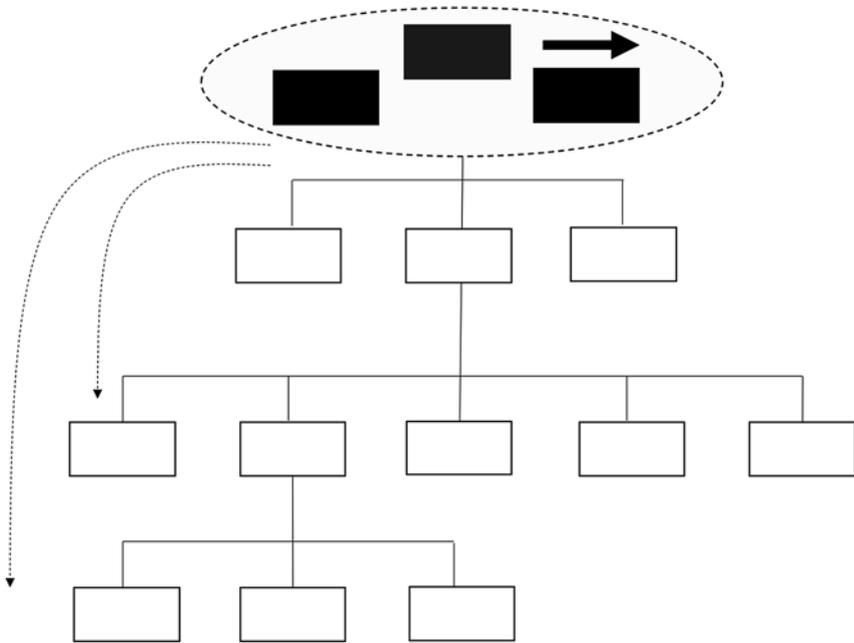
Fig. 8.2 Horizontally distributed strategic leadership

to certain sources, employees see as a very mindful, trustworthy one, and one that makes decisions that will benefit everyone involved.[9]

The level of effectiveness of the top management team's work is directly related to knowledge, skills and managerial abilities of its members. Good cooperation between members likewise has a positive effect on the performances of the team and helps build *collective strategic cognition* (Kriger & Zhovtobryukh, 2013, p. 415).

Horizontally distributed strategic leadership can be in the form of a "team," one of the generic configurations of Kriger and Zhovtobryukh (2013), if the conditions of lower internal complexity are present in a turbulent environment. "Teams" are recognised in the horizontal distribution of the function of strategic leadership at the organisation top, between different functional and geographical units. The authors also

---

[9] For more details, see: https://www.businessinsider.com/comparably-companies-with-best-leadership-teams-in-the-us-2019-6#4-microsoft-22 (accessed 30 June 2020).

refer to "collective leadership" in this context, which was a term used by Friedrich et al. (2011). Dynamic changes in the "leader–follower" roles in teams depend on the types of problems being solved; leadership position is assumed by those with the most knowledge and information.

Furthermore, irrespective of factors that are beyond their direct control and that can significantly affect performance, over time, successful top management teams distinguish themselves from unsuccessful teams, based on results achieved. Even though factors of luck and coincidence can help leaders perform their tasks in the short term, this cannot be the case in the long run.

There is no guarantee that team management will be effective and good. Enron and WorldCom had top management teams that led the companies into ruin and simultaneously eroded the trust in the business system through criminal and unethical behaviour. Similarly, the management of Volkswagen shaped a strategy intended to position the company as the world's largest automaker, overtaking Toyota, while turning a blind eye to the use of software that enabled Volkswagen to (unsuccessfully) cover up the actual levels of emissions in their diesel engines.

In certain other companies, teams were not good enough or there was groupthink effect,[10] i.e., minimisation of discussion and presentation of individual ideas due to a desire for harmony or group cohesion. The intention to agree at any cost and minimise disputes can lead to a clouded view of reality and non-critical adoption of decisions which are often suboptimal or irrational and which are not suitable for the challenges arising from the competitive environment. In other words, top management teams have oftentimes failed to find adaptable responses and their actions jeopardised the survival of organisations they were managing. Examples include the upper echelons of General Motors, British Petroleum and Encyclopaedia Britannica.

Overcoming disputes and dysfunction in action is imperative for establishing effective strategic leadership. Unlike individual strategic leadership, strategic leadership by a group of people creates additional costs that are incurred in the process of achieving group agreement and

---

[10] Groupthink effect was first described by Irving Janis (1971), who analysed in detail the effect of stress on adoption of group decisions.

cohesion. Such costs should be lower than the benefits gained by dividing roles and taking collective action at the managerial top in order for horizontally distributed strategic leadership to be preferred instead of other configurations.

4.   Vertically Distributed trategic Leadership

Strategic leadership function can be dispersed if leadership roles are divided among persons who hold different positions in the hierarchical ladder. This is a step away from the widespread view of strategic leadership as a function belonging to an individual or the upper echelons of an organisation, located at the top of the organisation pyramid.

There is no doubt that the process and practice of strategic leadership can be divided within the organisation. As a result, it can no longer be observed solely as a set of intentions and activities undertaken by top managers, but must also be observed as a phenomenon inseparable from specific organisational structure and other characteristics of the organisation.

In the broader sense, it can reflect the division of labour and responsibilities; preventing mistakes that may occur due to limited information and insufficient capabilities of an individual or a small group of managers; utilising the capacities of a greater number of persons within the organisation and strengthening the perception of interdependence within the collective.

In the narrower sense, it arises as a consequence of organisational settings or decisions of the managerial elite aimed at empowering organisational actors at lower hierarchical levels in the leadership and management processes (divisionally and functionally) and at ensuring organisational adaptability and required speed of reaction to changes of market and other contextual conditions.

Mintzberg (1983, p. 102) noted that companies strive for greater selective decentralisation of production and marketing functions rather than of the financial and legal functions; further in the text, he quoted Lawrence and Lorsch (1967), who pointed out that the power of decision-making is placed on that organisational level where information is most

successfully gathered. Key coordination mechanism in such situations is mutual adaptation with the use of intermediary links within the organisation.

Vertically distributed strategic leadership is found in very complex and diversified organisations which interact in a variable and unpredictable environment. Decentralisation follows the organisation's horizontal expansion into various activities and into various markets. Delegation of strategic decision-making power to lower-level managers and creating an adaptable, market-oriented organisational structure seems like an appropriate choice in such situations.

Such form of decentralisation, which Mintzberg calls *parallel vertical decentralisation*, is based on organisation involving divisions or strategic business units in which middle-level managers supervise the business processes and results of their respective activity. Such organisational units are established with the aim of ensuring organisational integrity of a complex company, while simultaneously providing autonomy for adopting part of the strategic decisions at the level of individual businesses.

Vertical dispersion of power follows the organisational structure appropriate for large diversified organisations with various activities which usually compete on international markets (Fig. 8.3).

Structure of strategic leadership follows such organisational arrangement.

Effective management of complex business systems requires that responsibility for some of the strategic decisions be delegated to a part of the middle management, as well as that a clear division of labour be established between such middle managers and the upper echelons. This is an organisational decentralisation which is not comprehensive and which includes a limited number of actors. Its result is the establishment of a *coalition of top and middle managers*, which becomes the holder of the strategic leadership function.

There are numerous examples of highly diversified organisations in which strategic leadership is vertically distributed. Among others, these include General Electric, Johnson & Johnson, 3 M, Siemens, Bayer, BASF, Hitachi, Toshiba, Sanyo Electric and Honeywell.

Vertical distribution of strategic leadership can be observed in most global business systems. For example, the multinational pharmaceutical
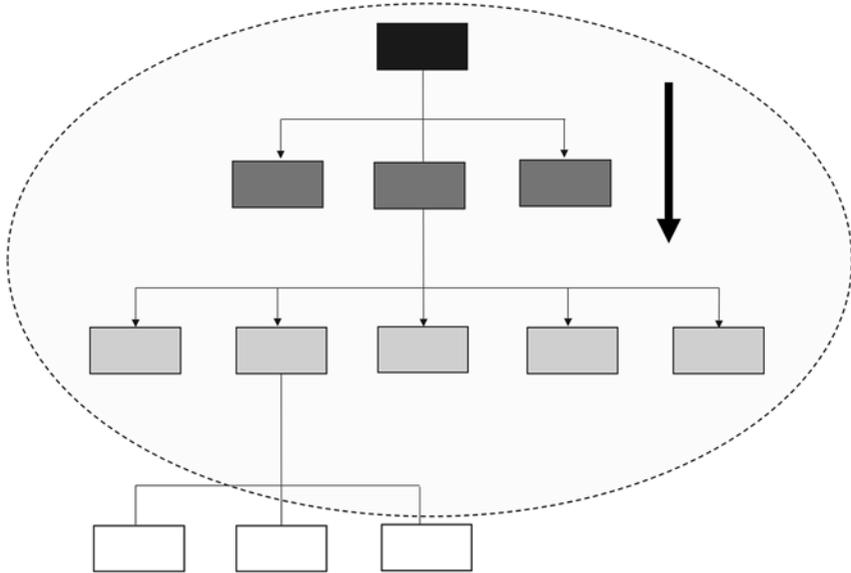
Fig. 8.3 Vertically distributed strategic leadership

company Novartis, whose products are available in 155 countries around the world, has two basic divisions, which include a large number of business units in around 50 locations: (1) Innovative Medicines, comprising the strategic business units Novartis Pharmaceuticals and Novartis Oncology, which sell innovative patented medicines intended to enhance health outcomes to the benefit of both patients and healthcare professionals, and (2) Sandoz, global leader in generic pharmaceuticals and biosimilars, as well as a pioneer in novel approaches to helping people around the world access high-quality medicines.[11] The complexity of operations and the related challenges, as well as broad market distribution, affect the structure of strategic leadership as a collective activity of top management and managers of strategic business units of Novartis.

Managers at middle hierarchical levels in such companies have considerable organisational power and great decision-making discretion. There is a clear division of labour and a direct hierarchical relationship between

---

[11] See: https://www.novartis.com/our-company (accessed 30 June 2020).

the upper echelons and the heads of strategic business units, which is usually mirrored in the implementation of supervisory mechanisms, the basis of which are planning and performance-monitoring systems. However, both of these organisational layers are actors of strategic leadership: they actively participate in the dynamic adaptation of the organisation to forces and changes in the environment.

It is interesting to note that horizontally and vertically distributed strategic leadership can appear in the form of "clans," one of the generic configurations of Kriger and Zhovtobryukh (2013) which emerges in the conditions of a placid environment and high internal complexity. This is distributed and shared strategic leadership: from the top toward middle management levels in the organisational hierarchy. Clans are *functionally, and often geographically, separated units of the firm whose members have a sense of kinship based on common background, functions, jargon, norms, values and/or culture* (Kriger & Zhovtobryukh, 2013, p. 413). There is a clear hierarchical structure with a unique chain of command, with the clan leader at the top. Strategic leadership is shared among all clan leaders, who generally constitute the top management team. Clans mostly exist in organisations comprising strong foreign subsidiaries which have complex internal operations, but relatively weak centralised control from the central organisational unit.

5.   Networks of Strategic Leaders

Apart from distribution of strategic leadership with a formally established structure, leadership may also appear depending on the types of tasks and challenges that are defined or spontaneously emerge in the group or collective and that are not directly linked to hierarchy.

Dispersion of strategic leadership is sometimes accompanied by alternating leadership roles, and sometimes by very vague boundaries between those who are leaders and those who should follow leaders. In an organisation of this type, there are multiple strategic leaders who perform tasks concerning strategic direction, bringing people together and building commitment of the staff.

Including a larger number of actors into strategic leadership processes is found in organisations which have the characteristics of an *adhocracy*, or which are based on strong mutual connection between the members due to an inspiring organisational mission, and/or which function successfully without a strictly established chain of command.

In such organisations, the organisational structure is not the key stage on which leadership roles are played. Strategic leadership does not depend on relations connected with positions of power, administrative systems or any other established rigid structural relationships that are based on the chain of formal authority and responsibility. Strategic leadership model emerges from fulfilling the basic purpose and vision and replaces the undisputed and strict hierarchical leadership with a *network of leaders* who act across the entire organisation (Bower, 1997).

Networks are created by connecting individuals in all organisational directions: vertically, horizontally and externally. They have a finite number of nodes and several links of varying qualities, valences and values. Influences of different individuals are exchanged within the network, depending on the tasks and situations the organisation is facing.

Networks of strategic leaders commonly appear when organisations exhibit an organic structure, selective decentralisation, high level of horizontal specialisation of tasks, and strong reliance on experts and specialists. Instead of standardisation and formal authority, the main coordination mechanism is mutual adjustment (Mintzberg, 1983, p. 254).

Consultancy companies and law firms develop and expand based on networks of leaders that are created based on meritocratic principles and strict selection of members. Partnership and seniority systems help identify and select leaders with a relatively significant ability to influence the organisation's modes of interaction with the environment. Movie and production companies function in a similar way; they are collectives organised around projects which include equal members.

Strategic leadership does not have direct locus in an individual or an alliance of a small number of leaders; it mirrors the *process* in which creative and innovative leaders emerge and assume power with a high level of decision-making discretion.

Organisations adaptively respond to challenges requiring the engagement of a network of persons assuming leadership roles in the

organisation. This form can expand beyond the boundaries of the organisation and grow into a decentralised leadership network far removed from hierarchy, with cooperative relationships with leaders and other important environmental factors.

In addition to the above, a decentralised leadership network can arise regardless of organisational extension—whether as a realised idea, project or spontaneous entity—by connecting persons with leadership skills and other competencies who interact and assume leadership depending on the problem, area or capability.

Finally, the existence of a network of leaders does not mean the absence of leaders with a formal organisational position at the top of the hierarchy. Their role greatly differs from the classic leadership role, but it is not to be ignored (Hernandez et al., 2011). Formal leaders should primarily motivate and guide network members to realise their leadership potential. Their task comes down to encouraging, creating, and maintaining networks of leaders, developing the capabilities of collective leadership and processes of achieving agreement on the common vision (Balkundi & Kilduff, 2006; Friedrich et al., 2011).

They are coaches, mentors and teachers who create an appropriate ambience in which others act. They differ greatly from egocentric leaders who assume great power and who are—in and of themselves—the centre of key organisation activities.

We find that the phrase "formal leader," which is used by most other authors, is unsuitable, as it does not denote the specificity of the role. The power of formal leaders primarily arises from the potential to create a suitable context in which the network of organisational leaders will function successfully.

A similar concept is a leadership network, a generic configuration recognised by Kriger and Zhovtobryukh (2013) as the response to high internal complexity and turbulent competitive environment. Strategic leadership in such conditions does not have a locus in an individual, but in a network of connected leaders which is created as a sort of dynamic cooperative system of interconnected and interdependent actors who influence each other and thus coordinate the tasks, objectives and vision of the organisation (Kriger & Zhovtobryukh, 2013, pp. 418–9).

Further to their typology, the authors explained how the Ford Motor Co. developed from the "star" model, which existed at the time of Henry Ford, into the "clan" model, which marked 60 years of the company's history until the great oil crisis, during which time strategic leadership was redesigned into the form of a "leadership network" model. They also gave other examples: Apple's transition from the "star" model, which marked the early stage of the company's development, to the "team" model starting in 1985, and finally the "leadership network" model as of 2007; and Honda, which was an example of the "star" model until the late 1980s (or in other words, during the time of Soichiro Honda at the helm), after which period strategic leadership consolidated into the form of a "leadership network."

Non-profit global organisations show the development of networks of leaders, which emerge as crucial elements in their existence.

The chain of formal authority and direct supervision are not the dominant coordination mechanisms in such organisations, considering their purpose and reasons why new members join. Members alternate at formal leadership positions in order to prevent organisational leaders from entrenching in their positions. Strategic intent unites and inspires members, while standardisation of rules of conduct and the desired output help achieve organisational coherence and harmony. Strategic leadership emerges and is dispersed across the entire organisation in networks of large numbers of leaders who, regardless of formal relationships, take initiative, encourage change, create and manage activities and programs within the community.

Good examples include Lions, Rotary International and Kiwanis, global humanitarian organisations with numerous members working in several thousand clubs around the world. The basis for their successful operation is a network of leaders at all levels who cooperate in charity projects at local and global levels. Leadership appears in the alternating form: terms of office last for one year and members are encouraged to assume leadership roles. Special attention is given to educating members regarding leadership in order to create leaders capable of shaping the future of the organisation and the community they belong to.

Organisations and social movements such as Medecins Sans Frontiers (Doctors Without Borders), Action Against Hunger, CARE, numerous

movements fighting for rights of vulnerable groups and minorities, etc., likewise lean on networks of leaders.

Moreover, networks of business and political leaders are also established with a view of influencing social developments. For example, the World Economic Forum has the ambition to bring together the world elite, as it *engages the foremost political, business, cultural and other leaders of society to shape global, regional and industry agendas*.[12] Similarly, Future Leaders Network brings together the next generation of political, economic and social leaders in Great Britain, aiming to *enable all young people to deliver positive impact in the world, by offering young people from all backgrounds access to meaningful, purposeful and practical opportunities to develop their leadership skills so as to realise their full potential* (Fig. 8.4).[13]

6.   Collective as a Strategic Leader

Unlike organisations and movements where, due to specific internal and external situations, networks of leaders complement and sometimes swap leadership roles based on hierarchical relationships, there are organisations in which leadership indisputably has a fully collective dimension.

Members of a collective jointly assume the leadership role and there is no individual or group of leaders in charge, which is why it can be said that the collective *de facto* acts as a leader.

Unlike joint or shared leadership, in which personalities of individuals and their relationships play an important role, collective leadership is generally separate from any person and is not dependent on any person. Defined roles and rules of conduct, members' commitment to common values and their focus on democratic leadership ensure a framework in which the leadership structure can survive regardless of the contributions of certain individual members. Mechanisms and processes of democratic decision-making are embedded into the administrative system and procedures used to resolve issues and problems that may be imposed on the group.

---

[12] See: https://www.weforum.org (accessed 30 June 2020).

[13] See: https//futureleaders.network (accessed 30 June 2020).
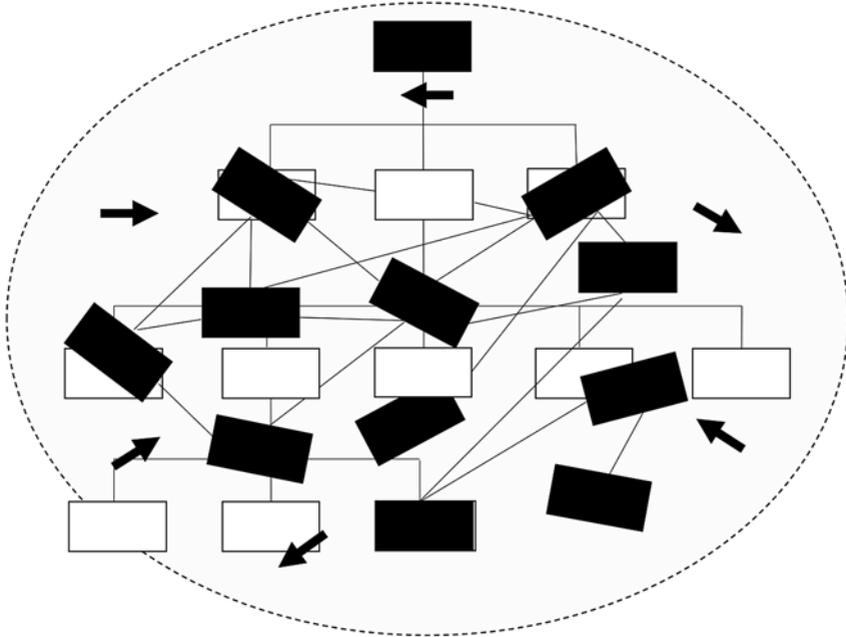
Fig. 8.4   Networks of strategic leaders

Such a configuration of strategic leadership may appear in organisations if the structure of formal authority and responsibility collapses, i.e., if the organisation becomes fully decentralised. Full decentralisation removes structural elements linked to chains of command and hierarchical positions, so that organisational leadership ceases to have a personalised dimension and emerges as a collective phenomenon.

Every or nearly every member of the organisation contributes as an actor to integral strategic leadership. The collective is recognised from the outside as a coherent leadership entity, while internal group dynamics and processes of achieving agreement model different ways of internal coordination and dynamic interaction with the environment.

Individuals' initiatives appear from time to time and are tested in the processes of group harmonisation and decision-making, such as the *direct democracy model*, i.e., the model of voting on all important aspects of the

organisation. However, once it becomes "property" of the collective, the initiative acquires a collective attribute and ceases to be associated with its proponent.

Depersonalisation of strategic leadership appears as a mode of operating and achieving agreement in various social networks where commonly used coordination mechanisms relying on position-based power cannot be imposed.

If a social network has the properties of a collective and clear rules regarding member conduct, e.g., a social initiative or movement not led by an individual or a group, a configuration of strategic leadership may emerge in which strategic leadership will be a collective asset. The same goes for non-hierarchical organisations such as project groups, whose members are equal and wield approximately the same influence.

It appears important to point out that such configuration of strategic leadership is oftentimes of a temporary nature, considering the (mostly) different abilities, tendencies and aspirations of members of the organisation. Symmetry of power, which is a natural consequence of collective leadership, generally does not last long: typically, there will be a person with leadership qualities who will wish to assume leadership or have a dominant influence on strategic leadership processes (Fig. 8.5).

Cooperatives are organisational forms in which collective leadership often emerges as the optimal solution.

A cooperative is a voluntary, open and independent organisation led by its members; through the work and other activities of the cooperative, or through the use of its services, members rely on togetherness and mutual assistance to fulfil, improve upon and protect both their individual and common economic, social, educational, cultural and other needs and interests, and to achieve objectives for the attainment of which the cooperative has been established.

It would be difficult to enumerate all types of cooperatives. There are various consumers', producers', agricultural operators', workers' cooperatives, credit unions, and numerous other types of cooperatives. Regardless of the form, the strategic leadership function is common to all members of the cooperative, who base their actions on equality, fairness and solidarity.
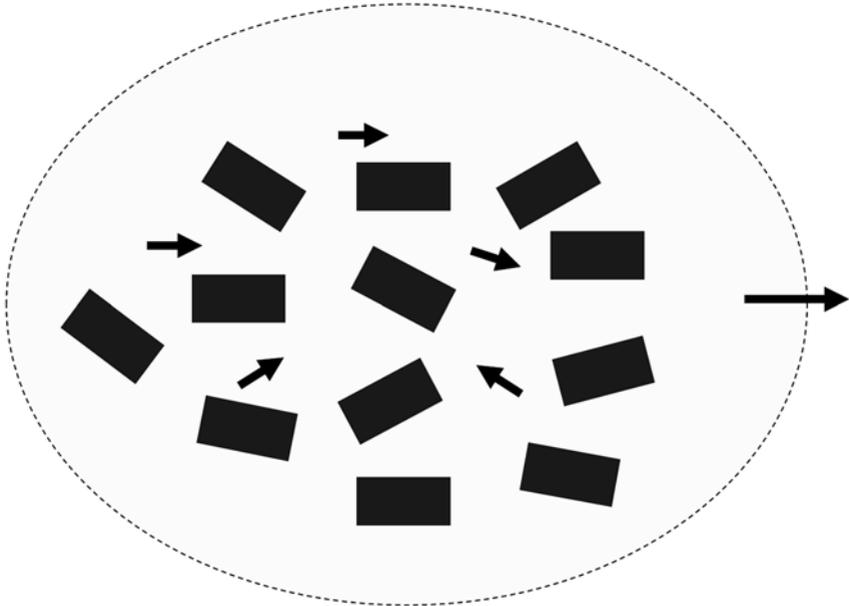
Fig. 8.5   Collective strategic leadership

Each member of the cooperative gets one vote and cooperation is the key basis of joint action; decisions are made based on a majority vote and the elected leaders are an extension of the members (Babić & Račić, 2011).[14]

The cooperative form of organisation can also be a characteristic of large organisations that align collective leadership with configurations of distributed strategic leadership.

The Basque *Mondragón* is one such organisation made up of multiple autonomous and independent cooperatives competing on international markets and using democratic methods in their organisation; the objective is to create jobs, enable personal and professional development of employees and develop their social environment. It is a large network of

---

[14] The authors noted that, according to (10-year-old) data of the European Commission, the European Union is home to 250,000 cooperatives, which include 163 million members and employ 5.4 million people. According to data of the UN and the International Co-operative Alliance, around 100 million people work in more than 750,000 cooperatives worldwide.

103 cooperatives, which own 154 branches and 24 integrated offices, as well as 15 R&D centres, with more than 80 thousand employees on 5 continents. *Mondragón* is the leading Basque business group and the tenth largest in Spain.[15]

Strategic leadership of *Mondragón* is extremely democratic and dispersed. The organisation is structured in 14 segments, each consisting of autonomous cooperatives active in similar or related activities. Governing bodies are the General Advisory, the Standing Commission and the Cooperative Congress. The General Advisory, which is the key governing mechanism of the corporation, consists of vice-presidents in charge of each segment. It is important to emphasize that the decision-making responsibility lies on individual cooperatives, and not on the segment, which primarily has a coordination role. Cooperative Congress is the highest body, which defines the common strategy for action in the network of cooperatives.

The principle of *Mondragón* is that all decisions that can be adopted at lower levels actually be adopted there, and not at higher organisational levels.[16] Participation is greatly encouraged, as is collective decision-making. Each member may become involved in the work of the governing bodies, provided that such member receives sufficient support by other partners in the Advisory, and performs his/her duty with no financial compensation. Likewise, any member can become a director, provided that the professional and managerial requirements that come with the responsibility of such position are met. Strategic leadership is depersonalised and the collective is always in charge, regardless of who performs the formal leadership functions.

---

[15] For more details about *Mondragón*, see Jurić (2016).

[16] Consistent application of subsidiarity is the basis of strategic leadership in such a large cooperative collective.

See: http://www.mondragon-corporation.com/CAS/Qui%C3%A9nes-Somos/Estructura-organizativa.aspx (accessed 30 June 2020).

7. Relationships between Generic Configurations

Generic configurations rarely appear in their "pure" forms. Strategic leadership in an organisation is in most cases a combination of several settings and styles, which depends on many situational factors. Characteristics of a single configuration may be more dominant and identifiable, but this is not a rule.

Dimensions used for identifying configurations are (1) number of actors assuming the strategic leadership function and (2) relationship toward the chain of formal authority or the positions in organisational hierarchy associated with strategic processes.

As pointed out, egocentric strategic leadership denotes a situation in which the strong personality, ability and capacity of a single person fully direct organisational existence. Power is asymmetrically distributed across the organisation and decision-making is highly centralised. Leaders are identifiable in the environment as distinct symbols of the organisation. Egocentric leadership cannot be turned into organisational capacity or routine; it can be a distinct competency of the organisation, but relying solely on it is risky.

Sooner or later, egocentric leadership is transformed into distributed strategic leadership.

Limitations of cognitive, information and action-related nature, environmental complexity, as well as growth and expansion of the organisation, eventually require the organisation to distribute the function of strategic leadership among multiple persons with managerial authority in the organisation. Strategic leadership is thus established as a group or organisational characteristic (Fig. 8.6).

Horizontally distributed and vertically distributed strategic leadership rely on formal positions in the organisation and on the chain of authority and responsibility, i.e., on the hierarchical structure of the organisation.

Horizontally distributed strategic leadership describes a coalition in the upper echelons, i.e., a top management team that jointly manages the strategic processes in an organisation.
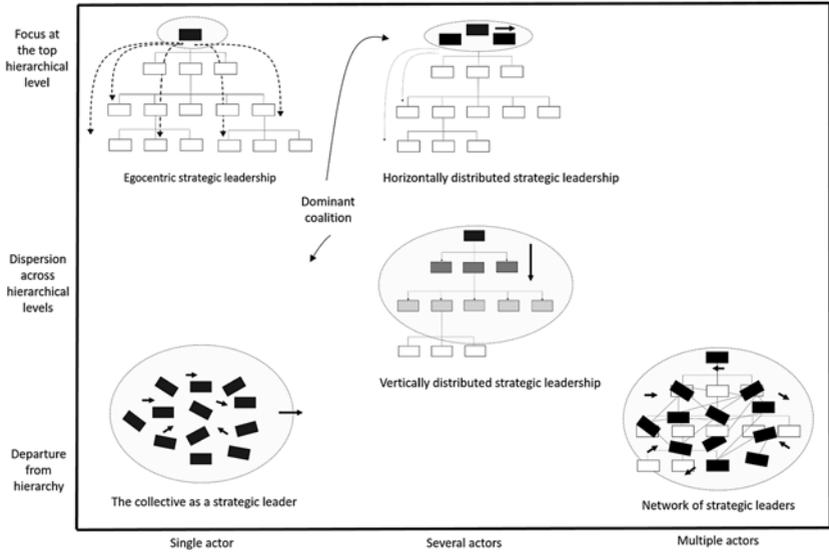
Fig. 8.6 Generic configurations of strategic leadership

Vertical strategic leadership mirrors the decentralisation of the strategic function and the delegation of important decisions to important middle managers.

Both configurations are based on the establishment of a *dominant coalition* that assumes a crucial role in leading the organisation. At first glance, this is a good solution, but this is not always the case. Distribution of the leadership function decreases the costs of information in the long term, but it also increases the costs of negotiation and implementation (Kriger & Zhovtobryukh, 2013, p. 421). If there are multiple actors involved in strategic leadership activities, the number of situations in which it is necessary to deal with resolving potential disputes, coordinating, reaching an agreement and arranging all relevant aspects grows (Table 8.1).

Furthermore, departure from hierarchy is characteristic to organisations where strategic leadership is not linked to formal power and where proactivity and adaptability are associated with initiative, innovation, creativity and quick decision-making, regardless of administrative rules.

Table 8.1 Dimensions of generic configurations of strategic leadership

Egocentric strategic leadership	Personalised leadership	Individual	Concentrated leadership	Stable leadership	Extremely strong asymmetry of power
Horizontally distributed strategic leadership	Personalised leadership	Narrow dominant coalition	Concentrated leadership	Stable leadership	Strong asymmetry of power
Vertically distributed strategic leadership	Personalised leadership	Broader dominant coalition	Moderately dispersed leadership	Stable leadership	Strong asymmetry of power
Network of strategic leaders	Personalised and/or depersonalised leadership	Collective leadership in the network	Dispersed leadership in the network	Stable and interchanging leadership	Balance of power
Collective as a strategic leader	Depersonalised leadership	Collective	Completely dispersed leadership	Stable and interchanging leadership	Collective has the power

Building a network of strategic leaders helps shape the strategic intent and achieve consistent strategic implementation. Moreover, a network of leaders can be a spontaneously-emerging or a designed organisational entity created with the aim of extending social influence and establishing agendas that may benefit both individuals and the society as a whole.

Finally, strategic leadership can be a collective matter in the true sense of the word. Joint action is embedded in organisational norms and can lead to complete depersonalisation of strategic leadership.

In such cases, the collective is both the object and the subject of leadership. Direction, connection and dedication of members are achieved through agreement, democratic decision-making and establishing settings in which the leadership process is broadly dispersed to all members, as is the case (for example) in smaller groups with symmetrical power or both small and large cooperatives with clearly defined rules that do not permit aberrations or concentration of position-based power.

References

Babić, Z. and Račić, D. (2011), Zadrugarstvo u Hrvatskoj: trendovi, pokazatelji i perspektiva u europskom kontekstu. Sociologija i prostor, 49, 191(3): 287–311.

Balkundi, P., & Kilduff, M. (2006). The ties that lead: A social network approach to leadership. *The Leadership Quarterly, 17*(4), 419–439.

Bower, M. (1997). *The will to Lead: Running a business with a network of leaders*. Harvard Business School Press.

Cyert, R. M., & March, J. G. (1963). *A Behavioral theory of the firm*. Prentice-Hall.

Finkelstein, S., Hambrick, D. C., & Cannella, A. A. (2009). *Strategic Leadership; Theory and Research on Executives, Top Management Teams and Boards*. Oxford: Oxford University Press, Oxford.

Friedrich, T. L., Vessey, W. B., Schuelke, M. J., Ruark, G. A., & Mumford, M. D. (2011). *A framework for understanding collective leadership: The selective utilization of leader and Team expertise within networks*. Technical report 1288. United States Army research Institute for Behavioral and Social Sciences.

Hambrick, D. C. (2007). Upper Echelons Theory: An Update. *The Academy of Management Review, 32*(2), 334–343.

Hambrick, D. C., & Mason, P. (1984). Upper echelons: The organization as a reflection of its top managers. *The Academy of Management Review, 9*(2), 193–206.

Hernandez, M., Eberly, M. B., Avolio, B. J., & Johnson, M. D. (2011). The loci and mechanisms of leadership: Exploring a more comprehensive view of leadership theory. *The Leadership Quarterly, 22*(6), 1165–1185.

Hunt, J. G. (2004). What is leadership? In J. Antonakis, A. C. Cianciolo, & R. J. Sternberg (Eds.), *The nature of leadership* (pp. 19–47). Sage Publications, Inc.

Janis, I. L. (1971). Groupthink. *Psychology Today, 5*, 43–46–74–76.

Jurić, A. (2016). *Mondragón. Poslijediplomski specijalistički rad*. Ekonomski fakultet Zagreb.

Kriger, M., & Zhovtobryukh, Y. (2013). Rethinking strategic leadership: Stars, clans, teams and networks. *Journal of Strategy and Management, 6*(4), 411–432.

Lawrence, P., & Lorsch, J. (1967). Differentiation and integration in complex organizations. *Administrative Science Quarterly, 12*, 1–30.

Mintzberg, H. (1983). *Structure in fives: Designing effective organizations*. Prentice Hall.

Northouse, P. G. (2007). *Leadership theory and practice*. Sage Publications.

Pitelis, C. N., & Wagner, J. D. (2019). Strategic shared leadership and organizational dynamic capabilities. *The Leadership Quarterly, 30*(2), 233–242.

Thompson, J. D. (1967). *Organizations in action: Social science bases of administrative theory*. McGraw-Hill.

Vera, D., & Crossan, M. (2004). Strategic leadership and organizational learning. *Academy of Management Review, 29*, 222–240.

Waldman, D. A., & Yammarino, F. J. (1999). CEO charismatic leadership: Levels-of-management and levels-of-analysis effects. *Academy of Management Review, 24*(2), 266–285.

9

Strategic Leadership from the Social Network Perspective

Social Network and Leadership

The collective can be seen as a place of interwoven interests that creates socio-political and economic relations within its boundaries and beyond; in this context, strategic leadership can be seen from a different perspective, as a relational and multi-level phenomenon that involves social processes connecting individuals and other social entities.

Whittington (2001, pp. 26–27) noted that *people's economic behaviour is embedded into a network of social relations that includes their families, country, professional and educational backgrounds, and even religious and ethnic groups they belong to*. As a result, a strategic leader's reality cannot be understood without understanding the *social embeddedness* of those affected by that reality (Granovetter, 1985; Whittington, 2001, p. 26).

Strategic leadership is interwoven with relational processes between actors operating at multiple organisational and interorganisational levels (Cullen-Lester et al., 2017). The social processes that connect actors indicate the importance of network relations when it comes to leadership; or in other words, the need to develop and manage connections and relationships within organisations and beyond them (Carmeli et al., 2011).

Social networks are important when it comes to strategic leadership. Numerous empirical studies highlight the importance of network structures as factors connected with superior performance both of the organisation and of its managerial elite (Burt, 1992, 2005; Krackhardt & Porter, 1986; Mehra et al., 2001; Poppo & Zenger, 2002; Zaheer & Soda, 2009). Networks in which leaders themselves are embedded are key when it comes to individual and organisational effectiveness.

The importance of understanding interactions between strategic leaders, organisational members and other important factors encourages the development of discourse that departs from a static, one-dimensional perspective of leadership.

A network is characterised by a particular kind of connection that is usually more important than the actors that constitute it. People's inevitable embeddedness in networks reveals the weakness of the perceived position of a "free individual." Things that happen to others via networks can reach us and have a major impact on our lives. The illusion of being separate from the all-encompassing social fabric in which everyone is mutually connected may help relieve anxiety for a while, but it often clouds the reality of an individual as merely a "node entity" in a myriad of social networks that are outside of their control.

Christakis and Fowler (2011, p. 38) underlined: *If we want to understand how society works, we need to fill in the missing links between individuals. We need to understand how interconnections and interactions between people give rise to wholly new aspects of human experience that are not present in the individuals themselves. If we do not understand social networks, we cannot hope to fully understand either ourselves or the world we inhabit.*

Direct networking has an information-based limit that is conditioned by evolution. On average, people take part in direct networks of no more than 150 individuals. This is the so-called *Dunbar's number*, which represents the cognitive limit to the number of people with whom one can maintain stable social relationships (Dunbar, 1993). This is a group of persons with whom one can continue a meaningful relationship after a time of absence without the need to re-establish the initial positions and viewpoints.

In larger networks, information that flows through the network gets filtered and modified; the network does not have the characteristic of

directness, and actors interconnect through others in a smaller or larger number of steps.

Networks can have shorter or longer paths between participants. The shortest path is found in networks where all actors can reach everyone else via a single tie. The longest paths never exceed five or six steps, even in the largest of networks.

Unbelievable as it sounds, it is possible to easily reach anyone on the planet by making six or fewer social connections (steps), as demonstrated by the famous experiment conducted by social psychologist Stanley Milgram in mid-1960s, and later verified by a similar experiment in the virtual world performed by Dodds, Watts and Muhamad by e-mail in 2002. Any person on the planet can be connected to any other person on the planet through a chain of no more than six individuals. This is referred to as *six degrees of separation*.[1]

The social network analysis helps to focus the lens through which we view networking of people on all levels. It gives a solid framework for analysis of various organisational phenomena at a micro-level (leadership, power, trust, teams, and alike) and at a macro-level (relationships between organisations and enterprises, strategic alliances, network management, and other) (Miles, 2012, p. 297).

A social network normally reflects a cluster of same or similar ties. It is also possible to analyse different types of network relationships between the same actors, depending on the type of ties observed. This kind of multidimensional analyses can provide a better insight into content-related aspects of relationships between members, but they can also create confusion and unclarity when one attempts to arrive at an all-encompassing interpretation.

There are many possible types of ties in social networks. They can be grouped in different ways, but for the purposes of this book, we have opted for the adapted taxonomy of four types of mutually interwoven ties

---

[1] Milgram's experiment was performed by sending a letter to several hundreds of persons in Nebraska, who were tasked with forwarding the letter to a personal acquaintance so that they in turn would forward it to a business man from Boston, who was thousands of kilometres away. Participants were instructed to send the letter to persons they believed would fulfil the task (reach the businessman) the fastest. On average, it took only six steps to complete the task (Christakis & Fowler, 2011, p. 33).

(Blau, 1964). We recognise social fabric held together by: (1) *hierarchical ties*, which reflect the relationships of power and authority (managing director, sector director, head of department, or other); (2) *reference ties*, which validate status and/or identification-relevant relationships created by belonging to a special group (e.g., member of a supporters' group, university alumni, or member of a political or civil movement); (3) *social ties*, which reflect emotional, affective and other ties (e.g., kinship, friendship, trust, advice-giving, information exchange); and (4) *exchange ties*, which show the market-based, financial, competition-related or other business relations between members of a network.

People don't usually think of themselves as of indivisible constituents of social networks. However, the reality proves otherwise, especially nowadays, when we are living in a world full of limitless potentials for networking in a virtual world, where relational one-dimensionality and tendency to over-inflate has completely substituted the original quality of human relationships.

People are heavily influenced by their relationships with others and by the structure of the network that they are part of (Granovetter, 1985). Network positioning defines an individual's social position. Various positions inside the network either facilitate or hinder access to resources, and individuals who occupy the central position in the network have irreplaceable advantage (Gnyawali & Madhavan, 2001). Moreover, the structure of the network itself can facilitate or make it harder to reach resources, thus affecting the range of accomplishment available to the individual (Burt, 1992, 1997; Granovetter, 1973; Coleman, 1990).

There are two different perspectives on the social network construct.

Social network can be observed: (1) as a whole, i.e., as a sociocentric *network*, encompassing all its nodes and ties in their entirety (as shown in the hypothetical social network in Fig. 8.6) or (2) as an *egocentric network*, which outlines and analyses relationships between an individual and parts of the network formed around such individual as its centre.

For instance, if we observe a highway construction project with several construction companies participating in it, then a sociocentric network would represent the totality of relationships between all actors who are taking part in the project, interacting and communicating one another.

An association of MBA students also has the characteristics of a sociocentric network, just like a network of formal and informal ties that connect middle management in a company.

If, on the other hand, we observe ties between a CEO of a large food company that establishes and maintains relationships with everyone that the CEO comes into contact with in the course of doing business, then we are effectively analysing an egocentric network.

An egocentric network comprises a central node (the "ego"), other actors that surround it (the "alters" and all the ties that connect them (Borgatti & Foster, 2003). Everyone who comes into direct or indirect contact with the CEO represents their "alters" and acts as a constituent of their social network.

Detailed observation and breakdown of egocentric networks of strategic leaders can help understand how the leadership process is effected and how it can be improved.

Leaders are rarely able to directly reach every person who is important for the performance of their tasks. It is important to have high-quality connections and networks in order to build social capital that is so greatly needed in an age of information intensity and variability of the environment.

On a daily basis, leaders create, improve, maintain and change network structures within which different transactional relationship based on reciprocity are established. Needs, expectations and aspirations are developed and expressed in such networks. Networks can be built on power-based, interest-based and influence-based relations, friendship bonds, exchange of services, data and information, etc. Besides the simple structures where simple, direct transactional dyads can be observed, complex network structures emerge from multiple relations that are not easy to grasp and conceptualise or systematically analyse (Fig. 9.1).

It is a common practice to observe networks established by leaders within and without the limits of the organisation, although some networks extend regardless of the fluid lines that by convention denote the division between the organisation and its environment.
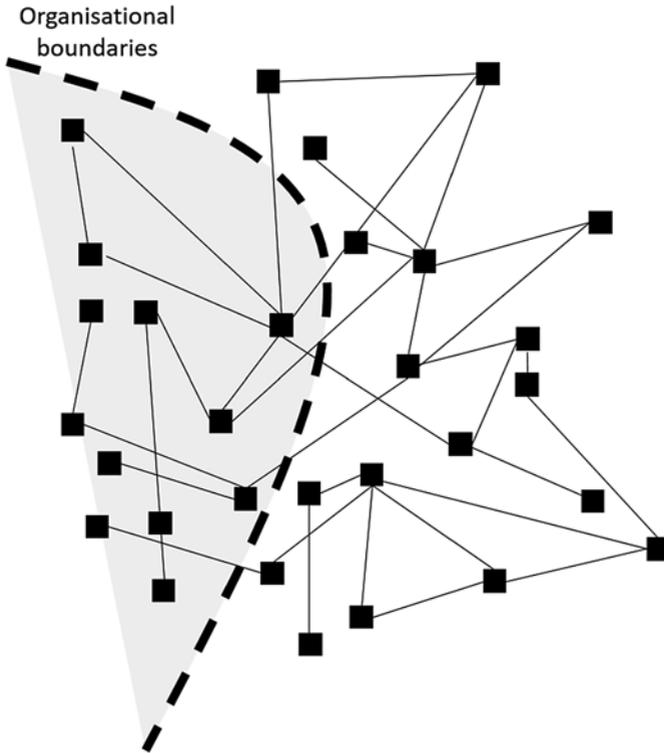
Fig. 9.1 Leadership network

Relational and Structural Embeddedness

There is a myriad of all kinds of forms of social networks that differ by their main characteristics and levels of structural and relational network embeddedness.

Relational embeddedness indicates the content and quality of relations within the network, or as noted by Slišković (2014), it indicates whether there are: (1) affective or cognitive ties (McAllister, 1995; Chua et al., 2008; Casciaro & Lobo, 2008),[2] (2) strong or weak ties (Granovetter,

---

[2] Affective ties are characterised by relationships between members that are based on socioemotional support (affective trust), whereas cognitive ties are characterised by relationships based on advisory support (cognitive trust).

1973), (3) positive or negative ties between members of the network (Labianca & Brass, 2006), (4) relationships based on similar or different perspectives (McPherson et al., 2001), and (5) hierarchical relationships with individuals in subordinate or superior positions (Chua et al., 2008).

It is particularly important to understand the concepts of weak and strong ties in a social network. The strength of a tie depends on emotional intensity and history, interactional frequency, time and other resources invested, and relational reciprocity in the relationship between actors that are part of the network. Individuals cannot have too many strong ties, considering the restrictions of time and space. For this reason, the quality of their weak ties is of fundamental importance to the strength of their position and achieving an advantage within the network.

Weak ties are very useful for acquiring new information and knowledge (Granovetter, 1973), whereas strong ties are useful when it comes to transferring tacit knowledge (Hansen, 1999). People tend to interact and communicate more with those they feel strongly socially and emotionally connected to. The level of emotional connection or commitment is extremely important because it influences the actor's motivation to provide assistance or support to others and consequently *strong ties have greater motivation to be of assistance and are usually more readily available (compared to weaker ties)* (Granovetter, 1973, as cited in Slišković, 2014, p. 78).

Strong ties bring together and connect people within a group, while weak ties act as important bridges between groups (parts of the network) and important building blocks for extended social networks through which we acquire or disseminate resources in the form of information, knowledge, influence, reputation or other.

Slišković (2014, p. 59) noted the argument of importance of weak ties made by Granovetter (1973). Person A has a group of close friends, but also a lot of acquaintances who mostly do not know each other. Each of those acquaintances has a small group of close friends of their own, which means that one such acquaintance - B - also has a connected group of close individuals who are not acquainted with A. The connection between A and B (a weak tie) connects two separate groups of people and helps influence and information spread within the network even beyond the narrow space limited by the boundaries of small groups. In other words,

those who have no ties to their acquaintances will not have access to information from a remote part of their social environment and they will only be limited to sources of information obtained from their closest friends (Granovetter 1973).

People at the far reaches of our social universe, reachable only through weak ties, can be the source of important, idiosyncratic, inaccessible or completely new resources that are not available in the close-knit networks that surround us. Such resources are that much more valuable because they cannot be accessed independently through direct contact with persons close to us.

Leadership of larger organisations and social networks has to be based on developing and managing weak ties. They help expand the scope of the leader's influence and enhance distribution of messages sent, but also provide better feedback on common action in remote organisational or network segments. It can be said that having a greater number of weak ties is a very desirable characteristic in persons who assume the role of organisational leaders.

Another fundamental characteristic is *structural embeddedness*, a characteristic of a social network that depends on the number and constellation of nodes and ties that are mutually interwoven to create its fabric.

Networks can be very small, with only a small number of nodes (e.g., a network of three individuals) but they can also be large (comprising, for example, hundreds of thousands or even millions of actors). They can be all-virtual or all-physical; or a combination of the two.

Moreover, networks also differ by their density and level of cohesion (Ahuja et al., 2012). Density pertains to the number of ties in a social network with respect to the maximum possible number based on the number of nodes. The maximum possible number of ties in a network is $n(n-1)/2$, where n is the total number of nodes in a network.[3]

Density is a measure of cohesion in a social network: it indicates its internal connectedness and degree of interwovenness. Where social

---

[3] This applies to networks with non-directional ties, and when it comes to egocentric networks, the number obtained in the formula should be reduced by one to arrive at the total number of members in a network. In networks with directional ties, the formula for the number of ties is $n(n-1)$.

networks are dense, it is more likely that members will share similar attitudes and perceptions of the leader.

Another important notion is *network robustness*, which measures *how difficult it is to disconnect the network by removing nodes or lines* (Borgatti et al. 2013, p. 155). The more nodes we need to remove to disconnect the network, the greater the cohesion within it, and vice versa.

Dense networks are those in which leaders are surrounded by a large number of followers already on the first relational level. Strategic leaders with strong charisma or potential to inspire others are networked with the collective members directly, creating strong emotional connections with them and skipping the intermediary nodes.

Structural Holes in Networks

Networks can be socially closed or open, exhibiting larger or smaller holes in their structure.

Socially closed networks are characterised by cohesion and strong ties, whereas open networks are characterised by numerous structural holes and weak ties between actors.

Closed networks have certain advantages and can be the source of social capital. They are characterised by the quick spreading of reliable, high-quality information, building greater trust, developing a sense of responsibility, greater level of cooperation and mutual assistance, fewer instances of opportunistic behaviour in the network due to reputational risk, and other (Coleman, 1988).

Slišković (2014, p. 68) noted: *The fact there is more trust in closed networks means there is a greater threat of sanctions in case of breaking the norms within the network*, and cited Coleman (1990, p. 318) who underlined that *[r]eputation cannot arise in an open structure, and collective sanctions that would ensure trustworthiness cannot be applied* (Coleman, 1990, p. 318). Slišković further noted that this type of network gives its members greater reliability when it comes to exchanging information and thus reduces transactional costs of information validation.

We associate leadership in socially closed networks with situations that normally occur in smaller groups with mutual interactions of all

members. Leadership of smaller work or project teams can be analysed, among other things, based on structural characteristics of that type of networks where there is a direct connection between the leader and the followers.

This possibility is eliminated in larger organisations and social networks. The need to extend the scope of influence and informational connectedness focuses attention to indirect ties that the leader has with the actors in the network. Besides, openness of networks is naturally prominent in larger collectives where social closing cannot be achieved even if there were an intention to do so.

That is why strategic leadership can never be based solely on networking in a tightly-knit group of close co-workers with whom one exchanges advice, information, ideas and other resources. Without the spreading of influence across the entire organisation one cannot actually assume the role and tasks of strategic leadership.

Structural hole theory proposes that leaders should structure their networks by using a relatively low number of ties to reach different network constituents and create better access to resources and information (Burt, 1992). This is based on the assumptions of Granovetter (1973), who found that weak ties were more important than strong ties in situations when information and knowledge are shared within a network.

Structural holes exist when individual components of the network are not mutually connected in any other way except through ties found in special members of the network referred to as brokers. Social network brokers connect such unconnected structural components and hold the most influential position in the network (Burt, 1992, 2000). Their role as potential leaders emerges in and of itself from the position of an intermediary in the network.

Let us take the example of the two networks presented in Fig. 9.2. In the network shown on the left, the position and strength of the leader does not depend on the position in the network, because all members are mutually connected independently of the leader. This is a dense, socially closed and completely interwoven social network with the maximum possible number of ties between eight participants. The position of the leader (represented by the black square) does not contribute to network
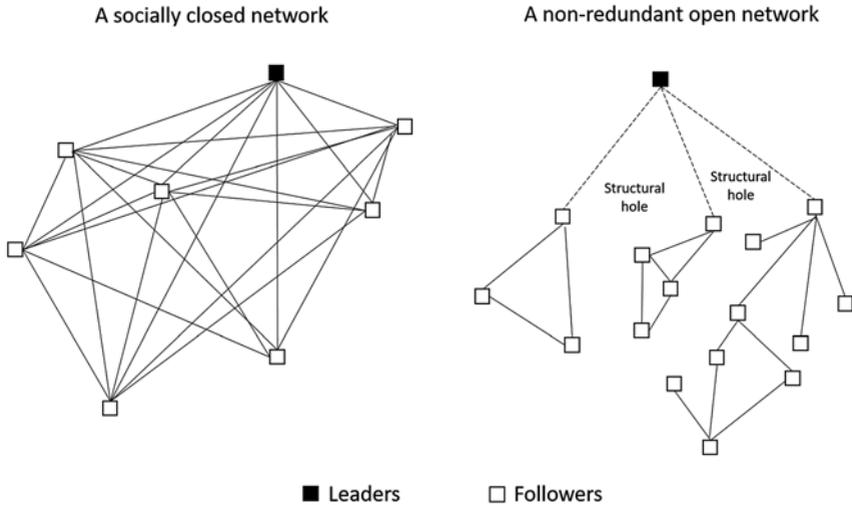
Fig. 9.2   A socially closed and a non-redundant open network

efficiency, and the leader does not exhibit a greater degree of centrality than other members. If the leader were to be removed from the network, that would not substantially change its structural determinants.

In the non-redundant open network, shown on the right, there are three separate network fragments that are mutually connected only via the leader (also represented by the black square). With three ties, the leader bridges the structural holes and connects the fragments into a single network that is completely dependent on the leader. Without the leader in the network, actors from the left fragment would not have any connection with actors from the central and right-hand fragments of the network, and vice versa. The network as a joint entity would *de facto* be inexistent. Re-connecting the parts of a network torn as described above would create additional transactional costs in terms of additional time and effort required to establish the connections between the separate components.

The network-based perspective of strategic leadership involves (1) developing, identifying and utilising weak ties and (2) appropriate spanning of structural holes in fragments of important social networks.

To paraphrase Burt (1992, 2000), strategic leaders need to be skilled intermediaries who bridge the structural holes between different parts of the social network in order to achieve maximum possible effects in the given circumstances.

The leader's mission is to gain and maintain network advantage. If the leader connects separate components of the social network, then, according to theoretical postulates, they have better access to information and other resources than other actors do. Burt (1992) underlined that, in networks with numerous structural holes, *leaders and managers manage information better than if they were to control them through bureaucracy. That way, information flows more quickly among a larger number of people than would be the case if official memos were sent.*

Burt argues that efficiency and power are far removed from redundancy in networking, i.e., from additional leaders' networking with others with whom they are already directly connected. Efficient networks are directly connected by having non-redundant ties, and the best ones are those where each tie opens up the door to another social world. If direct ties cross structural holes in the social network, leaders strengthen their position and exert greater influence, enjoy better access to resources and greater scope of information.

Successful bridging of structural holes offers other benefits as well. Strategic leaders have greater social capital, better potential for coordination and influence in the network, and a more comprehensive view of the overall situation; they can monitor information flow better, transfer information to different parts of the network faster, and recognise and resolve organisational issues more efficiently.

The position of a bridge in the network provides better prospects of innovation, growth and network influence. Leaders holding those positions have a broader perspective, allowing them to see the bigger picture, and they have easier access to remote network worlds, compared to other actors. The number of their connections does not have to be related to the position of the bridge or broker: many important weak ties are not easily noticeable by others in the network (Hoppe & Reinelt, 2010, p. 603). Normally, leaders who are at the same time network brokers enjoy a special status due to the reputation and influence they have on members of their network (Burt, 1992; Lin, 1999; Slišković, 2014, p. 64).

This form of egocentric network implies, in an ideal network strategy, inclusion of fewer trusted associates with whom the leader maintains strong ties and who are in charge of bridging the mutually weakly connected or unconnected parts of the network, and of managing the relations in their own parts of the network (Burt, 1992, 2005).

To use strategic leadership jargon, well-connected managerial elites (e.g., boards of directors, teams of top managers or dominant coalitions) need to develop "network extensions" toward separate fragments, which get connected and integrated via their role as intermediaries.

Theoretical sources generally recommend the division of a social network into parts that do not overlap, in order to reap the benefits of social capital through intermediation of information and other resources between the divided groups (Balkundi & Kilduff, 2006).

Capable leaders need to position themselves in the network structure in a way that ensures maximum effects of networking. The best leaders recognise the competitive advantage that lies in bridging holes in their networks and they tend to create new networks with many structural holes (e.g., Burt, 2000).[4] Research goes in favour of this hypothesis, having shown that the most productive teams are those with strong internal cohesion and members who have their own networks with numerous structural holes (Reagans et al., 2003; Zaheer & Soda, 2009).

Strategic Leadership Networks

Leadership is *ipso facto* a type of social network characterised by processes of exerting influence that connect members of that network (Carter et al., 2015).

There are numerous intertwining formal and informal social networks that surround strategic leaders. They participate in the construction of the leader's reality: they facilitate access to information, resources and available options, and expand the decision-making space.

---

[4] In their research, the authors concluded that successful US and French managers show a tendency to networks with a significant number of structural holes.

Formal networks are the result of contractually established or otherwise imposed lateral and/or hierarchical relationships, which are mostly based on certain imposed rules regarding the division of labour and activities, and on chains of formal authority and responsibility.

Informal networks are created voluntarily (without anything being imposed): the relationship between the leader and other participants involves the creation of cognitive relations (based on knowledge and information), and/or affective relations which involve some form of emotional connection (McAllister, 1995; Chua et al., 2008)

First and foremost, the social network creates room for the leader's and other actors' action, which is guided (to a great extent) by their shared interpretations of events and activities. Ties between members provide access to information in the process of discovering meaning and interpreting reality in circumstances that are not entirely clear (Weick, 1998).

Acceptance and adoption of a network-based perspective is a necessity for leaders: it is the prerequisite which, if missing, makes it impossible to make the right moves and make sense of the world beyond the boundaries of the network of close associates. As Balkundi and Kilduff (2006, p. 434) claim: *Leadership requires the management of social relationships. Starting with the cognitions in the mind of the leader concerning the patterns of relationships in the ego network, the organizational network, and the interorganizational network, social ties are formed and maintained, initiatives are launched or avoided, and through these actions and interactions, the work of the leader is accomplished.*

Networking and creation of social connections are some of the distinctive traits found in the best of leaders.

It is beyond contestation that a strategic leader is a true *homo dictyous* (network man), who has to contemplate the world around him by keeping in mind the characteristics and dynamics of social networks to which he belongs. Christakis and Fowler (2011, pp. 211–212) coined this very appropriate term (from Latin "homo" meaning man, and Greek "dicty" meaning network), to refer to a perspective that distances man from the pure selfishness inherent in Mill's *homo oeconomicus* model, and moves him toward selflessness, owing to the need to take into consideration the needs and welfare of all those around him.

Leaders have to be able to understand the existence, nature and structure of important ties within their social networks: not only those close to them and surrounding them, but also those that are remote from them, as well as ties between other relevant actors in the ambience in which their leadership is manifested.

The method and quality of networking with others and the structural determinants of their social networks define strategic leaders' relational and resource success. Their efficiency depends on the capacity to utilise and improve their relative positions in intra-organisational and inter-organisational social networks. Networks of relationships and connections facilitate access to and creation of important resources, thus helping increase the leader's efficiency and effectiveness (Burt, 1992, 1997, 2000).

Strategic leaders need to get involved in important social networks and delve into their essence in order to better influence others and achieve their intentions and goals. If they are well-connected, they are more likely to have greater power in the network. Good position in the network can guarantee that they will need to invest less effort in getting people on board with the direction and patterns of action that they advocate.

Different layers of networking can be identified among the upper echelons of an organisation.

The inner circle is the network that the leader builds and maintains with actors with whom they are directly connected, in terms of physical presence. These are people with whom the leader directly communicates, interacts and exchanges ideas and information. In most cases these will be the leader's closes associates: a senior management team, a layer of managers with whom the leader communicates directly, various consultants, supervisors, major external partners, and friends. The inner circle is mostly characterised by strong ties.

The leader, alone or together with a handful of top managers, holds the central position and instruments of power in the inner circle. All other members of the collective are situated at the periphery of the social network.

A strategic leader can have either a small or a large inner circle. A large number of members of the inner circle increases the level of social capital if ties between members are based on positive emotions, exchange of knowledge and experiences, and expected synergy effects deriving from

networking. On the other hand, a larger inner circle can cause certain negative effects as well.

Networking within the organisation involves not only the leader's direct ties but also indirect ones within the boundaries of the organisation.

Most actors in the network do not have direct access to the strategic leader, nor does the leader have such access to them. Relationships with members of the collective who are outside the inner circle are manifested twofold: via intermediaries who usually assume managerial roles in middle or lower management, or through direct impersonal communication via written messages or speeches intended to create an emotional connectedness and a feeling of togetherness. This encourages collective alignment and creates space for understanding and identifying with others, which facilitates the process of exerting influence in the leader-followers network.

Inspiring visions and spirited narratives reach organisational members the easiest if they are communicated via developed communicational paths within the organisation. The more developed those networks are, the greater the success in transferring and communicating important information within the collective. On the other hand, developed social networks provide the possibility of including more members in the processes of creating and shaping strategy, as well as obtaining important feedback before they are turned into organisational action.

In this context, one has to take into account the three degrees of influence rule (Christakis & Fowler, 2011, p. 34). Everything a leader (or any other actor in a network) says or does affects the closest associates in the inner circle (first degree), the contacts of those closest associates (second degree) and contacts of the closest associates' contacts (third degree). Beyond that network horizon of three degrees, the influence gradually disperses and weakens, and insights into behaviour, feelings and information transferred via the social network diminish. The opposite applies as well: the leader is under relative influence of the closest three layers of the social network; beyond that, it is hard to expect any influence on the leader.

If, for instance, a strategic leader has twenty close associates in his/her inner circle, who each have twenty associates or contacts of their own in their part of the network, who in turn have about twenty associates or contacts of theirs - this means that the leader's influence reaches as many as 8000 people. Christakis and Fowler (2011, p. 34) underlined: *If we are*

connected to everyone else by six degrees and we can influence them up to three degrees, then one way to think about ourselves is that each of us can reach about halfway to everyone else on the planet.

A good example of validity of the three degrees of influence rule is evident in the method of operation of Rotary International. The President of Rotary International communicates directly with more than 500 district governors through letters and presentations at conferences, with the aim of transmitting the slogans and key messages that are intended to unify and inspire the membership. Each of the governors transfers and interprets the information received to other presidents of Rotary clubs in their districts (a single district may comprise between 50 and 120 clubs: there are more than 33 thousand clubs worldwide). In the third degree, the club presidents are responsible for transferring and interpreting the information received to members of clubs in their own districts (between 20 and several hundred members per club). Through these degrees of influence, key messages reach more than 1,200,000 Rotarians.

Furthermore, networking beyond organisational boundaries is crucial considering the role strategic leadership plays in aligning the organisation with its present and future environment. External networks that leaders have with important environmental actors affect their actions. Belonging to professional and interest groups strengthens the leader's network connections and increases their social capital.

The more social networks the leader participates in, the better their position in those networks and the greater the likelihood that they will be able to acquire the network resources beneficial for the organisation.

We find logical the presumption that there is great chance that the leader will be precisely the person who occupies the best position in the network and easier access to other influential networks.

One should add, however, that networks are not stable and change almost on daily basis. Ties change or disappear, some actors disconnect, and centrality shifts. Moreover, in the overall social ambience, networks continually lose and gain importance depending on their relative position with respect to other networks, organisations, institutional arrangements and the society as a whole. Strategic leaders have to take into account those phenomena, considering that decreased importance of some networks or the severing of ties with important actors in networks
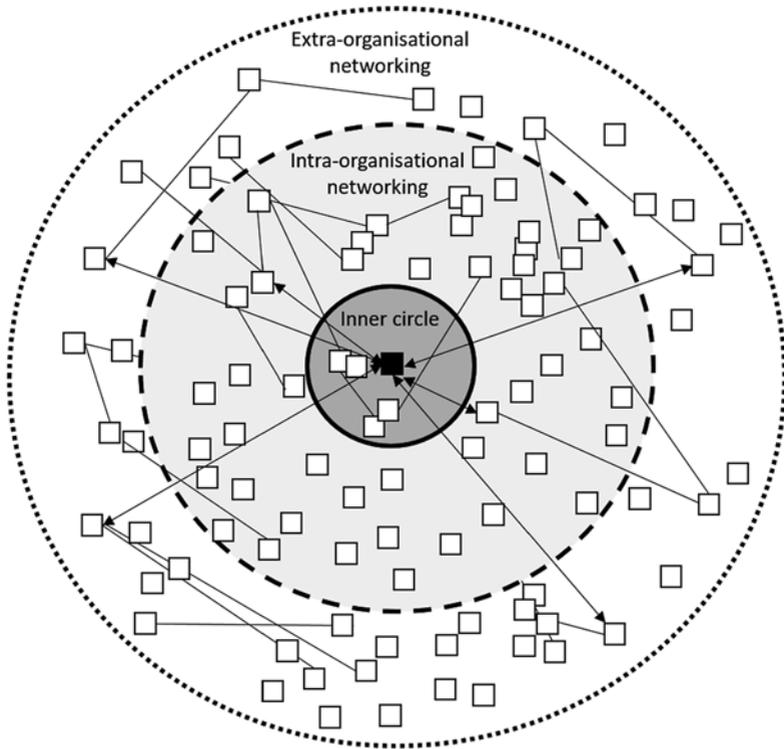
Fig. 9.3 Layers of a strategic leader's networking

can diminish their social relevance and sometimes even threaten their positional survival (Fig. 9.3).

Organisations are influenced by social networks created by the leader's external connections; networks enable them to acquire resources and information from their environment. Lateral connecting beyond the organisational boundaries helps to build their social capital.

We can list examples of connecting between members of boards of directors in several different companies.

External networking can be strengthened by board interlocks (interlocking directorates), which represent a unique mechanism of connecting of top management and organisations themselves.

A *direct interlock* is the case when one or more directors of one company is also a member of the board of directors of the other company. The organisations are directly connected because one person acts as a board member in both companies at the same time.

An *indirect interlock* is the case when directors of two (or more) different companies serve as members of the board of a third company. The two organisations are in this case connected via those board members who both sit on the board of a third company.

The network of connections based on interlocking directorates can be an important source of external social capital (Hillman & Dalziel, 2003). External social capital represents the board of director's external connections to other companies. Directors use board interlocks as a means of analysing the environment in order to access timely and relevant information (Useem, 1982), which is considered to be reliable because it has been obtained first-hand through personal connections with other members of the business community (Carpenter & Westphal, 2001).

Mešin (2013) noted the results of a research according to which board interlocks expose leaders to various leadership and management styles, different managerial techniques, but also innovations, which means that they can be a valuable source of knowledge and experience (e.g., Haunschild, 1993; Young et al., 2001).

Networks into which leaders are included can be observed from one other perspective. Hoppe and Reinelt (2010) proposed an interesting taxonomy with four different possibilities of strategic leaders' networking.

The first type is referred to as *peer leadership networks*, where leaders share the same or similar identities, interests and affinities and give one another reliable information and advice in a safe ambience protecting them from aberrant behaviour or adverse consequences. Sincere relationships enable openness and development in discovering and exchanging important knowledge, advice and information, without any uncomfortable queries that could be raised within their own primary organisations and threaten their integrity or power based on position. In other words, these are voluntary alliances or networks that expand knowledge and broaden influence. Examples of this type of network could be associations of general, financial or project managers, members of boards of directors or supervisory boards, and other.

The second type are *organisational leadership networks*, where leadership is about "getting things done" (establishing directions, bringing people together, and building commitment), which implies the opening of new possibilities, focusing of collective attention, integrating and mobilizing resources, and inspiring others within the collective (LeMay & Ellis, 2007, as cited in: Hoppe & Reinelt, 2010, p. 607). According to the authors, these are informal networks of leaders (beyond the lines of formal authority and responsibility) that help raise the level of innovation, efficiency, and productivity. This type of network usually involves lateral connections between heads of organisational units in their communication and exchange of ideas and information. Recently we have seen the popularity of so-called "tribal leadership" in the organisational structures of companies. This is a version of organisational leadership network that can raise the level of corporate innovativeness and help develop organisational agility.

The third type are referred to as *field-policy leadership networks*. In these networks, one attempts to influence the ways problems arise and to identify approaches, standards and methods that can help solve those problems. The objective is to mobilise the members of the network to act together to make their shared vision a reality. The logic behind networking lies in development and implementation of innovative solutions to complex problems and members' active participation in key policy-related decisions.

The fourth type are *collective leadership networks* and they rely on self-organising members who share a common goal and who are capable of acting quickly and solving problems in a complex and turbulent environment within the network. Hoppe and Reinelt (2010) emphasise that collective leadership emerges from adaptable collective action of a group of leaders, directing the collective to achieving the common goal tacitly or openly agreed upon among the actors.

Finally, one should also point out the massive impact of the Internet when it comes to development and spreading of social networking in the virtual world, which also has a significant impact on leaders' networking.

The scale of virtual social networks, the number of individuals they can reach, and increasing number of ties that could exist between them, is beyond anything anyone could ever have dreamed of. There is also the increased volume of information shared and the broadening of the scope

of collective action (just think about some self-emerging social movements that reached global impact by connecting over the Internet, such as the *Black Lives Matter* movement, which reached global proportions after a policeman used unjustified excessive force resulting in the suffocation of African American George Floyd in the USA in the summer of 2020).[5]

In such situations, leadership normally emerges through capillary action, so to speak, without coordination from a single place: it is the result of dynamics of network structures, the strength of the ties and motions that expand horizons and give sense to collective action in mutual interaction of a large number of actors occurring primarily online.

Social Capital and Network Relationship Management

The identification of values brought into the collective by strategic leadership helps to recognise the importance of network relationships.

Novicevic and Harvey (2004) identified four components of those values, which they referred to as *strategic leadership capital*. These are: (1) *human capital*, which is described as the productive potential of organisational leadership that is based on knowledge and skills and created and safeguarded through the leader-members relationship; (2) *social capital* as the sum of actual and potential resources that can be mobilised through membership in social networks of organisational actors (leader and followers); (3) *political capital*, recognised as the leader's ability to use their political skills to influence others in the organisational context[6]; and (4) *cultural capital*, comprising long-standing dispositions and habits acquired from the leader in the process of socialisation in various settings, accumulated as valuable cultural symbols in organisational memory and tacitly passed on from one generation of leaders to the next.

---

[5] See more about the *Black Lives Matter* movement at https://blacklivesmatter.com/ (accessed 30 June 2020).

[6] There are two dimensions of political capital that can be defined: (1) reputational capital (leader is known in the network as someone who can make things happen), (2) representative capital, which reflects the support of constituents and legitimacy obtainable or given to the leaders (López, 2002).

Social capital is strategic leaders' most important asset. It can be defined as the sum of existing and potential resources that are incorporated in, available in, or resulting from a network of relationships that an individual or social unit has (Nahapiet & Ghoshal, 1998). It indicates the value of relations that the leader can create and maintain with other actors within the organisation and beyond it.[7]

Social capital truly is capital because it can be used and mobilised, transformed into other forms of capital, and relied on in order to improve efficiency. It requires maintenance and continual effort; unlike other types of capital, it increases as it is utilised, through greater attention being paid to maintaining relationships between people (Adler & Kwon, 2002).

Social capital is the least researched aspect of leadership (Brass & Krackhardt, 1999).

It is observed based on the concept of *social similarity*, as well as on the basis of the individual's personal social network and belonging to associations and groups relevant for achieving social influence (Belliveau et al., 1996). It is formed in social networks, through reciprocity norms, helping one another and developing trust (Putnam, 2003, p. 2), and it is determined by the density and the overlapping of different horizontal networks of cooperation beyond the circle of primary groups (Šalaj, 2003).

It is connected with important resources that are comprised in relationships between people and that can significantly increase the efficiency of their action. It emerges from formal and informal social connections, establishing of relationships of trust, and norms applying to collective action (Liu & Besser, 2003). Selflessness is the prerequisite for successful social bonding.

Social capital is manifested by having a secret network of more or less institutionalised relationships through mutual exchange of information and knowledge and/or mutual recognition, or in other words, through the ongoing obligations arising out of a sense of gratitude, respect and friendship or from institutionally guaranteed rights arising from belonging to a family, a company, a class or a school. (Bourdieu, 1985). The network of relationships creates *a valuable resource for the implementation*

---

[7] The concept of social capital was originally elaborated by Robert Putnam in his influential paper *Bowling Alone: The Collapse and Revival of American Community*, written in 1995 and published as a book of the same name in 2000.

of social relations, enabling its members collective ownership of capital, which entitles them to attain credit, in various conceptions of the word (Bourdieu, 1985, p. 249, as cited in Slišković, 2014, p. 45). Bourdieu observes social capital first and foremost as an instrument of domination of privileged groups in a society.

Everything that can be mobilised through the network for the purpose of creating value, just like the network itself when it serves this function, represents a constituent of social capital (Burt, 1992, 2000). A key characteristic of social capital is its dependence on the relationship: if, for example, an actor were to withdraw from a dyadic relationship with another actor, their social capital disappears as well (Brass & Krackhardt, 1999, p. 180).

Putnam (2003) differentiates between two types of social capital: bridging capital and bonding capital. *Bridging social capital* is about bringing people from different social segments closer together, and it is based on reciprocity and information sharing, whereas *bonding social capital* strengthens homogeneity and solidarity and increases loyalty in a close-knit group or network fragment.

Social capital has a structural, relational and cognitive dimension (Nahapiet & Ghoshal, 1998). Dimensions represent conceptual simplifications serving to facilitate understanding of this complex construct. In practice, manifestation of social capital involves complex interrelationships and partial overlapping between dimensions.

The *structural dimension* pertains to the characteristics of the social system and relationship network as a whole. It describes the impersonal configuration of relationships between people and/or organisational units. It involves roles, rules and procedures, and other configurational elements. It is a *tangible* component of social capital.

It is recognised by the characteristics of social networking: what a person's connections to others are like and how strong they are, and with how many other people they have contact. Structure indicates the value of the network. Specifically, networks differ by character, appropriateness and basic characteristics (e.g., density and heterogeneity); as such, they can (to a lesser or greater degree) facilitate exchange and ensure access to actors who have special types of competencies, they can reduce transactional costs and increase the likelihood of common action to the benefit

of everyone involved (e.g., Andrews, 2010; Ansari et al., 2012; Davenport & Daellenbach, 2011).

The *relational component* reflects the type of relationships that have developed between individuals over the course of the history of their relations (Granovetter, 1992) and that affect their behaviour. The nature and quality of relationships comprises the relational component of social capital. The following factors are important: trust, norms, sanctions, obligations, expectations, and identification between the actors involved. Relationships such as those of respect and friendship enhance, while distrust and confrontation reduce social capital.

Putnam (2003, p. 183) underlined the correlation between trust and cooperation in human relationships: *The higher the degree of trust within a community, the greater the likelihood of cooperation. And cooperation in turn reinforces trust.* Social capital increases in proportion to the increase in the intensity of trust and cooperation, spilling over to remote actors via indirect ties in social networks.

In creating relational social capital, another element that is important - besides the foregoing - is *connectivity*, or in other words, readiness to put the defined collective objectives before one's own (Lazarova & Taylor, 2009).

The cognitive dimension pertains to characteristics of social capital that enable presentation, interpretation and creation of systems of meaning between people. It is important because of the effect of creating a common language, a shared identity, the use of metaphors and narratives within the organisation (Nahapiet & Ghoshal, 1998; Slišković, 2014), which all builds the foundation for communication between participants. In addition to that, cognitive social capital is also evident in the culture and it is expressed through common goals and visions shared by members of a collective (Inkpen & Tsang, 2005).

Social capital is the foothold of strategic leadership.

Strategic leaders have to be aware of the complex social networks that surround them. They must understand the characteristics and structures of their networks, ways to create and appropriate new value in them, and methods with which to strengthen key ties with their associates and other members of the network (for example, through respect, trust, exchange of information, and exerting influence).

It is important that they are aware of the simultaneous existence of formal and informal networks. If, for example, they fail to perceive and understand informal organisational networks, a negative climate will be created and numerous problems could arise as a result (Krackhardt & Hanson, 1993). Conversely, excellent understanding of informal networks can, in and of itself, be the basis for their additional power and advantage over others in their environment (Krackhardt, 1990).

Moreover, they need to make appropriate decisions with respect to the networks, which will enhance their efficiency. It is important to have the ability to understand structural determinants, as well as the ways one has to influence and improve their relative position within the intra-organisational and inter-organisational social networks (e.g., Anand & Conger, 2007; Bartol & Zhang, 2007; Balkundi & Kilduff, 2006; Cullen-Lester et al., 2017).

A strategic leader's social capital is highly dependent on existing ties and actors embedded in the network. Withdrawal of important actors from the network has a direct impact on reduction of social capital (Brass & Krackhardt, 1999). Apart from that, members' moving up the organisational ladder, lateral shifting within the organisation, or leaving the organisation are events that require special attention when it comes to network relationships.

Leaders have to make sure to develop appropriate strategies for building and utilising relationships within networks, but also to provide certain elasticity when networks get torn or become irrelevant. In this context, Ibarra and Hunter (2007) highlighted the need for developing operational, personal and strategic networks which leaders have to be build or become members of.

Balkundi and Kilduff (2006, pp. 423–424) underlined that being an efficient leader in the collective means being aware of: (1) key relationships between actors in the collective; (2) the extent to which those relationship involve embedded ties including kinship and friendship; (3) the extent to which social entrepreneurs extract value from their own personal networks in order to facilitate (or threaten) the achievement of organisational objectives; and (4) the extent to which the social structure of the collective involves cleavages between different factions.

Centrality in the network is one of the key characteristics of social capital. Achieving the central position in the network is a necessary prerequisite for leadership. This is based on two possible strategies: (1) connecting with other actors who hold the central position via strong ties, and (2) creating connections between other, mutually unconnected actors by using weak ties (Brass & Krackhardt, 1999).

The strong ties strategy secures the central position in the network for the leader, by connecting them with close and trusted associates who have many direct ties of their own; this way leaders indirectly acquire good access to remote sections of the network.

The weak ties strategy helps bridge network gaps and connects fragments of the social network by bridging structural holes; it helps in the acquiring of non-redundant information and new ideas that can support organisational management. The importance of this strategy is all the greater in an ambience characterised by quickly-occurring technological changes, virtualisation of every segment of social life, and increased overall uncertainty in the environment.

Both strategies have to be implemented simultaneously in order to maximise their effects.

Not all networks are good, nor is networking always useful in and of itself. Some leaders rely on poorly structured networks, which reduces the efficiency of their work. Cross and Thomas (2011) noted that strategic leaders should carefully manage their networks and build them in a way that ensures access to all kinds of information and expertise, good-quality feedback on their own actions, as well as to powerful individuals and persons who assist them and give them a sense of purpose.

Actual and assumable resources contained in and derived from social networks are the substance of a strategic leader's social capital, but they are not sufficient as such. Building new and improving existing social networks is a constant imperative, just like careful management of complex network relationships.

Cross and Prusak (2002) underlined the usefulness of social network analysis in helping managers understand informal networks in organisations and make smart investments in the development of their network structures. Anand and Conger (2007) proposed four strategies that leaders can use to modify their networks: (1) seeking connections with other,

informal leaders, (2) actively managing social connections, (3) interacting with others in friendly exchange, and (4) meeting people with complementary skills that could benefit from mutual cooperation.

In summary, a leader's keen observations of social movements and structures of their social connections influence the success of their action (Balkundi & Kilduff, 2006), and the multiple networks they build within the organisation and outside it facilitates access to important information, knowledge, influence, and opportunities, and also mitigate risks (Tipurić, 2011).

The main question is how to determine the proportion that relying on hierarchy (formal authority chain) should bear to using social networks in implementing organisational change as the central element of strategic leadership. The answer to this question depends on the situation and the characteristics of the organisation, but we know that creating networks and managing network relationships is inevitable. The most successful strategic leaders make significant investments in social networks: they improve existing networks, strengthen their own position in them, and develop new network structures than can be beneficial for them in the performance of their primary task.

References

Adler, P. S., & Kwon, S. (2002). Social capital: Prospects for a new concept. *The Academy of Management Review, 27*(1), 17–40.

Ahuja, G., Soda, G., & Zaheer, A. (2012). The genesis and dynamics of organizational networks. *Organization Science, 23*(2), 434–448.

Anand, N., & Conger, J. A. (2007). Capabilities of the consummate networker. *Organizational Dynamics, 361*, 13–27.

Andrews, R. (2010). Organizational social capital, structure and performance. *Human Relations, 63*(5), 583–608.

Ansari, S., Munir, K., & Gregg, T. (2012). Impact at the 'bottom of the pyramid' the role of social capital in capability development and community empowerment. *Journal of Management Studies, 49*(4), 815–842.

Balkundi, P., & Kilduff, M. (2006). The ties that lead: A social network approach to leadership. *The Leadership Quarterly, 17*(4), 419–439.

Bartol, K. M., & Zhang, X. (2007). Networks and leadership development: Building linkages for capacity acquisition and capital accrual. *Human Resource Management Review, 17*(4), 388–401.

Belliveau, M. A., O'Reilly, C. A., & III., & Wade, J. B. (1996). Social capital at the top: Effects of social similarity and status on CEO compensation. *Academy of Management Journal, 39*(6), 1568–1593.

Blau, P. M. (1964). *Exchange and power in social life*. Wiley & Sons.

Borgatti, S. P., & Foster, P. C. (2003). The network paradigm in organizational research: A review and typology. *Journal of Management, 29*(6), 991–1013.

Borgatti, S. P., Everett, M. G., & Johnson, J. C. (2013). *Analyzing Social Networks*. Thousand Oaks, CA: Sage.

Bourdieu, P. (1985). The social space and the genesis of groups. *Theory and Society, 14*(6), 723–744.

Brass, D. J., & Krackhardt, D. (1999). The social capital of 21st century leaders. In J. G. Hunt & R. L. Phillips (Eds.), *Out-of-the-box leadership* (pp. 179–194). JAI Press.

Burt, R. S. (1992). *Structural holes: The social structure of competition*. Harvard University Press.

Burt, R. S. (1997). The contingent value of social capital. *Administrative Science Quarterly, 42*, 339–365.

Burt, R. S. (2000). The network structure of social capital. *Research in Organizational Behavior, 22*, 345–423.

Burt, R. S. (2005). *Brokerage and Closure: An Introduction to Social Capital*. Oxford: Oxford University Press.

Carmeli, A., Atwater, L., & Levi, A. (2011). How leadership enhances employees' knowledge sharing: The intervening roles of relational and organizational identification. *The Journal of Technology Transfer, 36*, 257–274.

Carpenter, M. A., & Westphal, J. D. (2001). The strategic context of external ties: Examining the impact of director appointments on board involvement in strategic decision making. *Academy of Management Journal, 44*(4), 639–660.

Carter, D. R., DeChurch, L. A., Braun, M. T., & Contractor, N. S. (2015). Social network approaches to leadership: An integrative conceptual review. *Journal of Applied Psychology, 100*(3), 597–622.

Casciaro, T., & Lobo, M. S. (2008). When competence is irrelevant: The role of interpersonal affect in task-related ties. *Administrative Science Quarterly, 53*(4), 655–684.

Christakis, N. A., & Fowler, J. H. (2011). *Povezani: iznenađujuća moć društvenih mreža i kako one utječu na naše živote*. Algoritam.

Chua, R. Y. J., Ingram, P., & Morris, M. W. (2008). From the head and the heart: Locating cognition- and affect-based trust in managers' professional networks. *Academy of Management Journal, 51*(3), 436–452.

Coleman, J. S. (1988). Social capital in the creation of human capital. *The American Journal of Sociology, 94*, 95–120.

Coleman, J. S. (1990). *Foundations of social theory*. Harvard University Press.

Cross, R., & Prusak, L. (2002). The people who make organizations go-or stop. *Harvard Business Review, 80*, 104–112.

Cross, R., & Thomas, R. (2011). Managing yourself: A smarter way to network. *Harvard Business Review, 89*, 1–6.

Cullen-Lester, K. L., Maupin, C. K., & Carter, D. R. (2017). Incorporating social networks into leadership development: A conceptual model and evaluation of research and practice. *The Leadership Quarterly, 28*(1), 130–152.

Davenport, S., & Daellenbach, U. (2011). Belonging to a virtual research centre: Exploring the influence of social capital formation processes on member identification in a virtual organization. *British Journal of Management, 22*(1), 54–76.

Dunbar, R. (1993). Coevolution of neocortical size, group size and language in humans. *Behavioral and Brain Sciences, 16*(6), 681–735.

Gnyawali, D. R., & Madhavan, R. (2001). Cooperative networks and competitive dynamics: A structural embeddedness perspective. *Academy of Management Review, 26*(3), 431–445.

Granovetter, M. S. (1973). The strength of weak ties. *American Journal of Sociology, 78*(6), 1360–1380.

Granovetter, M. S. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology, 91*(3), 481–510.

Granovetter, M. S. (1992). Problems of explanation in economic sociology. In: Nohria N. & Eccles, R. G. (eds.). *Networks and organizations: Structure, form, and action* (25–56). Boston: Harvard Business School Press.

Hansen, M. (1999). The Search-Transfer Problem: The Role of Weak Ties in Sharing Knowledge across Organization Subunits. *Administrative Science Quarterly, 44*(1), 82–111.

Haunschild, P. R. (1993). Inter-organisational imitation: The impact of interlocks on corporate acquisition activity. *Administrative Science Quarterly, 38*, 564–592.

Hillman, A. J., & Dalziel, T. (2003). Boards of directors and firm performance: Integrating agency and resource dependence perspectives. *The Academy of Management Review, 28*(3), 383–396.

Hoppe, B., & Reinelt, C. (2010). Social network analysis and the evaluation of leadership networks. *The Leadership Quarterly, 21*, 600–609.

Ibarra, H., & Hunter, M. (2007). How Leaders Create and Use Networks. *Harvard Business Review, 85*(1), 40–47.

Inkpen, A. C., & Tsang, E. W. K. (2005). Social capital, networks, and knowledge transfer. *Academy of Management Review, 30*(1), 146–165.

Krackhardt, D. (1990). Assessing the political landscape: Structure, cognition, and power in organizations. *Administrative Science Quarterly, 35*, 342–369.

Krackhardt, D., & Hanson, J. R. (1993). Informal networks. *Harvard Business Review, 71*, 104–111.

Krackhardt, D., & Porter, L. W. (1986). The snowball effect: Turnover embedded in communication networks. *Journal of Applied Psychology, 71*(1), 50–55.

Labianca, G., & Brass, D. J. (2006). Exploring the social ledger: Negative relationships and negative asymmetry in social networks in organizations. *The Academy of Management Review, 31*(3), 596–614.

Lazarova, M., & Taylor, S. (2009). Boundaryless careers, social capital, and knowledge management: Implications for organizational performance. *Journal of Organizational Behaviour, 30*(1), 119–139.

LeMay, N. V., & Ellis, A. (2007). Evaluating leadership development and organizational performance. In: Hannum K., Martineau J. W. & Reinelt C. (eds.), The Handbook of Leadership Development Evaluation (228–260), Wiley.

Lin, N. (1999). Building a network theory of social capital. *Connections, 22*, 28–51.

Liu, A. Q., & Besser, T. (2003). Social capital and participation in community improvement activities by elderly residents in small towns and rural communities. *Rural Sociology, 68*, 343–365.

López, E. J. (2002). The Legislator as Political Entrepreneur: Investment in Political Capital. *The Review of Austrian Economics 15*, 211–228.

McAllister, D. J. (1995). Affect- and cognition-based trust as foundations for interpersonal cooperation in organizations. *Academy of Management Journal, 38*(1), 24–59.

McPherson, M., Smith-Lovin, L., & Cook, J. M. (2001). Birds of a feather Homophily in social networks. *Annual Review of Sociology, 27*, 415–444.

Mehra, A., Kilduff, M., & Brass, D. J. (2001). The social networks of high and low self-monitors: Implications for workplace performance. *Administrative Science Quarterly, 46*(1), 121–146.

Mešin, M. (2013). Povezanost djelotvornosti nadzornoga odbora s poslovnom uspješnošću poduzeća. PhD Thesis, University of Zagreb, Faculty of Economics & Business.

Miles, J. A. (2012). *Management and organization theory*. Jossey-Bass.

Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital and the organizational advantage. *Academy of Management Review, 23*(2), 242–266.

Novicevic, M. M., & Harvey, M. (2004). Staffing architecture for expatriate assignments to support subsidiary cooperation. *Thunderbird International Business Review, 46*(6), 709–724.

Poppo, L., & Zenger, T. (2002). Do formal contracts and relational governance function as substitutes or complements? *Strategic Management Journal, 23*(8), 707–725.

Putnam, R. D. (2003). *Kako demokraciju učiniti djelotvornom*. Faculty of Political Science.

Reagans, R., Zuckerman, E., & McEvily, B. (2003). *How to make the team? Social networks vs. demography as criteria for designing effective projects.* Working paper, Columbia University Graduate School of Business

Šalaj, B. (2003). Koncept socijalnoga kapitala u komparativnoj politici. *Politička misao, 15*(4), 126–144.

Slišković, T. (2014). The influence of managerial social network on managerial success. PhD thesis, University of Zagreb, Faculty of Economics & Business.

Tipurić, D. (Ed.). (2011). *Promjene vrhovnog menadžmenta i korporativno upravljanje*. Sinergija.

Useem, M. (1982). Classwide rationality in the politics of managers and directors of large corporations in the United States and Great Britain. *Administrative Science Quarterly, 27*, 199–226.

Weick, K. E. (1998). Improvisation as a mindset for organizational analysis. *Organization Science, 9*(5), 543–555.

Whittington, R. (2001). *What is strategy- and does it matter?* Thomson Learning.

Young, G. J., Charns, M. P., & Shortell, S. M. (2001). Top manager and network effects on the adoption of innovative management practices: A study of TQM in a public hospital system. *Strategic Management Journal, 22*, 935–951.

Zaheer, A., & Soda, G. (2009). Network evolution: The origins of structural holes. *Administrative Science Quarterly, 54*, 1–31.

10

Facing Tensions in Strategic Leadership

Paradoxes and Incongruities in Leading Organisations

Strategic leadership is constantly faced with challenges in managing and decision-making, usually in circumstances that are vague, variable, and uncertain. With the exception of the rare occasions when it is possible to find the optimal solution to a problem, situations where one has to choose between a set of discrete options or find solutions on a curve of possibilities, are encountered on daily basis.

It is marked by extraordinary challenges when it comes to overcoming complex contradictions and marrying up hardly compatible ideas, constructs, and behaviour patterns while at the same time implementing different directions of action. That is not an issue whenever it is possible to select, in the given conditions, a solution that is "satisficing", meaning that we make an adaptive decision which creates the prerequisites for improvement compared to the initial situation.

Serious temptations emerge when contradicting factors appear to be true at the same time and—as such—generate tension in leaders' actions (De Wit & Meyer, 2005). This is a situation of paradox (in Greek: παράδοξος), involving two equally valued but completely opposite and

different ideas (directions, characteristics, or behaviours) which make such situations impossible or very difficult to understand.[1]

Storey and Salaman ([2009](#)) underlined those paradoxes are a *systemic characteristic of social organisations* which are by nature complex and contradictory, with many emerging conflicts, tensions and conflicting goals and decisions. This characteristic gives organisations better chances of adapting to a fast-changing, complex, and uncertain environment.

First-class strategic leadership is characterised by very particular skills: from cognitive elasticity and ability to think dialectically, to tolerance of contradictions and discrepancies.

Paradoxes and incongruities are undoubtedly the defining characteristics of organisational ambience, and it is the strategic leader's task to overcome them, orchestrate the organisational tensions and develop mechanisms that will contribute to the organisation's better embeddedness in the present and future social context.

Organisational adaptation is often the result of combining the uncombinable in dealing with contradictions and conflicts in an attempt to create additional quality necessary for survival and operational success. An example of a paradoxical situation in which strategic leaders find themselves is aspiring to organisational stability and change at the same time (e.g., Pettigrew et al., [2001](#); Taylor-Bianco & Schermerhorn, [2006](#)).

Considering that there is no logical, internally consistent method of integrating contradicting elements, strategic leaders have to create the space in which different approaches will be accepted simultaneously and where possible but radical solutions for facing unknown challenges will not be dismissed.

An illustrative presentation of organisational paradoxes, dilemmas and conflicts was given by Cameron and Quinn ([1988](#), p. 11), explaining the opposing pressures that leaders have to deal with in their intent to establish organisational effectiveness. Their *competing values framework* refers to some crucial, but contradictory organisational values and directions that leaders have to accept and know how to deal with. The concept of *behaviour complexity* is underlined as being especially important, as it

---

[1] Cambridge Dictionary, https://dictionary.cambridge.org/dictionary/english/paradox (accessed 30 June 2020).

refs to the leader's ability to simultaneously assume competing and contradictory leadership roles (Quinn, 1989).

Contrasting concepts, such as (1) flexibility and control in the organisation or (2) internal vs. external focus, indicate that there are natural organisational tendencies that appear as the key dimensions of the competing values framework. Organisational dilemmas and conflicts can be identified in a series of other dichotomies as well, such as for instance: (3) adaptability and stability, (4) communication and growth, (5) productivity and employee morale, and (6) value of human resources and rational planning. All six dichotomies depict how organisational leaders are torn between opposing choices, which can be illustrated by four models: (1) human relations model (how to win the members' loyalty), (2) open systems model (how to adapt to the environment and expand), (3) internal process model (how to consolidate and have continuity) and (4) rational goal model (how to maximise output).

Apart from the tensions listed by Cameron and Quinn (1988), one can also identify numerous other dilemmas and contradictions that organisations are faced with. For example, these include choosing between: incremental or discontinuous innovation, exploration or exploitation of resources, learning systems based on feedback and feed-forward (Vera & Crossan, 2004), and tensions between focus on the present or on the future, or choosing between competing or cooperating with others, and so on (e.g., Evans & Doz, 1992; Child & McGrath, 2001).

Strategic Leadership Tensions Framework

Conflicting discourses, concepts, interests, understandings, or aspirations lead to much organisational tension and many paradoxes that strategic leaders have to deal with on daily basis.

Kriger and Zhovtobryukh (2013) underlined that organisational leaders have to continually balance between seven seemingly opposing demands: (1) continual adaptation of the formal organisation (organisational design, including structure) and informal organisation (informal networks and personal relationships based on shared history and group beliefs within the organisation); (2) harmonisation of actual behaviour

and decisions of the managerial elite, who act as important role-models for most of the members of the organisation, with accepted organisational values and culture (congruence between actual behaviour and values of the organisation); (3) adaptation of the internal organisation (including both formal and informal organisation) to the continually changing environment; (4) relationship between short-term and long-term investments; (5) balancing between local market and integrated global markets; (6) relationship between explicit and tacit knowledge; (7) balancing between decisions based on reason and those based on intuition.

Furthermore, by reviewing the results of a large-scale research looking into how CEOs of major companies operate, Porter and Nohria (2018) differentiated between six dimensions which involve dualities that strategic leaders constantly have to account for. These involve: (1) balancing between direct action (setting goals, strategic decision-making, participating in meetings, and alike) and indirect action through other individuals (based on strategy, culture and processes that effectively integrate the collective and motivate members); (2) finding the right measure between relationships, focus and time spent with internal factors (members of the collective) and external ones (a myriad of external stakeholders); (3) balancing between proactive action (visioning, targeted directing and strategizing) and reactive action (responding to unexpected events and crisis situations); (4) dichotomy between the leverage enjoyed by leaders (based on their position and control of resources, which gives them great power) and the constraints that emerge from the collective (the need to send the right messages and connect others); (5) difference between the leader's tangible work (such as shaping strategy and organisational structure, allocating resources, selecting key people) and symbolic activities that communicate norms, shape values and imprint meaning in organisational life; and (6) relation between influence based on formal power (authority) on the one hand and legitimacy based the leaders' character and trust they earn from the collective as a result of their demonstrated values, fairness and commitment.

As evident from the described conceptualisation, there is an entire ocean of contradictions and conflicting constructs for organisational leaders to swim and brave the waves in.

Leaders don't always have the same understanding of reality and perspective of the type and nature of their connection with the organisation. Their motives and behavioural patterns can be fundamentally different; it is also possible for internal tension to develop between the extremes that affect their choices and directions of organisational action.

Complicated situations, unexpected events and controversies are all parts of their day-to-day work, and the way they deal with them is what defines their substance. It is not uncommon for them to encounter situations in which contradictory and/or mutually exclusive factors both appear true at the same time. They find themselves stretched between multiple extremes and torn between choices that are very hard to make. Besides that, tensions also appear when different leadership styles based on completely different leadership principles are combined in the organisation.

How to prevail the seemingly unprevailable and combine the seemingly uncombinable is the core issue of the most important challenges of strategic leadership.

We have identified what we believe to be six key tensions that strategic leaders face, and we have presented them here to facilitate better understanding of the possible extremes in their action. These are: (1) the doubt that we perceive as tension between aligning the organisation with one's own self and one's own interests on the one side and adjusting oneself and one's actions to suit the interests of the organisation on the other; (2) the dilemma between transactional and transformational leadership; (3) choice between one-dimensionality and multifacetedness of strategic leaders' goals in choosing the direction and mode of operation of the organisation; (4) the time factor when it comes to the dilemma between short-term and long-term perspective in creating organisational future, as well as (5) tensions between exploration and exploitation processes in the organisation (ambidexterity), and (6) contrasts between logical and creative thinking about strategy, or in other words, hesitation in deciding whether to establish order or to give freedom and permit chaos in organisational behaviour (Fig. 10.1).

These tensions show that strategic leaders are torn between collectivist and individualistic behaviour, and destined to a dilemma between relying on the present or focusing more on the future.
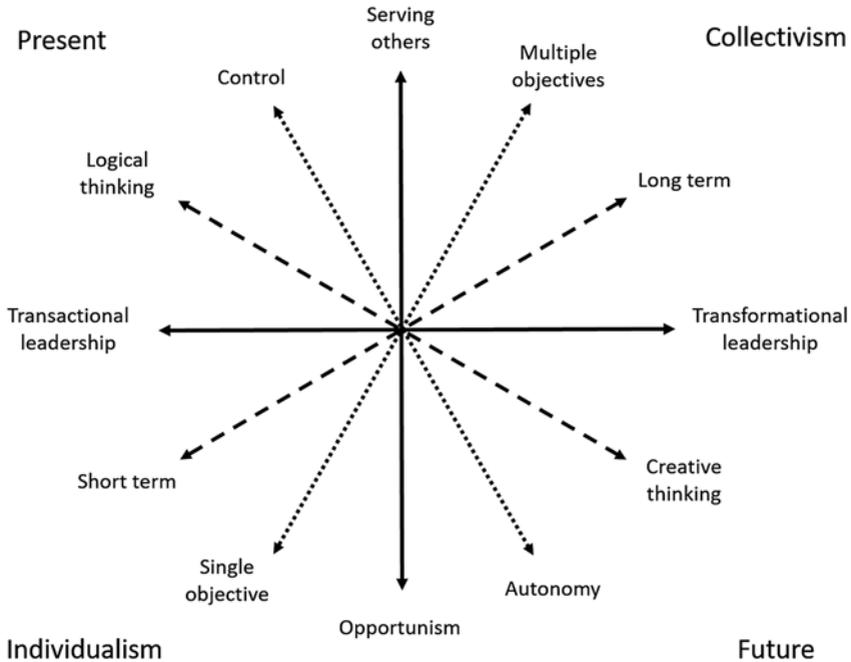
Fig. 10.1 Strategic leadership tensions framework

Balancing between Opportunistic Behaviour and Serving Others

There are two opposing lines that demonstrate the basic relationship between the leader and the collective.

Firstly, leaders can create a new (or adapt the existing) collective in order to establish a context in which their own goals will be pursued through influencing and engaging others. The organisation is perceived as an *instrument* used to realize the leader's intentions.

Conversely, leadership can be understood as a function of the collective tasked with directing and connecting members and building their commitment in order for the collective to survive and successfully complete their mission in the environment. The leader acts in the collective's common interest and serves the organisation and its objectives.

This kind of tension is present, more or less intensely, in all collectives.

Based on the first line, leaders aspire to adapting the organisation to themselves, seeing it (as already noted) as its own *mental reflection* (Hambrick & Mason, 1984), or in other words, as a means of ensuring their own social recognition and personal gain, and a manifestation of their power in the social fabric they are woven into.

The organisation is subsidiary: it is the long arm of its leader, who imposes upon it their own understanding of the world, and places their own aspirations and intentions before all others. It is the means to fulfil the leader's strategic intent and the social mechanism used to materialise the leader's *footprints* in the environment. In such situations, strategic leaders are motivated by opportunism: they are guided by their own interests and wish to maximise personal gain.

The agency theory is a suitable framework in which one can analyse opportunistic behaviour of strategic leaders.

The collective (or another external entity, such as the owners, community or society, for example) may be defined as the *principal*, and the strategic leader as the *agent*. The problem arises because the principal is unable to fully and costlessly supervise the agent's actions. More specifically, according to the postulate of the agency theory, owing to the nature of his position, the agent is not directly interested in maximising gain for the principal. The principal, on the other hand, does not directly participate in the activities that are intended to maximise their personal gain by achieving the best effects of agency. The principal can never be sure that the agent is working in the principal's best interests and, as a result, has to find a way to make sure that the agent's behaviour is focused on fulfilling and protecting the principal's goals.

The agency problem emerges if the leader works against the interests of the principal (the collective or some other social entity that assumes this role) (Eisenhardt, 1989). The leader will opt for such level of effort invested in performing a task as is required to maximise their own personal gain irrespective of the consequences for the collective.

Existence of contradictory objectives and informational asymmetry are the core elements when it comes to using the agency theory, whereby its essence lies in offering a contract that will maximise the gains for the

agent and minimise the costs for the principal. Consequently, it is necessary to develop mechanisms of control, supervision and incentive to ensure that the leader acts in the interest of the principal. Eisenhardt (1989, p. 61) underlined: if the costs of supervising the agent are not excessive, then it is best to have a *behaviour-based contract*. If supervisory mechanisms are too costly, then it is better to have an *outcome-based contract*, because that ensures convergence of objectives.

As some studies have shown, where there is no control or motivation, managers will work only in their own best interests (Tosi et al., 2003).[2] On the other hand, there is a problem that emerges as a result of control: it actually strengthens individualism, curbs pro-organisational behaviour and diminishes credibility, and consequently destroys trust in the principal–agent relationship (Argyris, 1964).

The assumption of egoistic interests is controversial, but the arguments supporting it are hard to disprove (Roberts et al., 2005). Plausibility of this premise is based on the fact that self-serving behaviour has become widespread and generally accepted in the Western culture. The advocates of the agency theory believe that most people, in most situations, act in their own personal interests.

Is that always the case? According to the other approach, leaders may exhibit radically different behaviour: they may be dedicated to the collective and far removed from opportunistic ideas. Their role comes down to fulfilling organisational needs and providing for the organisation's present and future; they guide, coordinate, inspire and motivate members in order to make common interests of the collective a reality.

This idea is based on the premise that strategic leaders are committed to *serving* the organisation, they are not selfish and see the common interests as a matter of priority.

This type of leader is characterised by collectivist behaviour. Long-term benefits for the organisation are the priority of their action; their own goals and interests are subsidiary, as are the interests and goals of other individuals or groups within the organisation or beyond it. Leaders

---

[2] Research conducted by Tosi et al. (2003) showed that: (1) if left uncontrolled, managers will independently choose accounting policies that will ensure better presentation of their results; (2) unless additionally motivated, managers will make investment decisions that will be suboptimal for the owner and that will minimise the manager's exposure to risk.

build trust and develop commitment to the organisation, which ultimately results in fulfilment of normative and instrumental organisational objectives.

Discord between fulfilling one's own goals and serving the organisation can be overcome by the deconstruction of opportunistic behaviour as the natural and the only rational choice leaders have.

One method of deconstruction is provided by the stewardship theory, which rejects the main premise of the agency theory that leaders and managers are always selfish opportunists motivated by their own interests, ready to turn each situation to their own advantage (Davis et al., 1997).

The starting point of the stewardship theory is the premise of *pro-organisational* and collectivist behaviour of leaders and other managers who experience more gratification in *serving* the organisation than in pursuing only their own personal agendas.

The theory holds that the leader will maximise their own utility function through action that will ensure the organisation's success. By investing effort in fulfilment of organisational objectives, the leader can ensure that their own personal needs are satisfied, which means that the utility of pro-organisational behaviour, as the theory postulates, significantly exceeds the utility of individualistic behaviour.

As underpinned by Hendry (2004, p. 210), a strategic leader is motivated by the need for achievement and the responsibility for ensuring organisational success. The leader is perceived as one of the organisation's indivisible constituents, sharing its values and mission, embracing strategy as their own, and accepting responsibility for its fulfilment. Comments or discussions about the organisation will be taken very personally, and organisational success will likewise be perceived as the leader's own.

In a sense, this is a *merging* of social entities: the strategic leader's strong identification with the organisation erases the boundaries between their respective objectives and the dilemma of instrumentalization becomes meaningless. Research has shown that leaders exhibiting greater identification with the organisation are more likely to act as stewards (Vargas Sanchez, 2004).[3]

---

[3] Confirmed hypothesis that a stewardship relationship is more likely to develop if the manager exhibits a higher degree of identification with the organisation. As cited in: Vargas Sanchez, Sanchez, 2004).

The strategic leader's objectives are identical to those of the organisation, so there is no need for additional motivational factors: success is a direct function of the leader's competence, the organisation's quality and governance structures, and the environmental impacts that are beyond their control. There is no room here for the agency theory: if assumptions of different objectives and informational asymmetry are given lesser relevance (or even removed from the equation), the agency problem becomes trivial.

Unlike the opportunistic leader that needs to be incentivised in order to exhibit pro-organisational behaviour, the collective trust in a steward-type leader reduces the need to control or incentivise their action to ensure that it remains consistent with organisational objectives. Any form of control can be counter-productive because it undermines pro-organisational behaviour and decreases the steward-type leader's motivation.

Collectivist behaviour can lead to extremes where the interests and welfare of the followers and the collective are put above the personal interests of the strategic leader, who is, in some cases, even willing to sacrifice themselves for the common good.

The type of leadership that is completely focused on others is referred to as *servant leadership*. Key elements of this kind of leadership are the following: altruistic mission to serve others and an empathic sensitivity to their needs (Searle & Barbuto, 2011); strengthening and development of human resources, humility, authenticity, interpersonal understanding, guidance and helpfulness (Van Dierendonck, 2011); sharing of status and power for the common good of every individual involved, the organisation, and everyone that the organisation serves (Smith et al., 2004).[4]

Respect for collective members, leading by example, building a community, striking a balance when it comes to relationships with

---

[4] Some authors note that there is problem with the definition of the construct of servant leadership (Avolio et al., 2009). It has been found to be similar to transformational leadership, but with some differences: servant leadership is focused more on egalitarianism and creating organisational cultures that foster the members' personal development; it is better suited for a stable and static environment, unlike transformational leadership, which is best suited for a dynamic ambience (Smith et al., 2004; Crossan et al., 2008). Moreover, servant leadership is connected with greater job satisfaction, care for others, greater commitment of members of the collective (Avolio et al., 2009) and perceived better effectiveness of team work (Irving & Longbotham, 2007).

stakeholders, and a strong accent on interpersonal relationships, all characterise servant leadership.

Organisational support for realisation of this type of strategic leadership implies an adequate organisational structure, culture, policies, and activities based on cooperation, support and empowerment. Decentralisation of decision-making, participation, transparent and two-way communication, complete availability of information across all organisational levels are only a part of organisational support that is necessary for servant-type leaders to ensure overall welfare in the long run.

The assumption of servant-like behaviour of strategic leaders and other managers is not easy to grasp in a world that is cruel, where self-serving behaviour is an acceptable social pattern and the main motivation for many individuals. Serving others emerges as a phenomenon that comes with civilisational development, shaking the foundations of the neoliberal paradigm of selfishness and self-interestedness that is balanced by the omnipresent market instrument.

Collectivist discourse does not imply negation of the individual, their freedom or needs, but rather a recognition of mutual dependence and responsibilities we have to one another and to the society as a whole.

A growing awareness of socially responsible behaviour, climate change and the need to save the planet has played a role in reinforcing the idea that the individual is not the centre of the universe.

From the perspective of first-class strategic leaders, it is clear that working in the interest of the collective has to be balanced with fulfilling one's own goals. This is the kind of tension that leaders are faced with and forced to overcome on daily basis.

Transactional vs. Transformational Leadership

Transactional and transformational leadership represent broad *meta-categories* that encompass different leadership approaches based on different principles and assumptions in the context of relations between organisational actors (Bass, 1985; Yukl, 1981).

These concepts were established by Burns (1978) when he explored the differences in leadership styles of political leaders.[5] As he sees them, these are non-overlapping and completely opposite approaches to leadership. However, studies have shown that transactional and transformational leadership can hardly be separated as fully distinct constructs, owing to a high degree of their mutual interrelation (e.g., Judge & Piccolo, 2004; Vera & Crossan, 2004).

Transactional leadership is based on having an implicit agreement between the leader and the followers that ensures the achievement of individual and collective goals. It can be defined as a process in which the leader secures reward-based transactions for the followers in order to motivate them to act (Carter & Greer, 2013; Smith et al., 2004).

Transactions between the leader and the followers are at the centre of this leadership style, as are unbiasedness, agreement and mutual benefit.

The essence of transactional leadership lies in fair exchange: followers commit to and deliver results (desired behaviour, expected performance) and in return they receive "payment" in the form of rewards (which can be direct or indirect, e.g., incentives, praise, or other). (Bass, 1985, 1988; Yukl, 2006).

Leaders define objectives, articulate explicit agreements based on expectations about what collective members need to do, about the way they should be rewarded for their effort and commitment, and about ensuring constructive feedback so that all members can be focused on getting the job done (Bass & Avolio, 1993). Their reputation is based on respecting transactional obligations (Bass, 1985, 2003).

Mutual agreement ensures and guides the kind of conduct that will generate benefits for everyone involved. The actors' motivation lies in

---

[5] James MacGregor Burns (1978) introduced and elaborated on, based on the original idea of James V. Downton from 1973, two opposing concepts that describe leadership styles, which he referred to as "transforming leadership" and "transactional leadership". *Transforming leadership*, as he saw it, creates some major changes in the world, bringing change to people and organisations, affecting a shift in their perspective on reality, and creating a context in which new expectations and aspirations can emerge. It is characterised by the leader's personality, their willingness and capacity to change and build an inspiring vision and objectives. *Transactional leadership* is a completely different style of leadership, mutually exclusive with transforming leadership, relying on exchange of services and benefits between the leader and the followers. Bernard M. Bass (1985) improved upon Burns' concepts and changed the name from transforming to transformational leadership.

working in their own interests (Bass, 1988), and the crucial elements of the relationship are reciprocity and the time horizon in which transactional effects are visible (Yukl, 2006; Sashkin & Sashkin, 2003).

Transactional leadership is, in and of itself, passive and reactive, connected with exchange-based relations and transparent chains of command. Planning, organising and controlling are focused on a short-term period. The leader is expected to fully analyse all important issues and to have an in-depth understanding of the situation inside and beyond the organisation, while the followers are expected to exhibit willingness and knowledge in performing the tasks delegated to them. Another important factor is the setting of unambiguous standards of performance and expectations (Bass, 1985, 2003).

Reliance on power and authority is an important assumption of transactional leadership. The main management mechanism is *management by exception*, which involves rewarding the followers for good performance in fulfilling the terms of the agreement (Avolio et al., 1999).[6]

Transactional leaders aspire to strengthen the organisation's culture, strategy and structure in stable conditions (Vera & Crossan, 2004). Personal development of the followers is not their primary focus; instead, they focus on fair compensation for the job done or effort invested in performing a task.

The main downsides of this style of leadership are, among other things, potential for manipulation and lack of inspiration in the collective's actions (Carter & Greer, 2013).

On the other hand, *transformational leadership* is based on authenticity and motivational capacity to inspire the organisational members to follow the leader and enthusiastically perform the tasks and jobs in the collective interest. The prerequisite for leadership success is a distinct vision accompanied by the leader's personal values and strong character.

Transformational leadership has to encourage others to be committed to working to the benefit of the organisation (Yukl, 2006). It can be understood as a distinct type of strategic leadership that emphasises the organisational members' transformation and integration of individual

---

[6] Transactional leadership style is closely connected with the path–goal theory developed by House and Mitchell (1974).

and group interests (Pawar & Eastman, 1997). This is a process in which, as initially noted by Burns (1978), *leaders and followers help one another reach a higher degree of morale and motivation.*

Leaders create an environment in which generating gain for oneself is not the only motivator; they bring followers together and help them understand the context in which they operate; they also reinforce the members' identification with them (the leaders), with the organisation or simply with an appealing notion around which collective action is developed. They also integrate the collective by their own example.

Transformational leadership is not individualistically oriented: the collective is at the centre and everything revolves around it and its benefit.

Transformational leaders help others overcome their own opportunistic interests in order for the "higher common goals" to be fulfilled, in the form of a powerful and plausible strategic purpose created or advocated by the leaders (Sashkin & Sashkin, 2003; Vera & Crossan, 2004). They encourage followers toward self-actualization and other higher-level goals.

A challenging, attractive and powerful vision is the cornerstone of transformational leadership, as are determination and an ability to connect vision, strategy and the set of required actions in a way that is easy to understand and implement. A leader should have the communication skills to communicate the strategic vision in a way that is understandable, precise, powerful and attractive.

Transformational leadership should include and bring people together, which means that it is important to build trust and optimism in the collective regarding the organisational strategy. That helps the followers identify more easily with the organisation's values, mission and vision, as has been confirmed by some empirical research (e.g., Epitropaki & Martin, 2004). It affects the mindset of the people inside the organisation and the overall organisational culture, which additionally reinforces the main elements on which such leadership has been built. It spreads optimism about the objectives and gives meaning to organisational action.

Strategic leaders are often the role models when it comes to ethical behaviour and they earn people's trust due to their values, self-sacrifice and commitment. The followers feel trust, admiration, loyalty and respect for the leader and they are willing to invest more effort than usual. The

leader-followers relationship can be described as a bonding process (Sashkin & Sashkin, 2003).

Understanding and accepting the purpose of common action helps members invest maximum effort in performing their tasks, but it also helps reinforce their identification with the organisation and participation in the collective identity. This is a leadership style that gives every member of the collective more space to take risks, learn, think independently, and be creative, and it also encourages the finding of new solutions to existing organisational problems and the improvement of the current strategy.

Transformational leader stimulates the followers to come up with new and unique ways to deal with external and internal challenges and creates an ambience in which change is welcomed and desirable. They successfully motivate the members of the collective to invent and innovate in organisational action. Openness of communication and empathy help the leader define goals and tasks that will be easier to understand, especially if an organisational environment has been created where individual or team contribution is valued and appreciated.

Transformational leadership integrates charisma, inspiration and intellectual stimulation, and takes the individual into consideration with a view of increasing the degree of enthusiasm and achieving satisfaction in raising the level of organisational success. Moreover, it is capable of overcoming organisational inertia and increasing the chances of the organisation's better adaptation to its environment (Agle et al., 2006).

There is much empirical evidence in support of that leadership style being connected with the followers' dedication to the organisation, satisfaction, motivation and performance (e.g., Bass, 1998; Nemanich & Keller, 2007; Walumbwa et al., 2004). Furthermore, the leader's compassion and self-confidence are critical determinants of leadership success (Vera & Crossan, 2004). Accent is also on follower development (Northouse, 2007), morale and shared values (Bass & Steidlmeier, 1999) and on the ability to develop vision and inspire others to follow it (Goldman & Casey, 2010).

Bass (1985) summarised key activities of a transformational leader: (1) the leader has to successfully motivate members of the collective and influence their development, (2) reinforce ethical standards in the

organisation, (3) create a work ambience with clear values, priorities and standards, (4) build a culture of acting in the common interest, (5) put emphasis on authenticity, cooperation and open communication in the collective, and (6) act as mentor and coach and delegate decision-making powers to others in the organisation.[7]

In another source, Bass (1997) noted that one should not be misled into thinking that this kind of approach has to *a priori* be participative. He underlined in particular that transformational leadership can be directive (more autocratic) or democratic, depending on the context in which it emerges.

Transformational leadership is especially important when the organisation needs radical changes that can only be implemented with committed joint effort of all members of the collective.[8]

There are numerous examples of successful transformational leaders. One of them is Danone CEO Emmanuel Faber, who, right after being nominated in 2014, initiated a radical organisational transformation from a food & beverage conglomerate to a corporation oriented to products promoting healthy and sustainable eating habits among families and supporting sustainable agriculture. Danone disinvested its production of biscuits and beer, while at the same time expanding its dairy products core business, establishing (through a USD 17 billion acquisition) a new strategic unit (Nutritia), which integrates baby food and protein and health products and generates almost thirty percent of total revenue (Anthony & Schwartz, 2017). Changes of that magnitude were only possible with a transformational leader such as Faber.

The greater the uncertainty and volatility of the environment, the more it is safe to assume that transformational leadership will be more

---

[7] For more details, see: https://www.cio.com/article/3257184/what-is-transformational-leadership-a-model-for-motivating-innovation.html (accessed 30 June 2020).

[8] There is much intrigue, but also controversy, in presumptions about existence of a connection between a person's genetic predispositions and transformational leadership. Results of one study show that 49% variance in transformational leadership can be explained by genetic factors (Chaturvedi et al., 2011). Wang et al. (2012) noted the results of another study according to which leadership is associated with rs4950, a single nucleotide polymorphism (SNP) residing on a neuronal acetylcholine receptor gene (CHRNB3) (De Neve et al., 2013). Such ambitious research has only had a very limited scope so far, owing to the elusiveness and vagueness of the construct of leadership and the construct of transformational leadership.

efficient than transactional leadership (Bass et al., 2003), owing to an organisational culture founded on proactivity, empowering the members of the collective, and innovativeness (Smith et al., 2004). Similarly, transformational leadership is better accepted by members of the collective in conditions of crisis because traumatic situations activate emotion centres in the brain, which are more easily stimulated by visions and dreams inspired by transformational leaders (Crossan et al., 2008).

According to this belief, transactional leadership has the advantage in a stable and predictable environment and in the context of a short-term horizon. Actual effects of transformational leadership become evident in the long term, for example trust (Bass et al., 2003) and a stimulating organisational culture (Geyer & Steyrer, 1988).

It is a widespread belief that transactional leadership is associated with existing cultural arrangements, whereas transformational leadership continually challenges the assumptions on which organisational culture rests.

As far as organisational learning is concerned, it is hard to directly associate with the observed leadership styles. Organisational learning processes can be started both in transactional and transformational leadership, depending on numerous situational factors (Vera & Crossan, 2004).

Nevertheless, a comparison of these two leadership styles and the results of the research show that the two are intertwined and interrelated. Bass (1988) suggests that a leader can have only one, both, or neither of these leadership styles, and that this depends on the leader's own character, organisational characteristics, and the environmental and time-related conditions. Numerous studies have confirmed this hypothesis, having demonstrated that individuals may at the same time exhibit the characteristics of both styles, to different extents, which explains (to some degree) the empirically proven high correlation between the constructs used to measure those styles.

If we were to delve deeper into the generative mechanisms that determine those styles, we would see that having clear standards, expectations and trust in the leader, which are the foundations of transactional leadership, also appears as an indispensable prerequisite for transformational leadership. Moreover, consistent observance of transactional arrangements encourages development of trust, reliability and an image of

consistency that is attributed to transformational leaders as well (Shamir, 1995; Vera & Crossan, 2004).

The perspective which compares the transactional and transformational leadership styles side by side is useful for understanding strategic leadership and, as underlined by Cannella and Monroe (1997), it contributes to a more realistic perception of top management. Unfortunately, there have not been many empirical studies focusing on transactional and transformational leadership styles at the strategic level of an organisation, and we have not been able to find even one study focusing on their comprehensive and detailed comparison.[9]

Single Objective vs. Multiple Objectives

The purpose of leadership lies in successfully envisaged and implemented collective action, in furtherance of the objectives that are defined and intended to be fulfilled. Without easy-to-understand objectives, leadership becomes an irrational phenomenon.

Strategic leadership is, at its core, a process of shaping and expanding the picture of the organisation's future with the members of the collective, encouraging and motivating followers, and performing activities intended to bring about changes that will support the organisation's strategy (Elenkov et al., 2005).

Strategic leaders are focused on strategic direction and intent: what the organisation tries to do and what it wishes to become in time. The basis of their action is a transposition of vision into a set of strategic objectives that are to be fulfilled through organisational action. These are the highest-level objectives: they impact the organisation's overall ability to survive, as well as its direction of development, and appear as a translation of strategic intent into defined frameworks of action. They are intended to operationalise organisational direction and are defined as desired future conditions that the organisation intends to achieve with

---

[9] One study, for example, demonstrates that there is a connection between transformational characteristics of leadership of CEOs and observable measures of organisation performance (Zhu et al., 2005).

rational use of available resources. They are an important element of that which the leader has envisaged or accepted as the starting point of organisational strategy. They are necessary for strategic decision-making: they determine the direction that the organisation will take, prepare the ground for strategic action, and define measures of strategic success.

Strategic leaders are faced with the problem of figuring out which objectives will be placed at the centre of collective action.

There are two opposing perspectives in this context: (1) the neoclassical, which sees the organisation as an instrument used for achieving economic objectives, and (2) the stakeholder perspective, which perceives the organisation as a reflection of multiple interests and alignment with its environment.

The "mother of all objectives" from the point of view of the neoclassical perspective is pretty straightforward. Successful leadership is only possible if there are clear and unambiguous objectives and if there is coherent control of the achievement of those objectives. Profit maximization is either the objective from which all other objectives derive or it is itself a derivative of the objectives that serves to balance out security and success of business operations.

The usual framework for setting strategic objectives is *profitable growth*, which should be the result of strengthening the market and competitive position, development of strong technological and innovation potential and capacities, excellent management of the company's resource base, and development of human resources. This objective is achieved by having superior resources that make it possible to incur significantly lower costs or to have sustainable differentiation advantage over a longer period of time.

Profitable growth is a category that depends on the relationships between owners and strategic leaders. Owners aspire to profit maximisation, while leaders and managers aspire to maximisation of the growth rate. Profitability drops when high growth rates are the result of inappropriate use of cash flow by the managers (especially in case of bad investments or acquisitions that generate no added value). Objectives are the result of negotiations, agreement, compromise and/or mutual manifestation of power. The degree of targeted growth of the company is restricted, in any case, by realistic expectations and demands of the owner as regards

minimum acceptable profit rates on the one hand, and the leader's and manager's risk appetite and aspirations regarding desirable growth rates on the other.

This kind of one-dimensional objective justifies the economic essence of the company and places action inside a rational frame in which strategic leadership, in its "strategizing", has to rely primarily on "economizing". Strategic decision-making mostly comes down to a comprehensive process of selecting actions that will generate maximum profit with desired growth rates. Hence, the logic of strategy lies in creating a competitive advantage that will make it possible to achieve above-average profitability in the long run.

Such traditional discourse instrumentally directs the life and reality of the organisation more toward efficiency and effectiveness than toward analysing and incorporating social and environmental values (Levy et al., 2003, p. 97).

Organisational purpose, on the other hand, cannot be reduced merely to technical economic rationality. In the business world, strategic leaders are no longer solely in charge of maximising the wealth of the owners, but they are also expected to fulfil the ever-greater expectations of stakeholders (Carter & Greer, 2013).

Stakeholders are the individuals and groups that are capable of influencing the achievement of organisational objectives and—based on the symmetry of influence—the individuals and groups that organisations themselves can influence in turn, by achieving their objectives (Freeman & Reed, 1983).

In other words, organisations are not distinct integrated entities with a clear, unambiguous objective, but rather they are coalitions of groups and individuals who all have different and often contradictory interests and goals.

The advocates of the stakeholder approach believe that the wealth generated by the organisation belongs to all acquirers of critical resources that directly contribute to increasing its capacity to generate that wealth. They underline that, if we observe economic operators, mere maximisation of profit becomes unacceptable from a moral point of view; the capacity to generate wealth for the shareholders cannot be the only measure of success, nor can its purpose be to maximise the function of any other stakeholder's objective (Tipurić, 2006, 2011).

Existence of a large number of constituents that affect the survival of organisations, the interwovenness and multifacetedness of their interests and demands, as well as the diversity of and conflicts between expectations of suppliers of critical resources, all indicate that organisational objectives that strategic leadership has to aspire to are multi-dimensional.

Conflicting objectives create great organisational tension that is only additionally amplified by pressures coming from the environment. The role, action and position of strategic leadership depends on the constellations of power of stakeholders; on the structures of power and influence, interactions and shifts in negotiation positions. Moreover, one must not forget the importance of stakeholders when it comes to legitimation of the leader's decisions and actions.

Considering that interests of different groups are divergent (it is often the case that not even the interests of the same groups are homogeneous), and strategies employed by stakeholders to maximise the function of their own objectives are different, the differences in power and influence that each group manifests toward the organisation create a context in which strategic leaders can reaffirm their position and make the targeted function operate to their own benefit, or to some other end, as they see fit. They have the ability, often under the guise of active management of stakeholder relations, to change the structure of power inside the organisation in a way that makes it possible for them to build or reinforce their dominant position (Coff, 1999).

Strategic leaders are pressured by different interests and demands of stakeholders. Setting strategic objectives is, among other things, a sort of political process that involves plenty of (often exhausting) balancing, negotiation, bargaining and trade-offs between key groups within the organisation. Constellations of power in the organisation and around it have a significant influence on the content of strategic objectives and the positions strategic leaders take in the process.

Finally, besides the relationships with key organisational stakeholders, strategic leaders also have to deal with the broad context in the process of defining objectives. Firstly, organisations are often parts of an ecosystem that comprises multiple interconnected institutions and organisations that have a significant impact on their existence. Secondly, objectives have to be aligned with interests of the society and the cultural inheritance brought by civilisational progress.

In short, the role of the managerial elite cannot be limited solely to ensuring profit-maximising action. The main objectives are efficiency, growth and survival, but provided that there is no value-destroying in the environment. Profit has to be created in a socially acceptable and responsible way, respecting the interests of all stakeholders without whose support survival and purpose of the company would be brought into question.

The era of growing social responsibility keeps bringing new challenges that cannot be reduced (merely) to a power game. One has to align, mediate between and reconcile differing interests, and design management mechanisms in a way that will ensure organisational prosperity and protect fair return on investment for key stakeholders.

When organisational objectives are unclear and ambiguous (defined by interests, needs, demands and expectations of different stakeholders), it is not easy to specify the *exact* task of strategic leaders and other managers, nor can outcomes be measured easily or judged by any fixed standards (Eisenhardt, 1989).

A question that should sometimes be raised is to what extent could existence of conflict between a multitude of objectives undermine their role in the leadership process. Jensen (2001) noted that *having multiple objectives cannot serve as an objective,* but we cannot agree with this argument, even though we acknowledge the problems that strategic leaders are faced with in reconciliation of and compromising between objectives, which often implies a lengthy process of bargaining and negotiating between important individuals, their coalitions, and important stakeholders inside the organisation and beyond it.

This perspective leads to the conclusion that a strategic leader should be a mediator that balances the interests of various stakeholders, relying on profitability, market value, quality of products and services, development and stability of the staff, the community and the market (Bass, 2007). Strategic leadership of this new age requires simultaneous focus on multiple interests of the collective and its environment in the context of passage of time.

Short-Term vs. Long-Term Perspective

Strategy means looking into the future and into the past at the same time: the time factor is a key element in it.

Strategy is about focusing on what is important at a given time: it necessitates first construction and then interpretation of the future from the point of view of the present and the past. The actuality of strategy becomes part of the bigger picture, and the chaotic relations between a multitude of inexplicable elements of an elusive reality beyond our comprehension become irrelevant in the world in which we exist.

The meaning of strategy is *relative*: the construction and interpretation of the past (why not call it "reading into the past") influences the way future is formed; but at the same time, it affects the way leaders shape and interpret the future, the way past is perceived and understood. As already mentioned, the present is a remnant of the past retroactively created and interpreted by strategic leaders to construct the future.

Strategic leaders can base their actions on the present, the past or the future. They can also have a shorter or longer time horizon in their aspirations and modes of operation in the future. This depends on various characteristics of the environment (dynamism, unpredictability, turbulence), but also on the leaders' personality and the skills they have.

Hofstede (2001, p. 359) put the differences between those approaches into a cultural context: long-term orientation refers to encouraging virtues oriented toward future rewards, especially perseverance and frugality, whereas short-term orientation is about cultivating virtues that are connected with both the past and the present, especially by respecting tradition and fulfilling social obligations.

Strategic leadership defines objectives for relatively long periods; however, this is not always the case. In some situations, extremely (existentially) important objectives may also pertain to a shorter period (e.g., crisis conditions, hypercompetition, sudden shocks, and alike), while in others, the time horizon considered by strategic leaders may be five or ten years, or longer, with far-reaching consequences of the decisions they make at the present.

The problem arises as a result of the need to observe the present from the perspective of a desired future.

It is easy to see the tension continually weighing down on strategic leaders: being torn between (1) what needs to be done right now in response to immediate pressures and challenges, and (2) the things the leader passionately aspires to and that occupy their imagination when thinking about what tomorrow may bring. A paradox emerges between the usual methods of constructing the reality as it is and reshaping future conditions in the ambience through fulfilment of superior, challenging visions.

Leaders can focus on strategic planning, which implies a sophisticated organisational process with developed procedures and complex analytical techniques. Creating scenarios is another way of potentially stretching the time horizon so that tasks could be focused on visioning. However, environmental variability and complexity reduce the potential and usability of planning as a reliable guidance for organisational action, and consequently, the ability to adapt quickly and strategic resourcefulness appear as important traits found in only the best of leaders.

This tension has been noted in literature and it has served for arriving at various classifications.

For example, Rowe (2001) referred to "managerial leadership" when speaking of the kind of leadership that is sensitive to and reliant on both the present and the past, and of "visionary leadership", thinking of the kind only focused on the future.

Managerial leadership is based on managing day-to-day operations and focusing on short-term objectives and observed results. The attitude towards the objectives is a passive one: objectives emerge from demands that developed in the past, not from aspirations or imagination. Order and stability are the cornerstones of this kind of leadership, and so is control across all segments of the organisation. Leaders see themselves as the conservators and regulators of the existing order of things. They are focused on managing transactions and making sure that standard operating procedures are followed.

Visionary leadership, on the other hand, is proactive and focused on shaping the future; it is characterised by reliance on beliefs and values, willingness to take risks, and sharing the leaders' own view of the future with others in the collective. Visionaries have the ability to influence collective members in order for them to accept the far-reaching

consequences of leadership. They are convinced that their choices make a difference in their organisations and surroundings.

Their strong suits are networking and social capital, non-linear thinking, communication skills and successful encouraging of identification and loyalty of members. On the other hand, they have a perception of being separate from their surroundings. They operate in organisations, without really belonging in them.

The orientation on the past and present is undoubtedly in conflict with acting prospectively and being oriented toward the future. Leaders are continually faced with this tension and with the dilemma of choosing between acting in the short or in the long term. Those who are capable of articulating a long-term vision and managing day-to-day operations with the requisite sense of detail are few and far between.

First-class strategic leaders successfully combine the characteristics needed for managerial and visionary leadership (Rowe & Nejad, 2009).[10]

This entails an ability to cope with the paradox of time: strategic leaders are capable of integrating those two dimensions into a unique competence of top-quality leadership. They encourage innovations and manage change, but at the same time they provide for organisational stability and system organisation. Their goal is sustainable organisational development.

They use and exchange tacit and explicit knowledge on the individual and organisational level, and use linear and non-linear thinking patterns. They have great positive expectations regarding the performance they expect from their superiors, co-workers, subordinates, and themselves.

Their skill is being able to focus on the short and on the long term at the same time, and to take operational and strategic responsibility for the organisation's actions.

Logical vs. Creative Thinking

Strategy is, ipso facto, tension between the prudent and the inventive, continually meandering, moving between analysis and synthesis, and back again.

---

[10] For more details, see: https://iveybusinessjournal.com/publication/strategic-leadership-short-term-stability-and-long-term-viability/, (accessed 30 June 2020).

Logical thinking is an indispensable attribute and trait of successful strategists: well-implemented strategic analysis and rigorous testing of propositions of values of individual and group models can prevent the construction and maintenance of erroneous interpretations and models of reality in which the organisation is placed (De Wit & Meyer, 2010, p. 60). In this context, strategy can be defined as *a coherent set of analyses, concepts, policies, arguments, and actions in response to important challenges we are faced with* (Rumelt, 2011, pp. 5–6).

To establish order in the organisation means to build systems of control in all organisational segments. The goal is to achieve stability and prevent behaviour that goes outside the defined framework; leaders attempt to monitor and stay informed of everything, leaving nothing to chance.

On the other hand, logical consistency and analytical intensity cannot substitute creativity and inventiveness in shaping strategies. Structuredness, non-discrepancy and certainty rarely accompany strategic action. Strategies are mostly formulated in new, insufficiently familiar and inadequately defined conditions, in contexts characterised by poorly structured elements and high uncertainty.

Logical thinking and information interpreted based on existing paradigms cannot explain the leaps of imagination that often open up new perspectives on reality, or construct a completely new reality. Mintzberg (1994, p. 77) noted that *if strategy is about outsmarting the competitors, or simply depositing the organization in a secure niche, then it is a creative phenomenon dependent more on redrawing lines than on respecting them.*

A successful strategy is, first and foremost, imagination and an exploration process: creative individuals' visionary creativity turned into organisational action.

A departure from logical, consistent and non-contradictory reasoning can be fertile ground for new strategic pathways and for finding space in which the organisation can achieve greater advantage in the long run (Fig. 10.2).

Creative thinking is an ingredient without which there can be no talk of superior strategy. Creative and innovative solutions, new business and resource combinations, original business models, redrawing of the lines when defining activities, identifying new market niches and
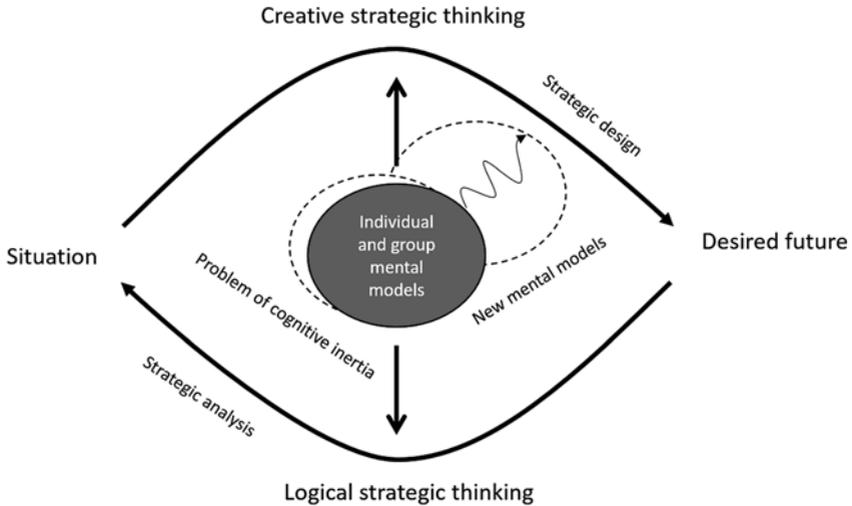
Fig. 10.2 Logical and creative strategic thinking

entrepreneurial "destruction" of the rules of the game—are all becoming increasingly important and in fact irreplaceable in the new circumstances emerging as a result of revolutionary industrial and market developments that are changing the world around us from the bottom up. In such conditions, strategy has to be different, distinct and singular.

The problem is that creative thinking is often based on breaking existing rules and norms, going beyond imprinted ideas and long-standing systems of reasoning present in an activity. This kind of *lateral thinking* leads to new knowledge without objective proof or previous arguments that would go in favour of an idea, design, intent, plan or action "making sense" (De Bono, 1970, p. 61).[11]

However, this deviation may only be of temporary character: establishing a new strategic framework requires continual refinement and improvement; this is accompanied by a structuring of the context (to a greater or lesser extent) and reconnecting of individual elements of the situation into new representations and accepted interpretations, which leads to logical thinking and analytical consistency gaining importance once again.

---

[11] Logical thinking is what De Bono (1970) referred to as *vertical thinking*, whereas he referred to creative thinking as *lateral*.

Consequently, there is no single answer to the question if (and when) strategic leadership is a creative or analytical process; or in other words, to what extent it is the result of strategic thinking or of imagination and inventiveness. This is a strong tension, and one that persists.

Control vs. Autonomy

The tension between control and autonomy is also characteristic of the challenges of strategic leadership. It can be additionally illustrated by asking the question to what extent strategy results from deliberate planning carried out and monitored by strategic leaders, and how much from continual adaptation and organisational learning where the collective plays an important role and which is manifested in incremental improvements.

Strong control on the part of the strategic leader implies the establishment of a framework in which other members of the organisational have little freedom to act.

Strategic leaders play a key role in creating strategy, by making crucial strategic choices that are aligned with the patterns of the organisation's embeddedness in its environment. Strategy is the result of their conscious efforts, rational and calculated decisions about how to deal with the primary issues of the organisation's self-determination, competitiveness, and survival. They primarily impact the development trajectory, attempting to predict future events, develop alternative possible scenarios, and create good-quality strategic plans aiming to paint a picture of the organisation's desired future. Organisational members have an instrumental role in common action: they are to implement the leader's ideas and intentions.

Hence, a strategic leader guides the collective members' actions and inspires them to achieve the defined objectives; integrates coordination efforts in the performance of activities; helps solve major disputes and disagreements; encourages members to perform to the best of their abilities; gives sense to moves made and activities performed so far, in the light of an envisaged future or set of principles that justify organisational collectivity.

Transformation of a designed strategy into action happens in the context of a formal process that includes activities of strategic planning and

programming, budgeting and managerial adjustments, which all takes place in numerous meetings and strategic workshops. This kind of strategic design is characterised by top-down processes inside the organisation.

In such processes, a distinct organisational language is created, containing symbols and networks of meaning that are monitored by strategic leaders and are beyond the control of other participants in intraorganizational goings-on. Their rhetoric is given a strong foundation, their interpretations of the ambience are given sense, and the decisions they make are explained by a specific rationalisation.

On the other hand, the main mission of strategic leadership can also be fulfilled by creating a stimulating ambience in which there will be no all-encompassing control mechanisms that would regulate the organisational members' conduct. Absence of control can unblock and unleash ideas and lead to discovering new methods of solving problems.

Giving freedom to associates means allowing them to self-organise, experiment, develop unusual and different ideas and initiatives and potentially depart from the "normal" (usual) course of organisational events.

That way, strategic leaders release energy, creativity and entrepreneurial potential locked in the organisation. Consequently, they need to permit *some mess and disorder* to achieve the synergy effects (De Wit & Meyer, 2010, p. 488). This can be a paradoxical situation where the means create an end that is the opposite of what was expected and intended (Storey & Salaman, 2009).

It is an indisputable fact that much of what we refer to as strategy need not be the result of any actions, decisions or aspirations of strategic leaders. In any organisation, strategies are (more or less so) created without any *master plan* or *grand design* created by the managerial elite.

In many situations, strategies are created in bottom-up processes; they come as a result of actions and behaviours that were not initially planned and that need not be (and often are not) coordinated from the top towards the bottom of the organisational pyramid. They emerge from a series of unrelated activities, without any conscious efforts, or through accumulation of daily adjustments made in organisational routines (Quinn, 1980; Mintzberg & McHugh, 1985). They can also emerge as the result of trial and error, or as the effects of a successfully adopted philosophy of

learning by doing. They can appear spontaneously, suddenly and unexpectedly—sometimes even completely accidentally: beyond any logical or defined guidelines.

*   *   *

In conclusion, strategic leaders should be successful in simultaneously grasping and solving paradoxical situations and overcoming seemingly insurmountable organisational tensions that emerge in the space between the need to control and the desire to include more participants in the strategic process. Successful strategy is the result of long and intense negotiations, agreements and compromises, and it involves many individuals and groups inside the organisation, with the managerial elite playing the key role.

Strategic leaders' role in both cases is extremely important: they are the initiators, catalysts and coordinators that have to manage the space in which strategy is formulated and implemented.

Regardless of the tensions and paradoxes, strategic leadership has to legitimise organisational aspirations; it creates an impressive illusion filled with symbols and stories of collective existence.

The role of strategic leadership is changing, as are approaches to organisational strategy: what is required is less planning and control, but more adaptability, learning and improvising (Crossan et al., 2008). Collective mental models have to be constructed that will be based on simplification of a complex reality and acceptance of uncertainty as an inevitable element in the decision-making process. Strategic flexibility is becoming an imperative, and leaders' imaginativeness and innovativeness are the prerequisites for progress.

Furthermore, the society needs capable, humble and moral leaders who can successfully respond to ever-emerging new socioeconomic, demographic and geopolitical challenges.

Strategic leaders have to be responsible, committed and creative in finding solutions that will be good not only for the future of the organisation, but also for the future of the entire civilisation and our planet. Their

task is to release people's potentials and strengthen togetherness and a synergy of knowledge and action to contribute to creating a better world. This can only be achieved through decisive departure from selfishness, creation of open dialogue and networking of partnerships with institutions.

References

Agle, B. R., Nagarajan, N. J., Sonnenfeld, J. A., & Srinivasan, D. (2006). Does CEO charisma matter? An empirical analysis of the relationships among organizational performance, environmental uncertainty, and top management team perceptions of CEO charisma. *Academy of Management Journal, 49*(1), 161–174.

Anthony, S. D., & Schwarz, E. I. (2017). *What the Best Transformational Leaders Do*. Harvard Business Review, May 08, Digital Article.

Argyris, C. (1964). *Integrating the individual and the organization*. John Wiley & Sons.

Avolio, B. J., Bass, B. M., & Jung, D. I. (1999). Re-examining the components of transformational and transactional leadership using the multifactor leadership questionnaire. *Journal of Occupational and Organizational Psychology, 72*(4), 441–462.

Avolio, B. J., Walumbwa, F. O., & Weber, T. J. (2009). Leadership: Current Theories, Research, and Future Directions. *Annual Review of Psychology, 60*, 421–449.

Bass, B. M. (1985). *Leadership and performance beyond expectations*. Free Press.

Bass, B. M. (1988). The inspirational processes of leadership. *Journal of Management Development, 7*(5), 21–31.

Bass, B. M. (1997). Does the transactional–transformational leadership paradigm transcend organizational and national boundaries? *American Psychologist, 52*(2), 130–139.

Bass, B. M. (1998). *Transformational leadership: Industrial, military, and educational impact*. Lawrence Erlbaum Associates Publishers.

Bass, B. M. (2003). Face to face—Power to change: A conversation with Bernard M. Bass. *Leadership in Action, 23*(2), 9–11.

Bass, B. M. (2007). Executive and strategic leadership. *International Journal of Business, 12*(1), 33–52.

Bass, B. M., & Avolio, B. J. (1993). Transformational leadership and organizational culture. *Public Administration Quarterly, 17*, 112–121.

Bass, B. M., Avolio, B. J., Jung, D. I., & Berson, Y. (2003). Predicting unit performance by assessing transformational and transactional leadership. *Journal of Applied Psychology, 88*(2), 207–218.

Bass, B. M., & Steidlmeier, P. (1999). Ethics, character, and authentic transformational leadership behavior. *The Leadership Quarterly, 10*(2), 181–217.

Burns, J. M. (1978). *Leadership*. Harper & Row.

Cameron, K. S., & Quinn, R. E. (1988). Organizational paradox and transformation. In R. E. Quinn & K. S. Cameron (Eds.), *Paradox and transformation: Toward a theory of change in organizations and management* (pp. 1–18). Ballinger.

Cannella, A. A., & Monroe, M. J. (1997). Contrasting perspectives on strategic leaders: Toward a more realistic view of top managers. *Journal of Management, 23*(3), 213–237.

Carter, S. M., & Greer, C. R. (2013). Strategic leadership: Values, styles, and organizational performance. *Journal of Leadership & Organizational Studies, 20*(4), 375–393.

Chaturvedi, S., Arvey, R. D., Zhang, Z., & Christoforou, P. T. (2011). Genetic underpinnings of transformational leadership: The mediating role of dispositional Hope. *Journal of Leadership & Organizational Studies, 18*(4), 469–479.

Child, J., & McGrath, R. G. (2001). Organizations unfettered: Organizational form in an information-intensive economy. *The Academy of Management Journal, 44*(6), 1135–1148.

Coff, R. W. (1999). When competitive advantage Doesn't Lead to performance: The resource-based view and stakeholder bargaining power. *Organization Science, 10*, 119–133.

Crossan, M., Vera, D., & Nanjad, L. (2008). Transcendent leadership: Strategic leadership in dynamic environments. *The Leadership Quarterly, 19*, 569–581.

Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Towards a stewardship theory of management. *Academy of Management Review, 22*(1), 20–47.

De Bono, E. (1970). *Lateral thinking: Creativity step by step*. Harper & Row.

De Neve, J., Mikhaylov, S., Dawes, C. T., Christakis, N. A., & Fowler, J. H. (2013). Born to Lead? A twin design and genetic association study of leadership role occupancy. *Leadership Quarterly, 24*(1), 45–60.

De Wit, B., & Meyer, R. (2005). *Strategy synthesis*. ThomsonLearning.

De Wit, B., & Meyer, R. (2010). *Strategy: Process, content, context—An international perspective*. South-Western Cengage Learning.

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review, 14*(1), 57–74.

Elenkov, D., Judge, W. S., & Wright, P. (2005). Strategic leadership and executive innovation influence: An international multi-cluster comparative study. *Strategic Management Journal, 26*, 665–682.

Epitropaki, L., & Martin, L. (2004). Implicit leadership theories in applied settings: Factor structure, generalizability, and stability over time. *Journal of Applied Psychology, 89*(2), 293–310.

Evans, P., & Doz, Y. (1992). Dualities: A paradigm for human resource and organizational development in complex multinationals. In V. Pucik, N. Tichy, & C. Barnett (Eds.), *Globalizing management: Creating and leading the competitive organization* (pp. 85–106). Wiley.

Freeman, R. E., & Reed, D. L. (1983). Stockholders and stakeholders: A new perspective on corporate governance. *California Management Review, 25*(3), 88–106.

Geyer, A. L. J., & Steyrer, J. M. (1988). Transformational leadership and objective performance in banks. *Applied Psychology: An International Review, 47*(3), 397–420.

Goldman, E. F., & Casey, A. (2010). Building a culture that encourages strategic thinking. *Journal of Leadership & Organizational Studies, 17*(2), 119–128.

Hambrick, D. C., & Mason, P. (1984). Upper echelons: The organization as a reflection of its top managers. *The Academy of Management Review, 9*(2), 193–206.

Hendry, J. (2004). *Between Enterprise and ethics: Business and ethics in a Bimoral society*. Oxford University Press.

Hofstede, G. (2001). *Culture's Consequences*. Sage Publications.

House, R. J., & Mitchell, R. (1974). Path-goal theory of leadership. *Journal of Contemporary Business, 9*, 81–98.

Irving, J., & Longbotham, G. J. (2007). Team effectiveness and six essential servant leadership themes: A regression model based on items in the organizational leadership assessment. *International Journal of Leadership Studies, 2*(2), 98–113.

Jensen, M. C. (2001). Value maximization, stakeholder theory and the corporate objective function. *European Financial Management, 7*(3), 297–317.

Judge, T. A., & Piccolo, R. F. (2004). Transformational and transactional leadership: A meta-analytic test of their relative validity. *Journal of Applied Psychology, 89*(5), 755–768.

Kriger, M., & Zhovtobryukh, Y. (2013). Rethinking strategic leadership: Stars, clans, teams and networks. *Journal of Strategy and Management, 6*(4), 411–432.

Levy, D. L., Alvesson, M., & Willmott, H. (2003). In M. Alvesson & H. Willmott (Eds.), *Critical approaches to strategic management, in studying management critically* (p. 92.110). Sage Publications.

Mintzberg, H. (1994). *The rise and fall of strategic planning: Reconceiving roles for planning, plans, planners*. Free Press, Maxwell Macmillan.

Mintzberg, H., & McHugh, A. (1985). Strategy formation in an adhocracy. *Administrative Science Quarterly, 30*(2), 160–197.

Nemanich, L. A., & Keller, R. T. (2007). Transformational leadership in an acquisition: A field study of employees. *The Leadership Quarterly, 18*(1), 49–68.

Northouse, P. G. (2007). *Leadership theory and practice*. Sage Publications.

Pawar, B. S., & Eastman, K. K. (1997). The nature and implications of contextual influences on transformational leadership: A conceptual examination. *The Academy of Management Review, 22*(1), 80–109.

Pettigrew, A. M., Woodman, R. W., & Cameron, K. S. (2001). Studying organizational change and development: Challenges for the future research. *Academy of Management Journal, 44*, 697–713.

Porter, M. E., & Nohria, N. (2018). How Ceos manage time. *Harvard Business Review, 8*, 33–39.

Quinn, J. B. (1980). *Strategies for change logical incrementalism*. Irwin.

Quinn, J. B. (1989). Managing strategic change. In D. Asch & C. Bowman (Eds.), *Readings in strategic management* (pp. 20–39). Palgrave.

Roberts, J., McNulty, T., & Stiles, P. (2005). Beyond agency conceptions of the work of the non-executive director. Creating accountability in the boardroom. *British Journal of Management, 16*, 5–26.

Rowe, G., & Nejad, H. (2009). Strategic leadership: Short term stability and longterm viability. *Ivey Business Journal, 73*(5), 2–6.

Rowe, W. (2001). Creating wealth in organizations: The role of strategic leadership. *The Academy of Management Executive (1993–2005), 15*(1), 81–94.

Rumelt, R. P. (2011). *Good strategy, bad strategy: The difference and why it matters*. Crown Business.

Sanchez, A. (2004). *Development of corporate governance systems: Agency theory versus stewardship theory in welch agrarian cooperative societies.* EURAM 2004 Conference. Retrieved October 30, 2020, from www.uhu.es/alfonso_vargas/archivos/EURAM%202004.pdf

Sashkin, M., & Sashkin, M. (2003). *Leadership that matters: The critical factors for making a difference in people's lives and organization's success*. Berrett-Koehler.

Searle, T., & Barbuto, J. (2011). Servant leadership, hope, and organizational virtuousness: A framework exploring positive micro and macro behaviors and

performance impact. *Journal of Leadership & Organizational Studies, 18*(1), 107–117.

Shamir, B. (1995). Social distance and charisma: Theoretical notes and an exploratory study. *The Leadership Quarterly, 6*(1), 19–47.

Smith, B. N., Montagno, R. V., & Kuzmenko, T. N. (2004). Transformational and servant leadership: Content and contextual comparisons. *Journal of Leadership & Organizational Studies, 10*(4), 80–91.

Storey, J., & Salaman, G. (2009). *Managerial dilemmas: Exploiting paradox for strategic leadership*. Wiley-Blackwell.

Taylor-Bianco, A., & Schermerhorn, J., Jr. (2006). Self-regulation, strategic leadership and paradox in organizational change. *Journal of Organizational Change Management, 19*(4), 457–470.

Tipurić, D. (2006). *Nadzorni odbor i korporativno upravljanje*. Sinergija.

Tipurić, D. (2011). Promjene vrhovnog menadžmenta and korporativno upravljanje. Zagreb: Sinergija.

Tosi, H. L., Brownlee, A. L., Silva, P., & Katz, J. P. (2003). An empirical exploration of decision-making under agency controls and Stewadship structure. *Journal of Management Studies, 40*(8), 2055–2056.

Van Dierendonck, D. (2011). Servant leadership: A review and synthesis. *Journal of Management, 37*, 1228–1261.

Vera, D., & Crossan, M. (2004). Strategic leadership and organizational learning. *Academy of Management Review, 29*, 222–240.

Walumbwa, F. O., Wang, P., Lawler, J. J., & Shi, K. (2004). The role of collective efficacy in the relations between transformational leadership and work outcomes. *Journal of Occupational and Organizational Psychology, 77*(4), 515–530.

Wang, H., Waldman, D., & Zhang, H. (2012). Strategic leadership across cultures: Current findings and future research directions. *Journal of World Business, 47*(4), 571–580.

Yukl, G. (1981). *Leadership in organizations*. Prentice-Hall.

Yukl, G. A. (2006, 1989) [1981]. *Leadership in Organisations*. Prentice Hall.

Zhu, W., Chew, I. K. H., & Spangler, W. D. (2005). CEO transformational leadership and organizational outcomes: The mediating role of human-capital-enhancing human resource management. *The Leadership Quarterly, 16*(1), 39–52.

Index[1]