

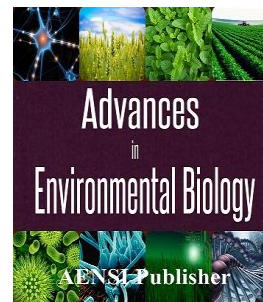


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Survey in Impact of Managerial Efficiency on Leadership Styles – (Case Study In Iranian Copmpany)

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ABSTRACT

The relation of the managerial efficiency and leadership styles are analysed in this paper. We conducted an empirical study in a Iranian power supply company (HEP). The dominant leadership style in HEP is consultational, which the organization, according to postulates of this research, brings closer to the top global companies, considering that the tendencies in leadership styles point to the need for a new generation of leaders which will be essentially different from the traditional manager. We have determined that there is a significant interdependence between leadership styles of HEP's managers (measured using Likert's method) and the degree of management work efficiency (measured using the adjusted Mott's technique); the closer the leadership style is to System 4, that is participational, the higher the managerial efficiency is. Also, we have found that there is no significant difference between lower and middle management in HEP, concerning the relation between leadership styles and efficiency. This means that both levels get better grades for its efficiency if they belong to a consultational and participational leadership style.

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Problem:

Leadership is a management function which is mostly directed towards people and social interaction, as well as the process of influencing people so that they would achieve the goals of the organization or the common goals. Without quality leadership and initiation of the members' activities, stimulation of high motivation and engagement of people, there is no successful organization nor successful company. Experience has shown that managerial efficiency differs depending on the managers' leadership style. This has stimulated numerous researches which have tried to answer the question of which leadership style is the best.

In search of the answer, important leadership theories arose – beginning from the personality theory, through behaviorist and contingency theories, to the theory of transformational and transactional leadership. Scientific research, up to now, of which most significant are the works of McGregor, Argyris, Likert, Blake and Mounton, Fiedler, House, towards the more current research of Taffinder, Crosby and Daft have shown that leadership styles influence the efficiency of the company on one hand, and performance and satisfaction of the subordinates on the other.

Leadership styles have a significant influence upon operational efficiency, especially if we observe them in a contingency context. Although some authors (for example: Hall 1977, Brady and Helmich 1984, House and Singh 1987, and others) hold that leadership styles of management do not have a decisive influence upon work efficiency and corporate performance - such a standpoint, at least according to the data available to us – is not the standpoint of the majority. Although there still is no uniform answer to the question of which leadership style is the most efficient, the research so far has shown that the leadership style is the cause, and not the consequence of the company's performance, and that there are significant differences in leadership, monitoring, interpersonal relationships, application of methods, communication and other management components between successful and unsuccessful managers, that is between organizational units which they are at the head.

The exploration of the relationship between leadership styles and performance and work efficiency starts from Likert, who was the first to stress the importance of different leadership styles for performance and work

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efficiency, and who has, based on his empirical research, reached the conclusion that all leadership styles are the cause, and not the consequence of work efficiency.

According to simple, early theoretical models, known as “personality theories”, it was considered that management efficiency depends primarily upon the personal characteristics of a leader. However, personality theories could not identify the personality characteristics which would guarantee managerial efficiency [44]. The fact that contemporary research has shown the existence of relationships between personalities and managers’ behavior on one hand, and managerial efficiency and corporate performance on the other, direct our attention further towards some aspects of the personality theory [49]. A question in which way a manager’s behavior influences efficiency was posed. These theories have explored the behavior of certain managers and their influence upon the followers and managerial efficiency. However, neither of these theories, among which the research of Likert, Blake and Mouton, and Flesher are the most widely known, identified managerial behaviors which would, in all circumstances, lead to efficiency.

We have to point out the results of Mott, Reddin, Yukl and Fiedler, which have shown that leadership quality and leadership style are extremely important factors of corporate performance, which directly influence corporate performance on one hand, and indirectly employee satisfaction on the other. The research has shown that managerial efficiency largely depends on the circumstances in which leadership is conducted. Theories have been developed which believed that an efficient leader has to be flexible enough to notice and accept the differences in relation to the employees and different circumstances in which leadership is conducted. The most famous situational theories, Fielder’s [13] *Contingency model* and House’s [20] *Path – goal model*, say that by using personality characteristics and manager’s behavior, their work efficiency can be predicted. These theories have overemphasised the situational aspects and ignored the personality characteristics and manager’s behavior [44]. Stodgill believes that managerial efficiency and entire corporate performance are equally influenced by situational factors, personality characteristics and manager’s behavior.

Although most theoreticians point out the importance of leadership and leadership styles for operational efficiency, some theoreticians [3,32] hold that corporate success can depend upon different external factors which are not under the influence of a leader.

In spite of many, studies conducted up to now, within the framework of the afore presented theories and significant improvements in understanding the relationship between leadership variables and managerial efficiency, there still is no scientific theory which would give a more concise identification of managerial efficiency, and interdependence of leadership styles and efficiency. However, existing scientific leadership theories have given a great contribution to the understanding of the leadership process itself, and pointed to the complexity of a leader’s behavior. Moreover, many theories have shown that managerial efficiency is the result of various factors and their interaction, of which not all are connected with the leader’s personality. Contemporary theoreticians, where the most significant works are those of Yukl 1989; Westley, Mintzeberg 1989; Hart 1993, hold that the interaction between the leader and the followers (management and the employees) is conducted in both directions, and that the followers and communicational process between the leader and the followers give a significant contribution to managerial efficiency, as well as the entire corporate performance.

This paper is based on a particular research problem: relation of managerial efficiency and leadership styles among management levels in a Croatian state-owned company for generation, transmission and distribution of electrical energy –“Iranian elektroprivreda d.d.” (HEP). HEP is undoubtedly a specific kind of organization – with a specific social role and the position of a monopoly in a typical transition country as Croatia is. It is especially interesting to examine the management problems of state-owned companies, where the efficiency indicators are a bit different from those in profit, that is private companies.

The aim of our efforts is to explore managers’ leadership styles in HEP and explore the existence or non-existence of the interdependence of leadership styles and the managerial efficiency of work in the HEP; to enable: a definition of possible patterns in the relationship between leadership styles and the efficiency of work and to identify dominant leadership styles.

In our study, we have tried to determine the connection between the efficiency of work and leadership styles, to answer which is the direction and the intensity of connection between the variables, as well as, what is the causal relationship between them. In fulfilling the mission of the paper, we have tried to determine leadership styles of the top, middle and low management in HEP. We investigated what leadership styles are used by managers, which leadership styles are the most frequent, are leadership styles connected to the efficiency, and if so how, which are the most efficient leadership styles, is there a difference between leadership styles and the efficiency between the managers with different levels of education, and how the leadership styles and the efficiency are connected to the variable of education, and others.

We set two propositions in our study:

Hypothesis 1: There is a significant interdependence between leadership styles of HEP’s managers (measured using Likert’s method) and the degree of management work efficiency (measured using the adjusted

Mott's technique): the closer the leadership style is to System 4, that is participational, the higher the managerial efficiency is.

Hypothesis 2: *There is no significant difference between lower and middle management in HEP, concerning the relation between leadership styles and efficiency.*

Research methodology:

For the purposes of this paper, we carried out an empirical study in which we attempted to confirm the hypothesis. The study was conducted during the first half of 1999.

In our research, we used Likert's model, which is a satisfactory framework for the creation of scientific models for empirical research. Let us remember that in his research, Likert has two main starting points: there are significant differences in leadership, monitoring, interpersonal relations and other components of management between successful and unsuccessful managers, that is between organizational units which they are headed by, and management style which is the cause, not the consequence of organizational efficiency. Likert sees a successful manager as a person strongly oriented towards the subordinates, who relies on communication in maintaining a harmonious functioning of all parts. All group members, including the manager or a leader, adopt a supportive attitude whereby they participate in the common values, aspirations, goals and expectations. He stresses that a participational leadership system is the most efficient, a system which is based on high goals and requirements which activate individuals, develop their abilities through joint decision-making, decentralization of decision-making upon those levels at which there is more knowledge and information for quality decisions, and thus the greatest interest for decision-making. Therefore, in this paper, leadership styles are determined using Likert's model of leadership systems. The respondents, HEP's managers, have given answers to the following six variables which, according to Likert, determine leadership styles: leadership, motivation, communication, decision making, goals and control.

Efficiency was measured using the adjusted Mott's model. Mott, measuring organizational efficiency using a multicriterial model, defines organizational efficiency as an ability of a company to perform its activities, adapt to the changes from the corporate environment, and to successfully answer to those changes. Mott's criteria for measuring efficiency are: productivity – the measure of quality and quantity of output, and the production efficiency (using as little means as possible for achieving better output), adaptability – ability to foresee a problem, to give alternative solutions to a problem, constant exploration and application of new techniques and technologies relevant for the activity of a company, and the possibility of adopting new solutions and flexibility. According to Mott, successful organizations can produce more efficiently, can quickly adapt to changes, and are thus more flexible when crisis situations occur.

In our research, we have used the adjusted Mott's model of managerial efficiency, where the efficiency assessment was done on the basis of the questionnaire with nine questions. Considering the particularity of HEP, as a state-owned company, with strong and decisive politics of the Management Board, the efficiency evaluation of all managers was given jointly by members of HEP's Management Board. The evaluation of the members of the Management Board was obtained through joint evaluation of the president of the Management Board and the president of the Supervisory Board, where the efficiency evaluation of the president of the Management Board was jointly given by the president of the Supervisory Board and all members of the Management Board.

The problem, in the research, was determining the criteria and measures for evaluating work efficiency of managers at higher levels of the hierarchy, that is, the complexity of evaluating the efficiency of the Management Board. Only the authors of this paper have an insight to the complete evaluations, for which it was necessary to create special confidential conditions of filling out the questionnaires, and grading the highest management level. As far as evaluating middle and lower management levels is concerned, the Board members in charge of certain functional fields have evaluated their direct and indirect subordinates. In 17 cases, it was necessary to organize group evaluation of two; in seven cases of three; and in two cases, of four members of the Board due to particularity of work tasks (of matrix structure) of certain managers.

At lower management, levels it is easier to quantify the measures of managerial efficiency, and that was done on the basis of managers' positions (whether it was directly in generation, in technical structures or accompanying), and the usage of one or more indicators which are significant as success resultants. Here, the criteria distributed in nine questions of the questionnaire was considered so that the obtained grade is a complex value of the usage of multiple criteria. We stress that the parallel, for example, the productivity evaluation, the output quality, the quality of control functions and other factors, is possible only through unification of efficiency measures in the entire organization – and that is possible through direct evaluation – which is only indirectly based on the actual indicators of HEP's performance, from technical to economical. For example, the comparison of efficiency of the director of the Finance Sector and the manager of HEP's thermal power plant in Sisak, is only possible if – within a model – the efficiency indicators are brought down to the common denominator (ordinal scale), and if the evaluation is ascribed by truly relevant evaluators. We believe that we have achieved to perform the task consistently.

On the basis of the obtained answers, the managers are classified in five groups of managerial efficiency: (1) managers whose efficiency is not satisfactory, (2) managers whose efficiency is below average, (3) managers whose efficiency is average, (4) managers whose efficiency is above average, (5) managers with special, extraordinary qualities concerning operational efficiency.

In the group of managers with low efficiency, classified are all the managers with the average grade from the questionnaire being below 1.5. In the group of managers with efficiency below average, classified are all the managers with the average grade from the questionnaire being above 1.5 and below 2.5. In the group of managers with the average efficiency, classified are all the managers with the average grade from the questionnaire being above 2.5 and below 3.5. In the group of managers whose efficiency is above average, classified are all the managers with the average grade from the questionnaire being above 3.5 and below 4.5. In the group of managers with extraordinary efficiency classified are all the managers with average grade from the questionnaire being above 4.5.

Results of the study:

The correlation between the efficiency of certain managerial groups and the evaluation of leadership style is analyzed using the model of linear regression. The analysis was made for all managers of all three levels together and for managers of top, middle and line levels (work term: top, middle and line management) independently.

The evaluations of managerial efficiency (independent variable) go from 1 to 5, while dependent – Likert's variable – takes the values from 1 to 4. As there were no answers concerning the value of Likert's variable 1, that is, as its frequency was 0, value 1 was left out in the Tables that follow.

As can be observed from Table 1., 5.3% of all HEP's managers have especially good, excellent efficiency according to the evaluations of top management, 39.1% have efficiency above average, 33.1% have average efficiency, 14.8% have efficiency below average, while 7.7% of the managers do not satisfy even the basic efficiency criteria according to the adopted research model.

It is indicative that all higher management structures are mostly satisfied with their lower managerial staff (approximately 72%), however, a certain, still significant number of managers (closely to 28%) is not in the function of attaining the set corporate goals that the Management Board has set to the organization.

Table 1: Efficiency and management level.

Efficiency grade	Top management	Middle management	Line management	Total	%
1	0 (0.00%)	5 (2.96%)	8 (4.73%)	13	7.69%
2	0 (0.00%)	11 (6.51%)	14 (8.28%)	25	14.79%
3	1 (0.59%)	16 (9.47%)	39 (23.08%)	56	33.14%
4	3 (1.78%)	30 (17.75%)	33 (19.53%)	66	39.05%
5	1 (0.59%)	3 (1.78%)	5 (2.96%)	9	5.33%
Sum	5	65	99	169	100.00%
%	2.96%	38.46%	58.58%	100.00%	

In our research, the key hypothesis was connected to the exploration of the leadership styles and managerial efficiency. The results have shown how HEP's managers use Likert's three leadership systems, where most of them use System 3. Would it be possible to determine a relevant relationship between leadership styles and managerial efficiency?

We tried to answer that question on the basis of the crossed table of leadership styles and the determined managerial efficiency. As can be seen from Table 2, it is possible to show that there is a significant relationship between the efficiency level of managers and belonging to a certain leadership system.

Table 2: Likert's styles (systems) vs. efficiency (all managers in HEP)

Efficiency grade	System 1	System 2	System 3	System 4	Sum	%
1	0 (0.00%)	6 (3.55%)	7 (4.14%)	0 (0.00%)	13	7.69%
2	0 (0.00%)	3 (1.78%)	21 (12.43%)	1 (0.59%)	25	14.79%
3	0 (0.00%)	2 (1.18%)	52 (30.77%)	2 (1.18%)	56	33.14%
4	0 (0.00%)	1 (0.59%)	63 (37.28%)	2 (1.18%)	66	39.05%
5	0 (0.00%)	0 (0.00%)	2 (1.18%)	7 (4.14%)	9	5.33%
Sum	0	12	145	12	169	100.00%
%	0.00%	7.10%	85.80%	7.10%	100.00%	

Namely, the highest efficiency grade have seven managers whose leadership system is System 4 (of more than 59% of them), and two managers whose leadership system is System 3. No manager whose leadership system is System 4 was evaluated as a manager with insufficient efficiency, while six of them whose leadership

system is System 2 (50% of managers in the system), and seven managers, whose leadership system is System 3 (approximately 5% of managers in the system), were evaluated as inefficient.

For the data presented in the next table, a determination coefficient was calculated in the amount of 0.203074, as well as a linear correlation coefficient of 0.450637, which usually does not determine a close connection. However, if the characteristics of both variables are taken into consideration, that impression does not have to be correct. Namely, both variables have a very small number of modalities in common, five for independent, and only three for the dependent variable.

Table 3: Relation between efficiency and Liker's styles (all HEP managers).

Efficiency grade	Value of Likert's variable			Total
	2	3	4	
1	6	7	0	13
2	3	21	1	25
3	2	52	2	56
4	1	63	2	66
5	0	2	7	9
Total	12	145	12	169

Numerically, an equal grade of respondents' leadership style actually presents a simplification which is necessary in a sociological research because it enables quantification of differences in opinion; the span in reality exceeds the span between the highest and the lowest value of Likert's variable. A more detailed nuancing of respondents' answers is not possible in that case. In that context, the value of the calculated correlation coefficient is extremely satisfactory.

Table 4: Basic descriptive statistics – Likert's styles.

	System 1	System 2	System 3	System 4
Arithmetic mean of efficiency grade	-	1.83	3.22	4.1
Standard error of efficiency grade	-	0.297294	0.073545	0.348010
Standard deviation of eff. grade	-	1.029857	0.885602	0.100505
Median of efficiency grade	-	1.5	3.0	4.5
Mod of efficiency grade	-	1.0	4.0	5.0
Geometric mean of eff. grade	-	1.60	3.06	3.94
harmonic mean of eff. grade	-	1.42	2.84	3.75
25% percentile	-	1	3	3
75% percentile	-	2	4	5

All elements of the basic descriptive statistics speak in favor of the set hypothesis of the research: the closer the system is to participational, managers in HEP get – on average – higher efficiency grades by the Management Board. All forms of environments do not depart from that fact.

We can even notice a more significant difference between managers with a benevolent-authoritative system, on one hand, and managers with a consultational and participational leadership system, on the other.

From Table 5., showing the correlation of managers' efficiency according to Likert's leadership styles, it is clearly visible that there is no strong correlation which would explain the identical evaluation for all styles.

Table 5: Correlation among Likert's styles ($p < 0.05$)

	System 2	System 3	System 4
System 2	1.00000	0.133154	0.399049
System 3	0.133154	1.000000	0.076954
System 4	0.399049	0.076954	1.000000

Thus, it is clear that we can support Hypothesis 1. In the research, we have determined that there is a significant interdependence between leadership styles of HEP's managers (measured using Likert's method) and the degree of management work efficiency (measured using the adjusted Mott's technique): the closer a leadership style is to System 4, that is participational, the higher the managerial efficiency.

Table 6: Top management.

Efficiency grade	System 1	System 2	System 3	System 4	Sum	%
1	0 (0.00%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	0	0.00%
2	0 (0.00%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	0	0.00%
3	0 (0.00%)	1 (20.00%)	0 (0.00%)	0 (0.00%)	1	20.00%
4	0 (0.00%)	0 (0.00%)	3 (60.00%)	0 (0.00%)	3	60.00%
5	0 (0.00%)	0 (0.00%)	1 (20.00%)	0 (0.00%)	1	20.00%
Σ	0	1	4	0	5	100.00%
%	0.00%	20.00%	80.00%	0.00%	100.00%	

Let us look at the position of the three management levels concerning their efficiency. HEP's top management, except in one case, has consultational leadership style. Efficiency of all members of the Management Board who do not have such a leadership style is above average, in one case excellent.

A member of the Management Board, whose leadership system is considered benevolent-authoritative, was evaluated as having below average efficiency on the part of his colleagues in the Management Board.

Table 7: Top management.

Efficiency grade	Value of Likert's variable			Total
	2	3	4	
1	0	0	0	0
2	0	0	0	0
3	1	0	0	1
4	0	3	0	3
5	0	1	0	1
Total	1	4	0	5

For data in Table 7., a determination coefficient of 0.625 was calculated and a linear correlation coefficient of 0.790569, which are, considering the characteristics of the variables (one variable is of the same rank as only five modalities, while Likert's second variable is of the same rank as only three modalities, which is, for purposes of quantification of sociological research treated as numerical) very good results, showing strong correlation between top management's efficiency grade and their evaluation of leadership style.

For our second hypothesis, it is interesting to analyze the relationship of work efficiency and the leadership system between middle and lower management.

Table 8: Middle management.

Efficiency grade	System 1	System 2	System 3	System 4	Sum	%
1	0 (0.00%)	1 (1.54%)	4 (6.15%)	0 (0.00%)	5	7.69%
2	0 (0.00%)	1 (1.54%)	10 (15.38%)	0 (0.00%)	11	16.92%
3	0 (0.00%)	0 (0.00%)	15 (23.08%)	1 (1.54%)	16	24.62%
4	0 (0.00%)	0 (0.00%)	29 (44.62%)	1 (1.54%)	30	46.15%
5	0 (0.00%)	0 (0.00%)	0 (0.00%)	3 (4.62%)	3	4.62%
Sum	0	2	58	5	65	100.00%
%	0.00%	3.08%	89.23%	7.69%	100.00%	

Here, it can be observed that there is no significant difference between the two groups. Work efficiency in both groups increases as the leadership style comes closer to participational.

Table 9: Middle management.

Efficiency grade	Value of Likert's variable			Total
	2	3	4	
1	1	4	0	5
2	1	10	0	11
3	0	15	1	16
4	0	29	1	30
5	0	0	3	3
Total	2	58	5	65

The values of determination coefficient of 0.181567 and the respective linear correlation coefficient of 0.426107 do not significantly clash with the indicators for management as a whole.

Table 10: Line (lower) management

Efficiency grade	System 1	System 2	System 3	System 4	Sum	%
1	0 (0.00%)	5 (5.05%)	3 (3.03%)	0 (0.00%)	8	8.08%
2	0 (0.00%)	2 (2.02%)	11 (11.11%)	1 (1.01%)	14	14.14%
3	0 (0.00%)	1 (1.01%)	37 (37.37%)	1 (1.01%)	39	39.39%
4	0 (0.00%)	1 (1.01%)	31 (31.31%)	1 (1.01%)	33	33.33%
5	0 (0.00%)	0 (0.00%)	1 (1.01%)	4 (4.04%)	5	5.05%
Sum	0	9	83	7	99	100.00%
%	0.00%	9.09%	83.84%	7.07%	100.00%	

We can conclude the following: we support the hypothesis which said that there is no significant difference between lower and middle management in HEP concerning leadership styles and efficiency. This means that both levels get better grades for their efficiency if they belong to a consultational and participational leadership style.

Table 11: Line (lower) management

Efficiency grade	Value of Likert's variable			Total
	2	3	4	
1	5	3	0	8
2	2	11	1	14
3	1	37	1	39
4	1	31	1	33
5	0	1	4	5
Total	9	83	7	99

According to the results calculated for a group of line managers, the determination coefficient of 0.238961 and the linear correlation coefficient of 0.488837 for the scope of a sociological research are very good.

Generally, the correlation between managers' efficiency measured with the grades from 1 to 5, and their evaluation of leadership style is positive (linear correlation coefficient is above zero), and is thus of significant strength. This particularly refers to a group of top managers with a linear correlation coefficient of more than 0,79. A positive, somewhat weaker, yet still for this kind of research a fairly significant correlation, exists between the evaluation of line managers and their evaluation of leadership style. The correlation of middle managers' efficiency evaluated by the Board, and their leadership style according to Likert is insignificantly weaker than the calculated indicators for management as a whole, and also positive – so it can freely be said that higher managerial efficiency goes with their commitment to a more contemporary, consultational, even participational leadership style.

Conclusion:

Our study, in which we have analyzed the relation among leadership styles and managerial efficiency in HEP has produced indicative results. On the basis of the conducted research, we got the following results:

We can support Hypothesis 1. In the research we have determined that there is a significant interdependence between leadership styles of HEP's managers (measured using Likert's method) and the degree of management work efficiency (measured using the adjusted Mott's technique): the closer the leadership style is to System 4, that is participational, the higher the managerial efficiency is.

We can support the Hypothesis 2, which said that there is no significant difference between lower and middle management in HEP, concerning the relation between leadership styles and efficiency. This means that both levels get better grades for its efficiency if they belong to a consultational and participational leadership style.

It is clear that all of these conclusions give a new perspective to the relationships between leadership styles and efficiency in HEP. It is very interesting that the dominant leadership style in HEP is consultational, which the organization, according to postulates of this research, brings closer to the top global companies, considering that the tendencies in leadership styles point to the need for a new generation of leaders which will be essentially different from the traditional manager. The leader will increasingly be expected to conquer the context in which the organization functions; that is, to come to terms with a whimsical, turbulent and uncertain environment. It is evident that the future, which has already started, will look for such managers in HEP, whose leadership style is radically different from the traditional – more authoritative – leadership style.

The results of this research may, to all those who are studying leadership, serve as a motivation and an argument for application of the most efficient leadership style, so that the human potential would be used best by activating and developing the capabilities of every individual, and thus increase the flexibility and adaptive capabilities of an organization.

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