

The Importance of Leadership in Economic Organizations

~ Ph. D. Assist. Lect. **Eleonora Gabriela Conțu** (Faculty of Business and Administration, University of Bucharest, Romania)

E-mail: eleonora.contu@faa.unibuc.ro

Abstract: Nowadays, leadership as a managerial and organizational process influences the activity at the organizational level. Obtaining performance at the organizational level is also influenced by the way in which the most participative leadership style is applied in order to create a close cooperation between leaders and subordinates. The main objectives of the study are: 1). explaining the role of the organization as a complex system in a contemporary context; 2). presenting the importance of applying effective leadership in economic organizations; 3). presenting new trends of today's leadership. That leader who is applying effective strategies, adequate for a participative leadership can get the expected results. He/she has to mobilize his/her team to work towards achieving the goals established. Successful leaders are those who "feel" their team and who are emotionally involved in activities because emotions are the "source of success".

Keywords: leadership, emotional intelligence, economic organizations, management, efficient leaders

JEL Classification: M31

1. Introduction

This study highlights the main aspects that characterize present leadership in the contemporary business context.

Society is continuously changing and nowadays it is important to notice how economic organizations adapt their activities according to new demands. So, leadership, like a revolutionary concept, is the "key" to success.

Since ancient times man has paired up with others in order to carry out joint activities that met their social needs with labour costs as low as possible. Thus, by setting specific goals and concrete objectives they cooperated and formed organized communities. But in order to achieve beneficial results, these communities were coordinated by people who were in charge and who led and controlled the activities. This cooperation between people helped establish the division of labour as a result of technological progress. Thus, leadership, which is a component of all collective activities, has continuously developed with the evolution of society. It can be mentioned that leadership is a practical activity dating from ancient times, just like human civilization (Cornescu, Mihăilescu and Stanciu, 2003, pp.1-2).

2. The organization and its role as a complex system

In all areas of society (economic, social, legal, political, etc.) leadership is a practical action that, in the contemporary context, is known as "management". Therefore, management represents the totality of actions that are undertaken in order to facilitate objectives' achievement of "organized human societies", which can be businesses, non-profit

organizations, schools etc. In the contemporary context, management can be seen not only as practical activity, but also as a science and art (Cornescu, Mihăilescu and Stanciu, 2003, pp.1-2).

In literature review it is believed that management represents a distinctive component of every organization (Drucker, 2010, p. 68).

It is important to note that modern management is currently experiencing a rapid evolution which is influenced by the following factors (Cornescu, Mihăilescu și Stanciu, 2003, p.12):

- the boom of technique and technology that generates an accelerated pace of innovation and brings about new challenges for organizations both at present as well as in the future;

- increased competition, on both national and international market, generates a complication of market mechanisms;

- the expansion of globalization processes and economic development at a regional level implies a restructuring of organizations' activities and accommodation to new conditions;

- implementation of macroeconomic management policies aimed at actions undertaken in order to ensure the protection of national firms.

Cornescu, Mihăilescu and Stanciu (2003, p.14) state that "the new management is a management of change" which not only means initiating and leading change, but also requires undertaking actions regarding the flexibility and adaptation of organizations to change. Thus, the same authors present the main issues to be considered in order to obtain managerial performance in the context of change (Cornescu, Mihăilescu and Stanciu, 2003, p.14):

- gradually introducing new elements into the structure of the organization and changing it for this purpose ;

-the organization's strategy must be reformulated in accordance with the prospect of change;

- promoting and adopting a management style that not only facilitates change, but stimulates the organization's members to be creative and accept change.

Constantin and Ionescu (2007) state that " the transformation process conducted by management takes place in enterprises or institutions that are actually organizations". Organisations are communities that have formed over time in order to achieve certain objectives and which represent, along with the army and the church, big institutions of the society. These may be: enterprises, scientific societies, schools, foundations, etc. (Constantin and Ionescu, 2007, p.9).

For example, we will consider the analysis of the enterprise, as secondary organization. The question arises: what are actually enterprises and what functions do they have?

Enterprises are economic organizations that produce goods and services for the market in order to obtain profit (Kerbalek et. al.,1999, p.9).

In literature review it is considered that enterprises fulfil the following functions:

I). Research - development function - includes those activities by means of which an organizational framework of the company is analysed, built and developed. Thus, one can distinguish the following main activities (Constantin and Ionescu,2007,p.19): research development (scientific concept), technological engineering and enterprise development.

II). Production function - includes all activities (programming and launching

production, manufacturing, technical controls etc.) by means of which a final product is obtained (Constantin and Ionescu, 2007, p.20).

III). Commercial function - includes two sub-functions: supplying and selling. The supply sub-function supply aims to purchase materials needed by the company for the activities that will take place, and the selling sub-function focuses on identifying customer needs and launching on the market the goods that they need (Kerbalek et. al.1999, pp.164-165).

IV). Marketing function

In a free and competitive market economy, companies can conduct their work under optimum conditions only if they meet the requirements and needs of the market place. The marketing function has a strategic value, therefore the involvement of both manager and leader in achieving the enterprise's objectives leads to the projection of its efforts to obtain profit into terms and conditions of meeting demand as complete as possible. Thus, the importance and role of marketing was continuously emphasized in close correlation with the following aspects (Kerbalek et. al.,1999, p.167):

- o economic systems (competitive market economy);

- o the countries' level of development;

- o branches of activities.

V). Financial and accounting function - includes the financial sub-function and the accounting sub-function, having as "main object the provision and use of financial resources" (Kerbalek et. al.1999, p.168).

VI). The personnel function - serves to administer and manage human resources and comprises a series of activities such as human resource planning, personnel

recruitment, job descriptions, personnel selection etc. (Kerbalek et. al.1999, p.170).

3. The role of leadership in economic organizations

The economic organization is "an structural and processual component of the economy and the society, at the level of which economic goods that are oriented towards meeting social need are produced" (Horga, M.G., 2012, p.16).

V. Lefter cited by Horga (2012, p. 17) distinguishes the following elements of an economic organization:

- it is an open system closely linked to the environment in which it operates;

- is a completed system, defining its targets and having the freedom to accomplish them;

- it is a social entity, consisting of groups of people with particular interests, being also to mention that the organization's interests are not always common with those of the groups of people situation that creates major problems in the development of activities. Crețoiu, Cornescu and Bucur (2008) note that "economic operators are individuals or organized people' groups which participate in the economic life of the society, fulfilling certain roles and having similar economic behaviors " (Crețoiu, Cornescu and Bucur, 2008, p.58).

The literature states that the best known type of organization is the enterprise or company where people work together, regardless of the branch of activity, in order to achieve the objectives established (Horga, 2012, p. 17).

Thus, the company also represents the organizational framework adequate for the

manifestation of entrepreneur 's spirit of initiative enabling to properly combine manufacturing factors (Cornescu and Platis, p.49).

Leadership has a major importance within the economic organization, because in order for an organization to perform its objectives in terms of efficiency, it requires the emotional intelligent leaders.

Nowadays, when organizations are continuously changing, leadership meets the problems they face by creating a system of relationships between leaders and subordinates, its role being to redirect the behaviour of established team at the level of departments in each firm in order to achieve the goals both individually as well as at the level of the organization in terms of efficiency and performance.

In literature we find several definitions for the concept of „leadership“. Therefore, the following definitions of specialists in the field are outlined (Horga, 2012, pp.19-22):

“ Warren Bennis: „ Leadership is like beauty, hard to define, but you know it when you see it“.

“ Ken Blanchard: “Leadership refers to a road in a certain direction, rather than to a walk with no purpose“.

“ Mary Parker Follet: “Leadership refers to fully controlling situations and the ability to organize people in order to achieve a common goal“.

“ James McGregor Burns: “Leadership rather implies transformation of people and organizations than motivating people with a salary“.

“ John Kotter: “Leadership is the process of guiding a group or groups of people through non-coercive means“.

Thus, whatever the perspective from which one regards the concept of leadership

the following joint elements can be synthesized (Horga, 2012, p.22):

- "it is a process";
- "it involves influence";
- "it is performed within a group";
- "it involves achieving an objective";
- "managerial authority may exist, but it is not necessary".

Thus, organizational performance heavily depends on the leader's ability to trust in himself/herself, to find solutions, to have will and also on the way he/she leads the team towards performance. A leader is someone who can positively influence the team he/she leads, while having managerial authority, in generally, but not mandatory. In this context, the following question arises: Are people born leaders or do they become leaders by learning this on the way?

Warren Bennis (2002) noted that "leaders are not born in this way, but they become leaders", giving the following argument:

" (...) due to an intense transformational experience, people can express this option of becoming leaders". Therefore, people are not born leaders, but they learn this on the way, when choosing to be shown how they can become leaders and follow the pieces of advice received").

Stephen Covey (2008) also argues that "people have the power to choose (...) . Leaders are people who have chosen to be leaders, following the answers they chose" bringing the following reasoning: „ (...) due to intense transformational experiences, people express this option to become leaders". Therefore, people are not born leaders, but in the process of learning when choose to express the desire to become leaders following the given advice" (Horga, 2012, p. 23).

Analysing the two viewpoints one can mention that leaders are not born, nor do they

become leaders by chance, they choose to be leaders through a sustained effort and perseverance, thus being able to develop their ability to lead. These people are not only leaders, but also "real" leaders.

Tan??u (2003, p. 115) notes that "in modern economy we must accomplish the scope of different economic systems goals: economic development in advantage of raising the general standard of living, ensuring employment, price stability, extra-economic balance and social security", and the company's success on the business market depends on the managers' ability to combine manufacturing factors in order to obtain the lowest costs.

4. New trends in current leadership

Nowadays, one can observe the evolution of leadership as a result of participative leadership exercising influence on organizational performance. Its main advantages are motivation, quality and acceptance, advantages that allow subordinates to take themselves decisions that concern them, but only within certain limits mutually agreed upon with the leader. Thus, the more freedom subordinates have to act in a certain extent, the more one can say that the leader practices a successful participatory leadership style.

An efficient leader is a leader who uses time as a precious resource, engaging with passion in everything he/she does, he/she is prompt in decision making, he/she is honest and appreciates the work of his/her subordinates, he/she makes constructive criticism and stimulates through adequate words those subordinates who do not may meet his/her expectations and respects the group of people he/she leads.

David Goleman, in his paper, „Emotional Intelligence” notes that “teamwork opens new lines of communication, cooperation, listening and direct expression - basic elements of social intelligence”, while also noting that “a knowing how to lead does not mean knowing how to dominate, but knowing how to get people to work for a common goal (Goleman, 2008, pp. 197-199).

In another paper entitled „Emotional Intelligence in Leadership”, Goleman, McKee and Boyatzis (2007, p.7) argue that “the primary leaders responsibility is to induce positive feelings to those whom they lead”, which happens when a leader creates resonance, being “a reservoir” of positive elements which make people to be the best. The same authors argue that “emotional intelligence - the wisdom with which we live our emotions - matters as much to the success of management (...)” (Goleman, McKee and Boyatzis, 2007, p.7).

Thus, one can outline the main leadership skills in terms of emotional intelligence (Goleman, McKee and Boyatzis, 2007, pp. 314-317):

- self-knowledge (we refer to emotional self-knowledge, self-evaluation, self-confidence);
- self-control (we refer to self-control, transparency, adaptability, ambition, initiative, optimism);
- social conscience (we refer to empathy, organizational awareness, thoughtfulness);

- management of relations (inspiration, influence, training others, facilitating change, conflict management, teamwork and collaboration).

5. Conclusions

A modern organization is prosperous if the leader takes responsibility to positively influence his subordinates. He /She tries to achieve the expected performance acting in the right direction, guiding and influencing the emotions of the entire team he/she leads. Therefore, if his/her leadership skills (self-confidence, self-knowledge, initiative spirit, transparency, self-control, etc.) are used appropriately they manage to achieve the desired performance. But if leaders act in an inappropriate way, channelling emotions in a negative sense, subordinates become pessimistic and even angry, and thus fail to achieve the expected results.

David Goleman (2008, p. 215) stated in his paper entitled “Emotional Intelligence” that “in order to survive, companies should increase their collective emotional intelligence”. Thus, in the contemporary context, when business market is diversified and organizations try to gain supremacy in their field of activity it is important to take into account new trends in modern leadership, whose perspectives aim at an effective leadership based on another revolutionary concept: „emotional intelligence”.

REFERENCES:

1. Goleman, D., Boyatzis, R., McKee, A. (2007), *Inteligență emoțională în leadership*, Editura Curtea Veche, București.
2. Constantin, D., Ionescu, S. (2003), *Managementul organizației*, Editura Cartea Universitară, București.
3. Cornescu, V., Mihăilescu, I., Stanciu, S. (2003), *Managementul organizației*, Editura ALL BECK, București.

4. **Cornescu, V., Platis, M.** (2002), *Economie*, Editura CREDIS, București.
5. **Crețoiu, Ghe., Cornescu, V., Bucur, I.** (2008), *Economie*. Ed. a II-a, revăzută, adăugită și actualizată, Editura C.H. Beck, București.
6. **Drucker, P.F.** (2010), *The essential Drucker: selecție din lucrările de management ale lui Peter F. Drucker*, Editura Meteor Press, București.
7. **Goleman, D.** (2008), *Inteligența emoțională*. Ed. a 3-a, Curtea Veche Publishing, București.
8. **Goleman, D.** (2016), *Leadership: puterea inteligenței emoționale: selecție de texte*, Curtea Veche Publishing, București.
9. **Horga, M.G.** (2012), *Leadership și performanță organizațională*, Editura Expert, București.
10. **Kerbalek, I.** (coord.) (1999), *Economia întreprinderii*, Editura Forum consulting Partners, București.
11. **Tanțău, R.M.** (2003), *Fundamentele sociologiei economice*, Editura Meteor Press, București.