

# Managers and Leaders in Organizations of a Post-transition Economy

Mojca Prevodnik, Roberto Biloslavo

University of Primorska, Koper Faculty of Management Cankarjeva 5, 6000 Koper, Slovenia,  
mojca.prevodnik@fm-kp.si, roberto.biloslavo@fm-kp.si

Managers and leaders are different figures within an organization but are also alike. During different stages of the organizational life cycle we sometimes need more manager-oriented people and at other times more leader-oriented people. However most of the time we need them both in order to achieve a balance within the organization. Slovenia is a post-transition economy, facing new challenges and opportunities therefore the need for leader-oriented people is expected to be huge. Nevertheless our research showed that in Slovenian profit and non-profit organizations, upper management positions have been occupied by manager-oriented people but at the same time a balance exists between the two roles. We also found out that managers and leaders perceive the success of their organisations in quite a similar way. An adapted Hickman's questionnaire together with a content analysis of subordinates' comments about how they perceive their organization was used to ascertain the differences between them and their superiors. By knowing how employees perceive their managers and how the latter perceive themselves and their organizations we can develop better approaches to management development in post-transition economies.

**Key words:** Manager, Leader, Post-transition economy, Slovenia

## 1 Introduction

Ever since Abraham Zaleznik published his famous article entitled "*Managers and leaders - are they different?*" in 1977, there has been an ongoing debate on this issue. Are they really so fundamentally different, as Zaleznik claims, or is this just another fad which will only cause confusion?

Going through the vast literature on this subject, we realized that this is not just another fad resulting from changes in the environment. The need for something new has emerged due to the changes in our society. The first was the need for someone who could gather people – establish a group of followers - and motivate them to take action. This was the birth of a leader. But then came the era of industrialization and the need for control and chaos reduction, and with it - the manager (Northouse, 2001; Sadler, 2003, Fairholm, 1998). But it seems that, in a hypercompetitive environment, more leader-oriented than manager-oriented people are needed, simply because of their cognitive and emotional characteristics (Sadler, 1988).

Many scholars have tried to define who the manager or the leader might be, what characteristics the two of them should possess, and which roles they should play in the everyday life of an organization, and all eventually came to the same conclusion. Although their roles differ we need them both to run a business properly.

## 2 A manager and a leader

### 2.1 The nature of a manager

Many definitions of a manager can be found in various sources. We can divide them into six groups, each with its own emphasis. The first emphasizes *reason or mind* (see Hickman, 1992), the second *authority* (see Bedeian, 1993), the third *resource coordination* (see Stoner et al., 1995), the fourth *mobilization* of people and other resources for successful performance (see Schermerhorn, 2001), the fifth *resource control* (see Kotter, 1990), and the last *tradition or maintaining the status quo* (see Tichy and Devanna, 1986). Therefore we can conclude that the manager is someone who uses authority and reason for efficient and effective problem solving and to mobilize, coordinate, and control organizational resources by the use of standardized procedures that are a part of organizational policy.

We can also find some similarities with Henry Mintzberg's definition of the manager's roles. Mintzberg (1989) wrote that the manager has a formal authority which determines his or her status and this leads to 10 roles managers find themselves playing. He divided them into three groups - interpersonal, informational and decisional. A successful manager - and this can be, according to Mintzberg (1989), a chief executive officer, vice president, bishop, foreman, hockey coach or prime minister – is one

who combines all ten roles and switches between them as necessary. Managers have to know their environment and therefore they form relationships according to their status mainly to get the information they need to make decisions about resources, tasks, goals, strategies or in fact about the future of the organization. As Schermerhorn (2001) wrote: "The managers of the 21<sup>st</sup> century will have to excel as never before to meet the expectations held of them and of the organizations they lead". And they will have to be global strategists, masters of technology, consummate politicians and leaders / motivators.

## 2. 2 The nature of a leader

When defining a leader, scholars use words like *emotion, soul, change creation, creativity, motivation, and inspiration*. A leader is someone who includes emotion and soul in the everyday process of solving problems (see Hickman, 1992). Spending on resource allocation is not one of the leader's primary concerns, while doing the right thing is (Bennis, 1995). Leaders think "out of the box" and this is their talent. They usually create new opportunities because they understand their surroundings (see Townsend, 1995), and this is one of the reasons why employees follow them (see also Buckingham, 2005). They are energetic, passionate and inspirational and this builds up trust among individuals who are motivated into doing the right thing (DuBrin, 1997, see also Drouillard & Kleiner, 1996). If we blend these definitions together we could say that the leader is someone who includes emotion and soul in the process of motivating, inspiring, and encouraging individuals to be able to achieve audacious goals and bring about change.

Kets de Vries (1994) writes that leaders actually play two roles – charismatic and instrumental. They must have a vision of where the organization is going and at the same time they need to be able to channel organizational energy in the right direction in order to motivate people. Another thing is empowerment, which builds trust and commitment. These are the elements of the charismatic role. Kets de Vries (1994) emphasizes that "the combination of the charismatic role and the instrumental role can be very powerful: the charismatic aspect of leadership becomes more concrete and focused, while the instrumental part [organizational design, control and reward] becomes more flexible and human." These all are attributes of future leaders or, as Tichy and Sherman (1994) wrote: "In the new culture, the role of a leader is to express a vision, get buy-in, and implement it. That calls for open, caring relationships with employees, and face-to-face communication."

## 2. 3 A manager and / or a leader?

Abraham Zaleznik (1977) wrote that "[...] managers and leaders are very different kinds of people". His argument is that when thinking about goals, about work, about relationships towards others, and about one's self, four major differences between the two roles appear. Managers see

goals as necessities; leaders see them as a reflection of their own visions and beliefs. In their relations to work, managers tend to be more practical or flexible – they try to sustain a balance in everyday tasks, as for leaders this does not work. Leaders try to be innovative and inspirational and that requires taking risks in order to get people's attention on important matters, which in the final stage may lead to efficient and effective decisionmaking. Managers build relationships according to their formal position in the organization. This leads to the conclusion that they like working with people, but at the same time leave their emotions out of it. They are more process-oriented. Leaders take relationships very personally. Empathy is their main ability which helps them understand individuals and how they perceive each matter they are faced with. Managers do not feel separated from the environment they live in, while leaders do. To put it in another way, managers work and at the same time belong to the organization; leaders do not, since they want to see the forest (i.e. the organization in relation to its environment) and not just an individual tree (i.e. the organization or an individual task). Managers seek stability and order, leaders seek change. Although Zaleznik described these two roles as being fundamentally different, he also wrote that organizations need both, in order to succeed (see also Kent, 2005). A similar point of view is that of Fairholm (Hughes et al., 1999), who wrote that organizations may need two different kinds of people – good managers and good leaders who do different jobs.

Some scholars are not so deterministic and say that, although roles differ, it is possible for some elements of an individual role to be found in the other. Therefore an individual could possess a combination of manager and leader characteristics (Daft & Noe, 2001). Although scholars who share this point of view do agree that one can have characteristics of the other and consequently can do the other one's job, they do not agree on "the who" that might be. Townsend and Bennis (1995) agree that leaders and managers are not as different as one would think, but on the other hand state that you can also be a leader while being a manager, and vice versa. On the other hand, Daft and Noe (2001) argue that "[s]ome managers may be good leaders, but not all good leaders are managers." The reason is the nature of the authority granted to managers and leaders. The authority of the former is formal, deriving from that person's position within an organization, while that of the latter is informal, deriving from personal sources. Armandi, Oppedisano and Sherman agree on the point of authority, but disagree when it comes to playing roles. In their opinion "[a] leader can be a manager, but a manager is not necessarily a leader", because managers seldom try to persuade people without using their formal authority (2003). Kotter (1988) agrees that we must not determine the roles, because they "are not mutually exclusive [and] [t]here is no logical reason why a person with the appropriate background and skills could not do both well in some situations."

Another group of scholars propose that the roles complement each other despite their differences. Some

of them explain that in fact new roles will evolve or have already done so, due to market changes and the nature of everyday work, and they are in fact a combination of a manager and a leader. Kotter (Hughes et al., 1999) and Hitt (1988) write about the “leader-manager”, Fletcher (2002) about the “management-leader” and Yukl (1998) about “managerial-leadership”; Sadler even wrote a book about it in 1988. Although creating new roles can be good for the job, we must not forget that if an organization wants to be successful in an unstable environment it has to have individuals who are good at both roles. Hooper and Potter (2000) explained that this is necessary if organizations do not want to fail due to a lack of vision, innovation and original thinking in today’s organizations, despite their having good management. Genevieve Capowski (1994) summarized the quotations of some experts who say that “yesterday’s leader was more of a ‘manager’ [a]nd what is called for today is a true leader.” Warren Bennis (1995) confirmed: “It’s very clear to me that failing organizations almost always fail because they’re over-managed and they’re under-led.”

We can conclude that organizations must have managers and leaders who, although different in their characteristics, skills, and ways of thinking, are at the same time very alike. It is not really important if the two roles are performed by one or two people, or who is at the top and who at the bottom, the most important thing is maintaining the balance between the two roles if organizations want to be and stay successful. Leavy and Wilson (1994) contend that “[t]he leader makes both an important contribution to the direction of the organization (its strategy) and also such actions can be linked directly to the economic performance of the firm. Leadership becomes the key factor in securing the assumed link between management as a process and organizational performance.”

### 3 The study

#### 3.1 The purpose

As Central and Eastern Europe (CEE) continues to merge into competitive markets in the European Union (EU) and the global economy, the absorption of particular managerial practices by CEE firms allows for the observation of management theory in new settings while providing an insight into CEE institutional contexts (Meyer and Peng, 2005). During the economic transition of the 1990s, changes in management structures in the CEE were often modest or absent (Bojnec, 1999). Efficient and competitive firms continued to replace less efficient firms through 2000 (Bojnec and Xavier, 2004), and business cycles appeared to be following a relatively stable business cycle with a frequency of three to four years (Jagric, 2003). Slovenia has also conformed to ISO 9000, as the role of these standards is raising levels of quality in business (Markič, 2006). Since Slovenia signed the accession to the European Union (EU) in 2004, the period referred to as “the decade of transition” can now be deemed

over. The post-transition period is creating new economic challenges with increased competitive and presumably isomorphic pressure on management practices to mimic European and global competitors.

The transition and post-transition period can be linked to the theories of mechanicism and organicism which are closely connected with the theories of management and leadership. As Terry wrote (1995) “[l]eadership theorists have relied primarily on organicism to describe the role and responsibilities of leaders in complex organizations while mechanicism has been the theory of choice used to describe the role and responsibilities of managers as well as to differentiate management from leadership”. Or to put it in another way, managers tend to see the organization as an instrument, as a means of achieving the owner’s objectives, while leaders see it more as a political organism, as a living entity composed of different stakeholders with their needs and values (see Morgan, 1997). In the transition period more hard work had to be done in order to bring organizations to a higher level of performance, to become competitive and achieve results, i.e. the owner’s objectives. The consequence of this was the focus shifted to efficiency, cost reduction and return on investment as the main measure of organizational success. Therefore more manager-oriented people were needed who were not afraid to use their formal authority as a means to persuade subordinates. Followers were approached with the intent to exchange one thing for another and when the transaction ended so did the relationship (transactional leader or manager; Burns, 1978). But the new era, the post-transition period, arrived and new needs emerged. Organizations still have to be efficient in order to make a profit but if they want to be competitive and make even more profit they have to have a vision, they have to be creative and they have to be effective. Fullan (2001) stated that “[t]he more complex society gets, the more sophisticated leadership must become. Complexity means change, but specifically it means rapidly occurring, unpredictable, non-linear change.” If an organization is a living entity made up of various stakeholders with their interests, needs and values, you need people who can bind this variety into an organism that performs great results. And for that reason more leader-oriented people at the upper levels of organization are needed. Burns (1978) named such a leader a transformational leader who “looks for potential motives in followers, seeks to satisfy higher needs, and engages the full person of the follower”. And the result of this process is “a change in the level of commitment and increased capacity for achieving the mutual purposes” (Stewart, 2006).

For all the aforementioned reasons we suppose that

1. In the post-transition period “managers” in Slovenian organizations are likely to be more leader-oriented than manager-oriented but a balance between the two roles exists;
2. Consequently, Slovenian organizations are perceived more as organisms than mechanisms.
3. Subordinates view superiors differently than the latter perceive themselves.

#### 4. Managers and leaders have different perceptions of the success of the organization they run.

Therefore the main purpose of our research was to ascertain the ratio of the two roles within Slovenian profit and non-profit organizations, the relation between an individual role and the view of the organization, and the relation between an organization's performance and the prevailing role of its "managers".

### 3. 2 Methodology

The research was carried out in 54 randomly selected Slovenian organizations (15 non-profit) with a maximum of 50 employees in 2007. The response rate was 53.7% (29 organizations) with 116 people participating (male = 60, female = 56). Questionnaires were sent to employees in middle and upper management. The aim of our research was to gather data in a slightly different way than usual. Since every superior has his or her subordinate(s) we had to find a pair who would be willing to participate in order to gain useful data for further interpretation and comparison. First, we asked the subordinates to describe their superiors and at the same time superiors described themselves. The questionnaire was specifically designed for each hierarchy position. And second, when the questionnaires were filled in, we asked subordinates to comment on the differences which appeared between their perception of their superior and the superior's perception of him- or herself: 56 out of 58 replied, and based on content analysis of this data, we were able to further confirm our prior conclusions.

For the purpose of our research Hickman's questionnaire (1992) was adapted. Although some might see it as old, the questionnaire proved itself to be useful and valid in prior research (see Prevodnik, 2004). Hickman was able to determine the individual's role with 36 questions using two possible answers, of which the first represents a manager-oriented and the second a leader-oriented view (i.e. I enjoy being, a) organized, or b) flexible; I think about business strategy in terms of, a) a specific plan, or b) a broad vision). Therefore we used them in the first part of our questionnaire, which consisted of three parts. One question was added to Hickman's questionnaire in order to verify the individual's understanding of the organization and at the same time confirm our hypothesis on the relation between an individual role and the view of the organization (i.e. I see my organization a) only as a means of achieving the owner's objectives, or b) as a living entity composed of different stakeholders and their interests). We used a six-point Likert-type scale ranging from 1 (strongly manager-oriented) to 6 (strongly leader-oriented)

ted) to be able to interpret the results from a broader perspective.

The second part consisted of two questions about the type of the organization and the individual's perception of organizational success. The former had three possible answers – profit, non-profit, other. The latter would enable us to test if there are any differences between superior and subordinate perceptions of how the organization performs. We gave 6 possible answers, ranging from 1 (very successful) to 6 (very unsuccessful).

The last part contained questions concerning some general data about the individual characteristics of the participant (gender, age, education, work position).

### 3. 3 Findings

The results showed that 34% of all superiors in our sample were chief executives and 66% middle managers. The majority of those in chief executive positions are men (the ratio is 19 : 1), but more women take middle management positions (21 : 17). To be able to determine the individual's role and make further comparisons, we calculated the average of all the answers of an individual participant in the first part of our questionnaire and divided it by the number of questions. Analysis of the superior's sample yielded interesting results (see Table 1).

Chief executives described themselves as more manager- than leader-oriented. When looking at middle management positions we can conclude that middle managers are in fact leaders, with 63% of all middle managers in our sample being leader-oriented. This is not so surprising if we derive this conclusion from the findings on personality traits (e. g. Jaques, Bennis and Nanus, Hickman, Capowski, Kouzes and Posner, and others), from the nature of everyday tasks and the nature of the role and also from our previous research (see Prevodnik 2004). At this point we could say that managers are more suitable for upper management positions, as are leaders for middle management positions and that a kind of a balance between the two roles does exist. We also supposed that Slovenian organizations are likely to have more leader-oriented people in the post-transition period and this in general is true. But we must not forget that the environment is changing rapidly and new needs are emerging. Judging by the superiors' answers, the post-transition period has evidently not brought any changes in (the upper levels of) Slovenian organizations.

The organization is a living entity in which individuals meet and work. They are differentiated according to their position and roles. However the quality of the relationship between a superior and a subordinate is of critical importance and has a salient influence on the organiza-

Table 1: Superior – a manager or a leader?

	Manager (n = 29)	Leader (n = 29)
CEO (n = 20)	15	5
Middle manager (n = 38)	14	24

Table 2: Different perceptions of the superior's role

		Subordinates		
		Manager	Leader	Total
Superiors	Manager	22	7	29
	% within Subordinates	62.9	30.4	
	Leader	13	16	29
	% within Subordinates	37.1	69.6	
Total		35	23	58

tional climate and the success of the behavioral processes (i.e. decision making, communication, learning) if not also on its final success. Therefore we analyzed the answers of 58 subordinates (male = 24, female = 34), aiming to discover how they perceive the role of their "boss". The analysis showed a different point of view (see Table 2). The ratio between the two roles was equal when superiors described themselves, but subordinates thought otherwise, namely that among the superiors there are more managers than leaders.

Table 2 shows that in 7 cases subordinates assessed their superiors as leaders instead of managers and in 13 cases as managers instead of leaders. Our third supposition was correct. Subordinates do perceive their superiors differently. Statistical analysis shows a correlation between the two variables (see Table 3).

To broaden our interpretation we asked the subordinates to explain the differences that appeared. Based on their written answers we can conclude that the main reason for the difference in how they perceive the superior's role is the way in which the organization is viewed – as an instrument or as a political organism. Almost 30% of the participants specifically mentioned that the organization and its employees are used merely to satisfy the needs and interests of the owners (i.e. employees as the organization's assets). Where the idea of the organization as an instrument prevails it is typical to have a sophisticated control system and low level of trust and cooperation

between managers and employees (Morgan, 1997). This can be the main reason why some subordinates characterized their superiors as managers. We aimed to get similar results from statistical analysis. Therefore we used the t-test to compare the arithmetic means of the variables (the two roles and the view of the organization). The descriptives show that managers see the organization more as an instrument ( $m = 3.53$ ), but leaders see it more as an organism ( $m = 4.35$ ). Standardized errors of both means are relatively small and therefore we can conclude that our sample is sufficiently representative (see Table 4).

Our second supposition was also correct. With the results from the t-test we can confirm that the individual role impacts on the view of the organization (see Table 5). Levene's test for equality of variances reveals that we can assume the variances to be equal ( $\text{sig.} = 0.950$ ). Further on, the second significance tells that we can conclude that there is a difference in how the organization is perceived, depending on whether you are a manager or a leader. This difference is statistically important ( $t(114) = -3.036$ ,  $p \leq 0.05$ ).

This also confirms statements in the literature that the view of the organization is closely connected with its leadership / management (Bolman and Deal, 1997; Terry, 1995). We can conclude that subordinates' perceptions in their written statements of the present state in organizations are quite accurate.

Table 3: Superiors and subordinates disagree

	Value	df	Asymp. Sig. (2-sided)
Pearsons Chi-square	5.836 <sup>(b)</sup>	1	0.016
Continuity Correction	4.611	1	0.032
Likelihood Ratio	5.958	1	0.015
N of valid cases	58		

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.50.

Table 4: The role and view of the organization

		N	Mean	Std. Deviation	Std. Error Mean
View of organization	Manager	64	3.53	1.389	0.172
	Leader	52	4.35	1.507	0.209

Table 5: T-test for the role and view of the organization

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
View of organization	Equal variances assumed	0.04	0.950	-3.036	114	0.003
	Equal variances not assumed			-3.008	104.795	0.003

Only the best organizations made it through to the post-transition period and are successful. Assuming from our results that managers were superiors in these organizations and they measure the success in ROI and capital. Leaders shouldn't. We therefore supposed that there are differences in their perceptions of success. The 6-point Likert-type scale was used to assess organizational performance (1 = very successful, 6 = very unsuccessful). The independent sample t-test was used to determine whether or not there are any differences. (see Table 6).

The comparison of superiors' answers showed no significant difference in the answers between the two roles. Managers are slightly more critical and see organizations somewhere in the middle of successful performance ( $m = 2.38$ ,  $SE = 0.175$ ), while leaders see them as successful ( $m = 2.21$ ,  $SE = 0.181$ ). This is in line with the competencies and characteristics of the individual role. Because managers tend to be more realistic and analytical it is expected they will have more a critical view on the current results of the organization they run. But further analysis of Levene's test and the t-test confirms that our forth supposition was false ( $t(55) = -.656$ ,  $p > 0.05$ ). This result can be connected with our conclusion on the different perceptions of the superiors' role.

## 4 Discussion and conclusion

Within the limitation of our study we can conclude that in Slovenia chief executives are more manager- than leader-oriented. However we can also infer that there is a kind of balance between manager-oriented chief executives and leader-oriented middle managers. At this point in our research we cannot give a final answer as to why and how this situation developed or has not changed. But one of the possible answers could be the state's influence as a majority owner of our biggest and most successful companies or as a distributor of financial resources and as the most important factor shaping the new business environment. However our conclusions are in line with

the research done by Ursic and Mulej (2005) who found that:

1. In Slovenia so many new companies were established and so many of the old ones collapsed or disappeared, that the knowledge of management practice from the past no longer works due to changes in the socio-economic order, the market, and in organizational forms;
2. More than 99% of all business entities in 2003 in Slovenia can be classified as micro, small, or medium-sized companies with a very limited democratic model of management and with little interest in innovation beyond the limits of technological innovation.

We can guess that in the transition period from the old self-governing mentality, Slovenian organizations needed executives who were able to squeeze the costs along the value chain by bringing efficiency to the position of an organization's mantra, and focus employees' attention towards return on capital as a main measure of the organization's success. To do this job, manager-oriented people were the best option. However, as the external environment changes, bringing new market challenges, Slovenian organizations would probably need more leader-oriented executives in the future (see also Kovač and Bertoneclj, 2007).

Although we consider this to be a post-transition period, the world today is in recession. Changes are occurring all around us every day and we do not have time to adjust. Decisions have to be made quickly and they are usually very complex. Stewart (2006) wrote that "[t]he challenge for leaders is to move from the bureaucratic system of managing people to a professional system marked by shared problem-solving and decision-making". This means that now it is time to empower people in order to increase the autonomy, motivation and personal commitment of all employees. What we are seeing nowadays is the very opposite. The owners want bigger profits, managers a bigger pay check with all the bonuses, employees fear for their jobs and banks do not want to distribute/lend money because there is none or the customer is not the right one. Big conglomerates vanish and

Table 6: Perception of organizational performance – based on superior's roles

		N	Mean	Std. Deviation	Std. Error Mean
Success of organization	Manager	29	2.38	0.942	0.175
	Leader	28	2.21	0.957	0.181

with them thousands of small organizations. Innovation is minimal or at least is not moving in the right direction. There is absolutely no-one to bind these sides together. Who would be the right “man” for this job? We wrote that managers seek order and stability and leaders seek change because in these environments they can perform well and give their best results. This does not mean that all managers have to disappear, but let the leaders take their place for a while and vice versa.

## 5 Limitations of the study and suggestions for future research

Our main purpose was to acquire various data which could help us form an opinion on the present state in Slovenian organizations regarding management and leadership. Management and leadership theory have developed in their own separate ways and now it is time to bring them together. The data gathered through this questionnaire and subordinates' comments will be useful for further developing the theory and practice of management and leadership, even within the limitations of our sample. We believe that in order to help organizations to be and stay successful in the new post-transition economies we need first to understand what perception about management and the organization the people inside organizations have, before we try to draw any conclusions and give advice based only on our prior experiences and cultural background.

Our suggestions for future research are:

1. The question of the relationship between superior and subordinate is an interesting one. What are the main factors driving the creation, upkeep, growth and breakdown of relationships? What impact does this relationship have on organizational performance?
2. The global recession and the manager / leader is another interesting topic to explore. Three different views can be observed: economic (organizational performance), psychological (values, needs, interests) and sociological (culture).
3. Although some scholars have tried to determine the characteristics of the individual role, a lot is still unknown. Which are individual and which are common? Do they differ in different cultures (like national) or different type / size of organizations?

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- Mojca Prevodnik** obtained her master degree in the field of entrepreneurship from University of Ljubljana, Faculty of Economics. She works as a teaching assistant at the Faculty of management, University of Primorska in the field of general, strategic, knowledge and sport management and management decision making. These also are her research areas.
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- Roberto Biloslavo** obtained his PhD in the field of expert systems and strategic management from University of Ljubljana, Faculty of Economics. He works as an associate professor at the Faculty of Management, University of Primorska in the field of general, strategic and knowledge management. His work experience includes the development of executive information systems, marketing and leading small business systems. His research work focuses on KM, strategic decision making, and strategic management of professional service firms.