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ORIGINAL SCIENTIFIC PAPER

## A Leaders' Influence on the Definition and Implementation of Strategy in Organizations

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**ABSTRACT** – *In modern business conditions, the success of an organization is connected to the leader skills and abilities. Leadership becomes more important every day due to the requests of a turbulent and variable environment which can be satisfied only by organizations led by leaders able to harmonize the leading of the organization with the real situation within it. Thus leaders, through their behavior and skills influence, define and implement organization strategy to a large extent.*

**KEY WORDS:** *leaders, leading process, strategy, organizational changes, transformation.*

### Introduction

The business activities of modern organizations are trailed by great changes and dynamics. These changes bring difficulties to the large number of organizations, as on a daily basis, the market becomes more unpredictable, with more demanding customers. Organizations know that they must gain an understanding of the presence and way of changing in order to succeed in the future (McMillian, 2012).

The survival of organizations in these business conditions is possible only if the leaders of the organizations are ready to face the occurring changes, as they are the basis and key of the success of modern organizations because their role is to create organizations which are flexible enough not only to adapt to changes but also to their executors. Aware of the need to strategically plan the future of their organization and the process of implementing the chosen strategies, leaders today tend to lead their organizations in a better and more effective way and to accomplish the given goals. Achieving goals is the characteristic of efficient leadership. Leader effectiveness is perhaps most obvious when the organization changes its strategy. To implement a new strategic initiative, leaders at subordinate levels must reinforce it; that is, they must allocate resources for it, deal effectively with resistance, and convince employees that the new initiative is important and in their interest (Cannella, Monroe, 1997; Rotemberg, Saloner, 1993)

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## Review of literature

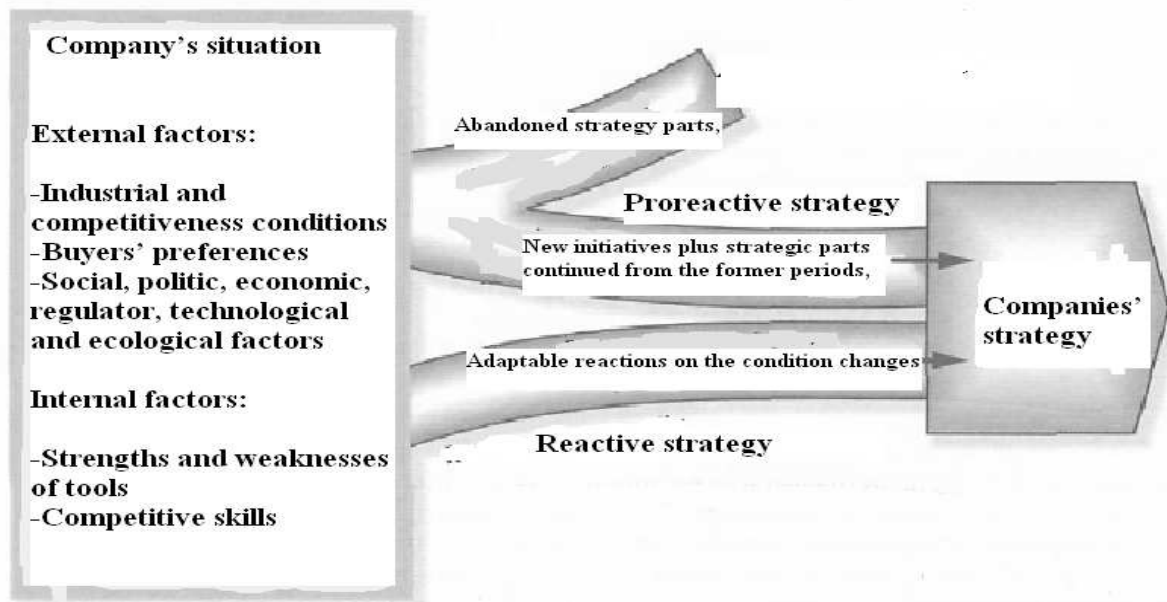
The strategy used during the last years can be defined as the main concept of management. Due to constant and rapid changes, strategies must be planned and implemented in the right way. Xenophon (Cummings, 1993), an ancient Greek writer, defined strategy as 'knowledge about the business which is supposed to be done'. From this definition, it can be concluded that knowledge is necessary for implementing strategy and here there is a connection between leadership and strategy formulation. Chandler (1962) observed strategy as 'a defining of the basic long term goals and tasks of the company and defining the course of action and allocation of resources necessary for accomplishing these goals'. Asnof (1987) gave the following definition: 'Strategy is the rule of decision-making'. Coulter (2010) defines strategy as the cluster of decisions and activities directed toward accomplishing the goals of the organization.

The strategy of a certain company is as a rule a mix of the following effects:

- 1) the proactive actions of managers for improving market position and the financial results of the company, and
- 2) the reactions to unpredictable happenings and new market conditions (Figure 1) (Thompson et al., 2008).

Figure 1 shows the external and internal factors which impact the defining of an organization's strategy.

Figure 1. The external and internal factors which impact the strategy of an organization.



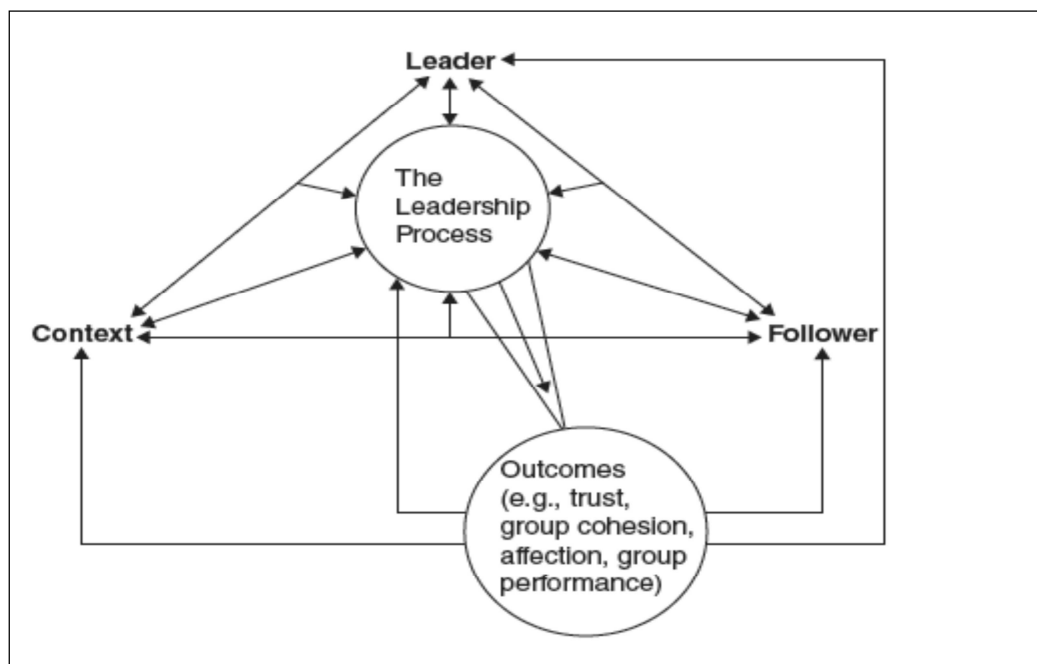
Source: Adapted from Thompson, A. Strickland A. J. III, Gamble J.E. "Strategic management – in searching for competitive advantage – Theory and practice cases", complete 14<sup>th</sup> chapter, Zagreb Economy and Management School, Mate, Zagreb, 2008, pp. 5-7.

Today leaders are the key elements for defining and implementing strategy. The leader is to decide what to do and how to do it (Hornsby, 2000). The attempt of a leader to change the

way of thinking can be considered as the strategy forming process. Leaders should adopt a realistic approach to identify the strategic gaps so that proper strategies can be formulated (Fairholm, 2009). In fact, leaders are those which influence the behavior of their followers within organizations. They have key role in the decision-making process in order to provide an efficiency and effectiveness of modern organizations. The best leaders need to be attentive, motivational, and supportive (Radović-Marković, 2007). However, which role they would play and to what extent they will succeed in the realization of the given goals depends on multiple factors, which includes factors from the environment in which an individual was raised, his or her family situation, and his or her personality traits (Radović-Marković, 2007a). Rauch and Bealing (1984) see leadership as 'the process of influence on the activities of an organized group for accomplishing goals'. Howard (2005) defines leadership as the process of communication (verbal and nonverbal) which includes teaching, motivating, leading and supporting others.

Figure 2 can help us understand leaders and the leading process. The leading process can be envisioned as a dynamic and complex process of exchange.

Figure 2. The leadership process



Source: Dunham R.B., Pierce J. L. (1989) *Management*, Glenview, IL: Scott, Foresman, p. 556.

Figure 2 shows five crucial components and their connections (leader, followers, context, leading process and the results). Leadership is a dynamic process which includes a constant exchange between the leader and the followers.

Leadership in modern organizations brings great responsibility. According to Covey (1996), there are three major leader roles: finding a goal, influencing and training. Kouzes, Posner (1997) promote the attitude that leaders hold the following roles:

- 1) Initiating the process – leaders are capable of noticing good quality ideas, supporting them and accepting the challenge to implement the ideas. Leaders are ready to make

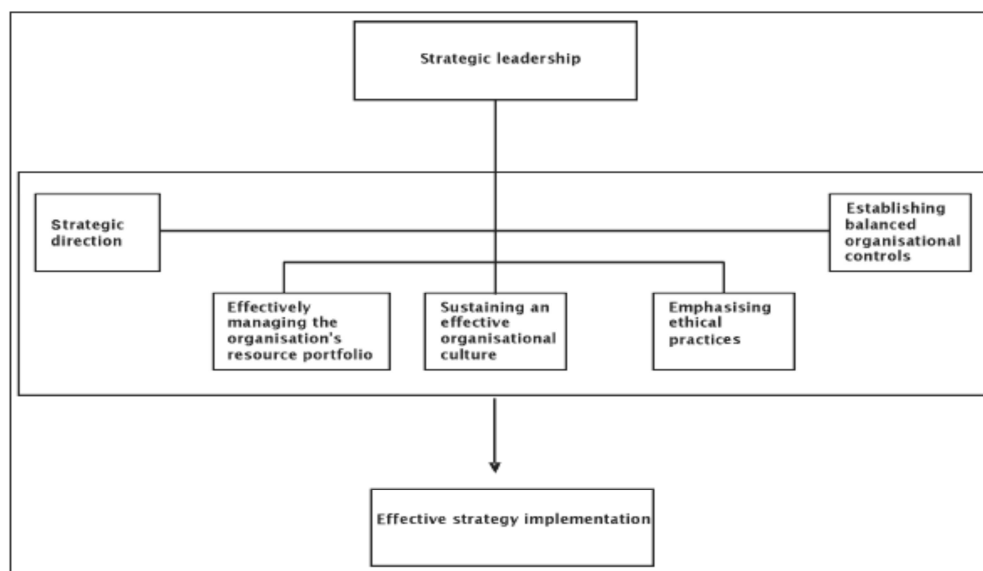


steps into unknown territory and they initiate the innovation processes and are ready to accept innovations.

- 2) They inspire others with a vision – namely, their associates, as leaders do not motivate by command but with enthusiasm and vision, due to the fact that leadership assumes following without coercion.
- 3) They provide the possibility for others to act – one of the major leader roles is to give support and help all those which must accomplish a certain business goal.

Due to rapid changes in the business environment, today's leaders mostly try to create more flexible organizations and to respond to changes with a good strategy. Leader influence on the decision-making process is the core of the strategic management process. Figure 3 shows us the influence of certain components which characterize strategic leadership and have a positive influence on the implementation of strategy in organizations: Determining a strategic direction, Establishing balanced organizational controls, Effectively managing the organization's resource portfolio, Sustaining an effective organizational culture, Emphasizing ethical practices.

Figure 3. The role of selected strategic leadership actions in strategy implementation.



Source: Adapted from Hitt et al., 2007

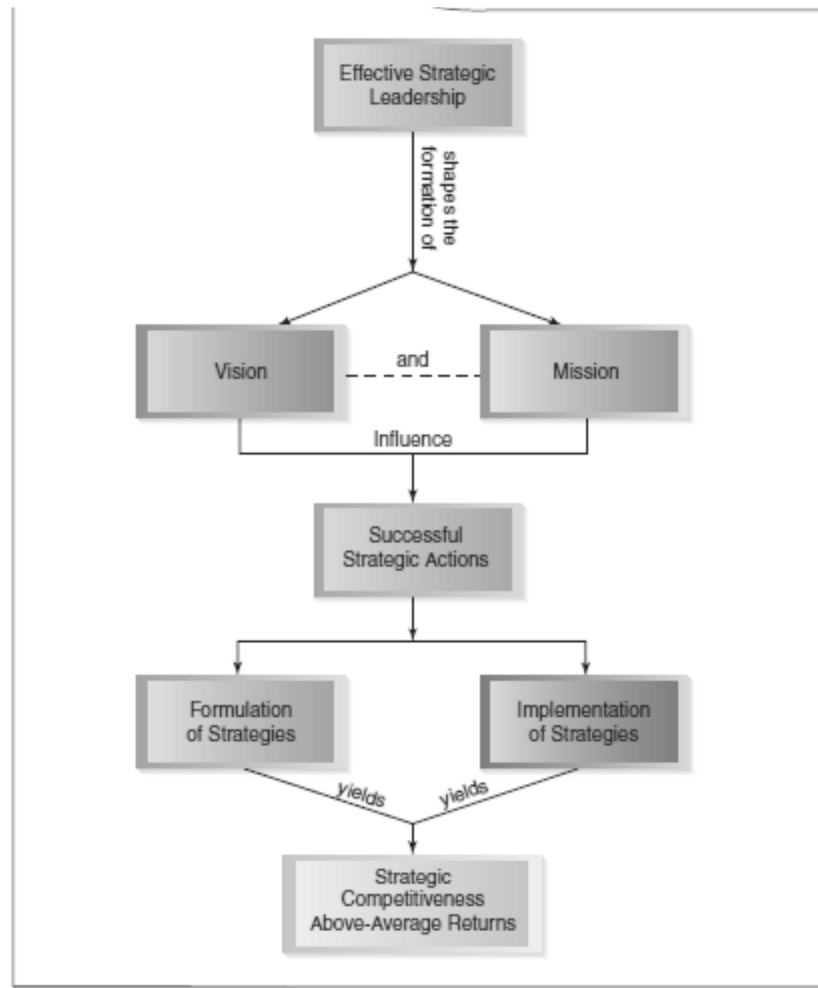
Each of these strategic leadership actions positively contributes to effective strategy implementation (Hitt et al., 2007).

### The leader's role in implementing strategy in organizations

Leaders and the leading process are key factors for formulating and implementing strategy because they represent the core of strategic management. Leaders influence decision-making processes because effective decision-making impacts the implementing of the strategy. Also, leaders must be conscious of what is perceived by others and develop strategies that are proactive in building success (Radović-Marković, et al. 2013). To ease the

development of certain strategies and to implement them easily is a very important job of the leaders. In Figure 4 we can see strategic leadership and the strategic management process. Strategic leader skills culminate in strategic competitiveness and above-average returns.

Figure 4. Strategic Leadership and the Strategic Management Process



Source: Hitt et al., 2007

Basically, leaders in organizations influence three areas of organization. On the first place, they influence vision, strategies and values. These three components together create the culture of the organization. Before strategy formulation, leaders have to identify the need for change by proper care and a full scanning of the environment within which organizations exist (Jon, 2008). Strategy formulation is all about planning for the future (Chatman, 2010).

To implement a formulated strategy, all the employees of one organization must take part. Each employee should understand the need for change and give his or her own contribution to an effective implementation of the strategy. The leaders must motivate the employees to accept changes because it is known that people always reject them. Thus, successful strategy implementation depends on leadership skills of working through others, organizing, motivating, culture building, and creating strong links between a strategy and how the organization does things (Thompson et al., 2008).

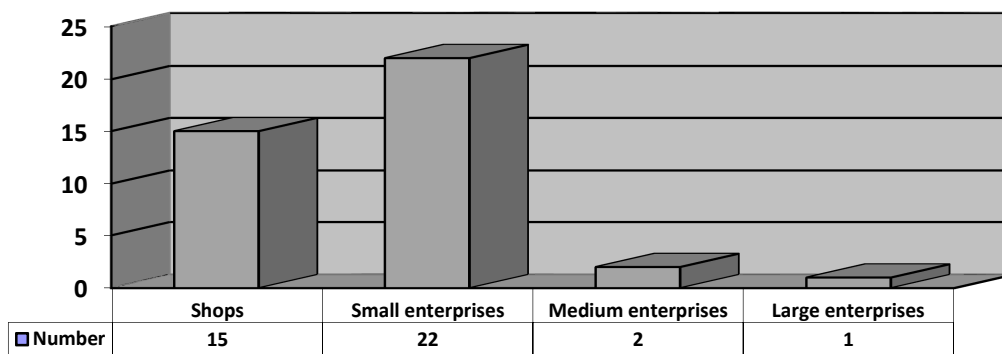


The challenge of leadership is the commitment to people within an organization and to embrace change and implement strategies intended to position the organization for this. Leaders incite commitment to embrace changes and an effective implementation of strategy through various interrelated strategic leadership roles which include clarifying strategic intent, building an organization, and shaping organizational culture, to mention only a few (Pearce, Robinson, 2005, 2008).

### Research methodology

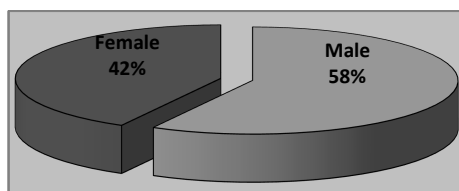
The aim of the research in this paper is to verify a leader's role in defining and implementing strategy in organizations. Empirical research was conducted by a testing method in which a questionnaire is the chosen instrument. The research was conducted in a random sample of 40 organizations from the territory of the Republic of Serbia at the beginning of 2014 in a direct interview.

**Figure 5: Structure of the surveyed organizations**



The research included 480 employees from the mentioned organizations of different genders and education levels.

**Figure 6: Surveyed by gender**



**Figure 7: Surveyed by age**

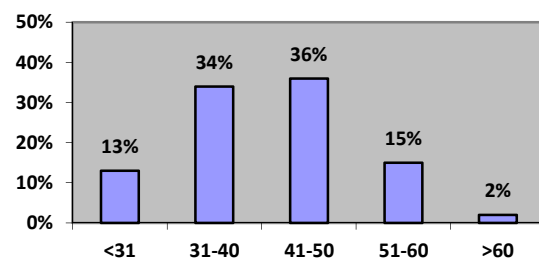
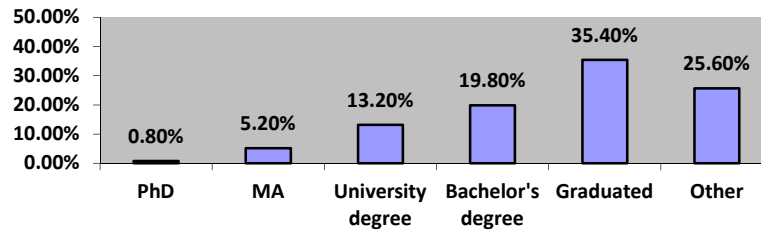




Figure 8: Surveyed by education level



For the purpose of the questionnaire, the leader was defined as 'a person who influences the behavior of employees or a group of people, or an organization as a whole in the aim of carrying out the strategy of an organization'.

The strategy of an organization was defined as a cluster of goals, policies and plans for accomplishing an organization's set targets.

The questions in the questionnaire were formulated in such a way that an analysis of the leader's influence on strategy implementation in organizations could be carried out based on the given answers.

The questionnaire was made from three different parts:

1. Data about the organization. In this part of the questionnaire, the questions referred to the type of business system, the name of the organization, the address of the organization, business activities and the total number of employees.
2. Data about the respondent. This part of the questionnaire contained provided answers, and referred to information about the respondent.
3. The third part of the questionnaire referred to the role of strategy in organizations and to the role of the leader in its conducting.
4. Considering all the mentioned, the general hypothesis in the research was the following:

**H<sub>0</sub>: Leaders in organizations have a key role in defining and implementing the organization's strategy.**

Based on this general hypothesis we developed separate hypotheses:

**H<sub>1</sub>: Defining and implementing of strategy are key factors which influence the results achieved by an organization.**

**H<sub>2</sub>: The business results of an organization depend on the strategy with which an organization responds to external and internal changes in their wish to accomplish results.**

For each question in the questionnaire, there was an offered answer by which the respondents estimated how much they agree with the given assertion in the form of a five-point Likert scale (1-very small, 2-small, 3-average, 4-significantly, 5-very significantly).



## The key results of the research and discussion

After the collecting of data, we began data processing. Below are the results of the empirical research based on the survey conducted in organizations on the territory of the Republic of Serbia. The respondents have answered eight questions which are significant in determining the leader's influence on organization strategy (Annex).

*Table 1. Statistical indicators*

|   | The arithmetic mean | The standard deviation | Coefficient of variation |
|---|---------------------|------------------------|--------------------------|
| How much is the organization strategically oriented?  | 3.9792              | 1.099045               | 0.276200                 |
| How much does organization strategy influence its success?  | 4.1292              | 0.851459               | 0.206206                 |
| How much are employees in an organization aware of the vision and mission of the organization?    | 4.0438              | 0.950966               | 0.235169                 |
| How much does a leader influence an organization's strategy?                                      | 4.0583              | 0.915568               | 0.225602                 |
| How much do leader characteristics influence the defining of an organization's strategy?          | 4.0563              | 0.925879               | 0.228260                 |
| How much does a leader influence strategy implementation?   | 4.0896              | 0.874581               | 0.213856                 |
| How much does a leader use modern concepts in defining and implementing a strategy?               | 4.2667              | 0.846398               | 0.198374                 |
| How much does applied strategy influence the improvement of the performances of the organization? | 4.0167              | 0.983051               | 0.244743                 |

The given answers give results which produce reliable conclusions. The survey has shown that leaders influence on the successful implementation of strategy in organization is very large.

## Conclusion

Leaders are the key for accomplishing the given business targets and carrying out organizational changes, and thereby, conduct strategy in organizations. The research conducted on a random sample of 40 organizations from the territory of the Republic of Serbia at the beginning of 2014 by direct interview included 480 workers from various organizations has shown that a leader's influence on defining and implementing strategy is very large.

The conducted survey confirmed major and separate hypotheses. For example, to the question 'How much does a leader influence an organization's strategy?' 37.08% respondents replied with a very significant influence, and 38.54% said significant.

To the question, 'How much does a leader influence strategy implementation?' 38.33% respondents answered very significantly, and 37.8% significantly.





The main hypotheses in the paper 'Leaders in organizations have a key role in defining and implementing organization strategy' is confirmed by the series of positive answers. Among the questions used for checking the major hypothesis, the answers given which vary from 'significant' and 'very significant' are between 30% and 100%.

It is especially significant to know that the largest number of respondents recognizes that leaders in organizations have a clear vision about defining and implementing the strategy in the right way.

With this paper we tried to show the role of the leader in defining and implementing strategy in organizations and to give a basis for further research.

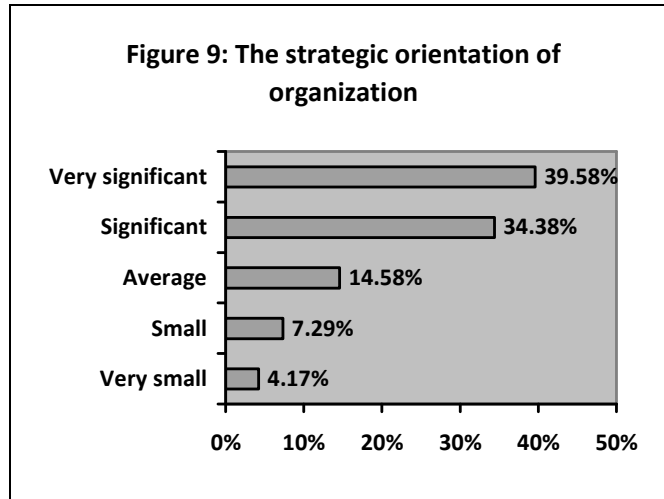
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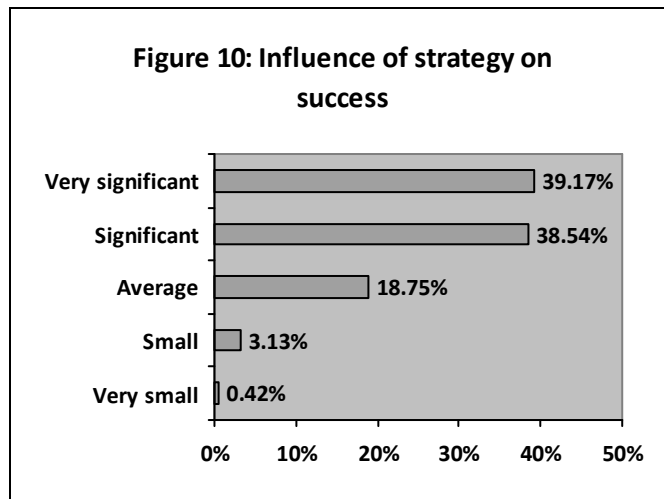


## ANNEX

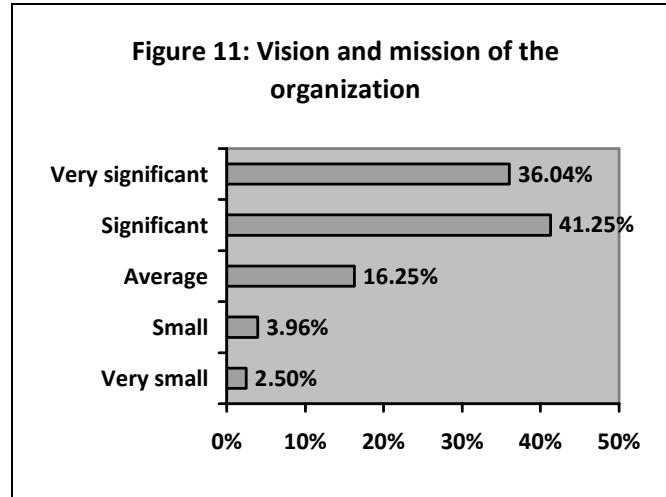
To the question 'How much is the organization which you are working for strategically oriented?' 20 respondents answered very little, 35 little, 70 average, 165 significantly and 190 very significantly.



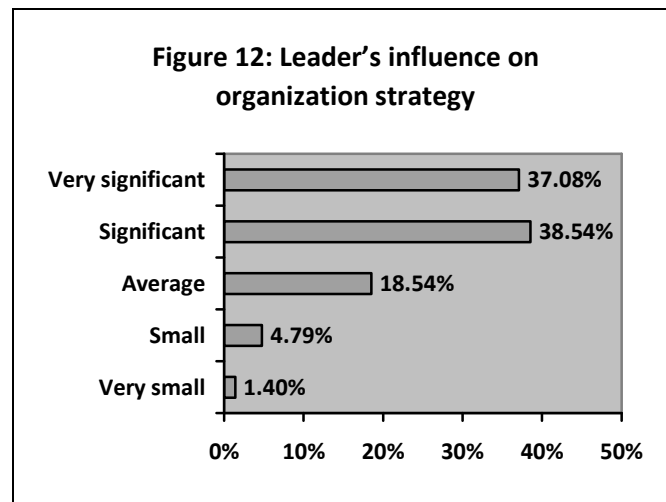
To the question 'How much does an organization's strategy influence its success?' 2 respondents answered very little, 15 little, 90 average, 185 significantly and 188 very significantly.



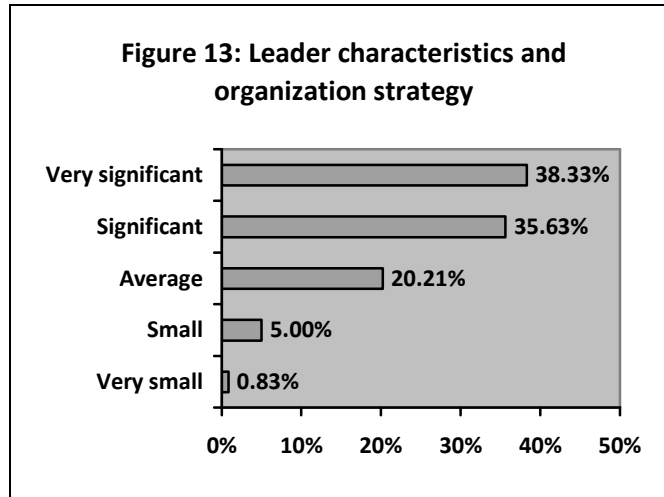
To the question 'How much do you think employees are aware of the vision and mission of the organization?' 12 respondents answered very little, 19 little, 78 average, 198 significantly and 173 very significantly.



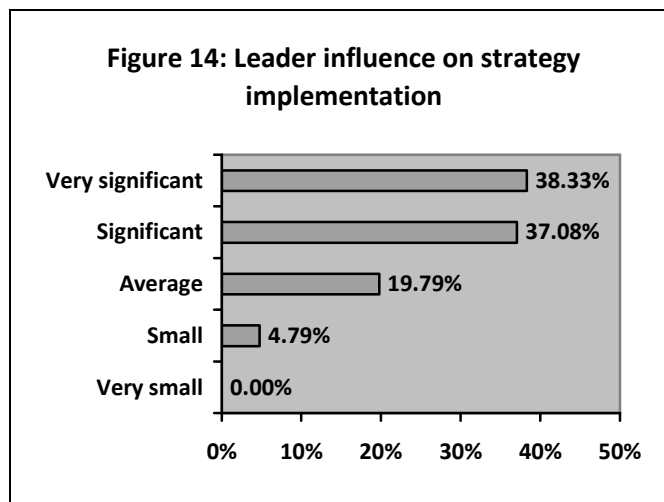
To the question 'How much do you consider leaders influence an organization's strategy?' 5 respondents answered very little, 23 little, 89 average, 15 significantly and 178 very significantly.



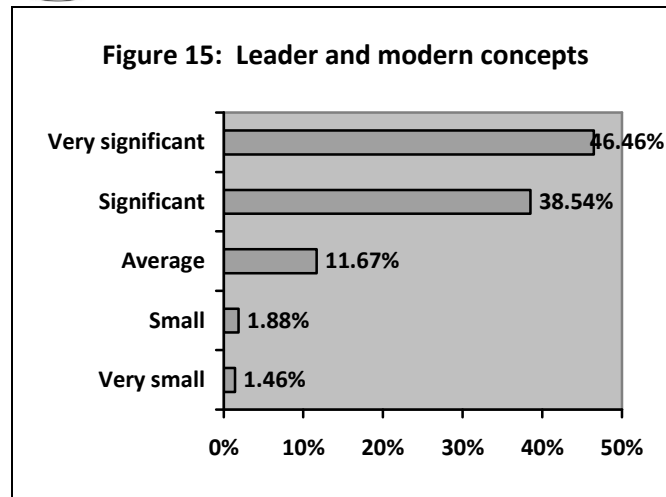
To the question 'How much do leader characteristic influence the defining of organization strategy?' 4 respondents answered very little, 24 little, 97 average, 171 significantly and 184 very significantly.



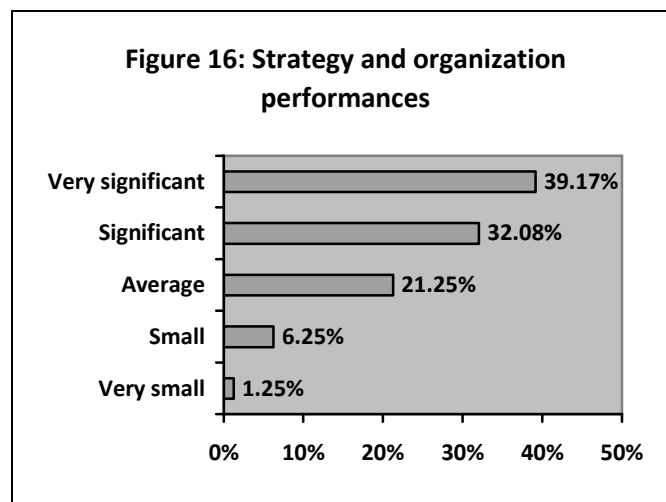
To the question 'How much does a leader influence the implementation of a strategy?' 0 respondents answered very little, 23 little, 95 average, 178 significantly and 184 respondents answered very significantly.



To the question 'How much does a leader use modern concepts in defining and implementing a strategy?' 7 respondents answered very little, 9 little, 56 average, 185 significantly and 223 respondents answered very significantly.



To the question 'How much does a strategy influence the improvement of an organization's performances?' 6 respondents answered very little, 30 little, 102 average, 154 significantly, and 188 respondents answered very significantly.



## Uticaj lidera na definisanje i implementaciju strategije u organizacijama

**REZIME** – U današnjim uslovima poslovanja uspeh organizacija je usko povezan sa liderskim sposobnostima. Liderstvo svakim danom sve više dobija na značaju jer zahteve promenljivog i turbulentnog okruženja mogu da zadovolje samo organizacije koje na svoem čelu imaju lidere koji mogu da usklade način vođenja organizacije sa realnom situacijom u njoj. Lideri svojim ponašanjem i osobinama u velikoj meri utiču na definisanje, ali i na implementaciju strategije organizacije.



**KLJUČNE REČI:** lideri, leaderski proces, strategija, organizacione promene, transformacija

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