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ROLE OF LEADERSHIP IN DEVELOPMENT OF GROUP ENTERPRISE

Anna Parzonko

Warsaw University of Life Sciences, Poland

E-mail: anna_parzonko@sggw.pl

Summary: Agricultural producers groups are an example of group enterprise in rural areas. As a result of dramatic history of Poland, and specifically the political turmoil after World War II, it was as late as in the 1990s that the idea of group farming obtained a new meaning and became intensively accomplished by farmers. The leader's role is very important in the process of establishment and functioning of agricultural producers groups. The paper emphasises the skills required of an effective leader of an agricultural producers group. The author undertakes an analysis of leadership styles and determines which ones are the most effective in case of group enterprise.

Keywords: agricultural producers groups, enterprise, leadership, leadership styles

1. INTRODUCTION

Success of any human activity depends on many simultaneous factors, with some of the factors dependent on the activity and some of them independent of it. The independent factors create the right conditions for undertaking activities; they include currency exchange rates, taxes, competition, legal regulations, costs of the means of production, etc. Among human-dependent factors, attention ought to be paid to applied operating strategies, distribution of duties, adopted incentive system which demonstrates considerable integrating impact, adopted organisation structure or the organisation and legal form, decisions related to selection of the leader and, consequently, the implemented leadership style.

The paper is devoted to the role of leadership in development of group enterprise, with particular focus on group enterprise in agriculture, with agricultural producers groups as a representation of this phenomenon. The requirement for farmers to organise in business structures results from certain fundamental reasons, including 1) business globalisation and resulting threats, 2) specific features and characteristics of agriculture as a division of national economy, 3) style and philosophy of life and work of farmers. Producers groups constitute a counterweight, a positive response to structural transformations in agriculture taking place at the beginning of 1990ies, which reflect adaptation of the economy to operation pursuant to new market mechanisms. They maintain the local and national culture and tradition, care for preservation of natural environment and develop social relationships. Irrespective of farm size, a farmer – as a business entity – is a small unit. If farmers organise themselves in agricultural producers groups, they become able to better plan the production and adapt it to the customers' needs, reduce the costs of production at the farm resulted by common purchases of the means of production, common utilisation of equipment, preparation of products for trade turnover and organisation of sales, as well as thanks to better access to information. Combination of access to capital and the aforementioned benefits causes growing interest of farmers in investments and implementation of innovative solutions at their farms.

2. GROUP ENTERPRISES IN RURAL AREAS

At present, the term of “enterprise” describes a certain feature of activities aimed at rational and effective utilisation of the organisation’s resources. Enterprise defined as above is a multidimensional phenomenon and may, for example, be examined in the economic (procedural) or social dimension.

In the economic dimension, enterprise is understood as a way of acting, involving readiness to initiate new, risky and unconventional undertakings and to demonstrate initiative in seeking and implementing them. Therefore, it constitutes an activity focused on development and it is innovative by nature. In the economic dimension, enterprise involves:

- creation of more effective organisation forms,
- implementation of new production factors,
- acquisition of new sales and purchasing markets,
- launching of new products (Kortan, 1997).

Therefore, one may pose a thesis that enterprise involves organised activities, focused on the abilities to generate and use innovative ideas to achieve measurable benefits, performed in the conditions of risk.

In a slightly broader social meaning, enterprise is a characteristic or a combination of psychological characteristics, which underlie being a good entrepreneur, such as dynamism and activity in recognising needs and improving ideas, ability to take advantage of encountered opportunities, ability to adapt to changing conditions and willingness to undertake risk. Enterprise is an individual trait of a person who demonstrates intelligence, innovation, ability to notice the conditions and relations occurring between business phenomena and the ability to organise trade, industrial and service related activity ensuring a surplus of incomes over the costs of generating them. Enterprise means innovation involving seeking of difference as compared with what other people do, finding more efficient ways of operating on the market, guaranteeing greater usability of products and services as well as higher business efficiency. It is, by nature, a competitive activity in relation to the activities of other companies (Fabiańska, 1986).

The area of enterprise distinguishes between individual and group enterprise, depending on the manner of conducting activities and scope of collaboration between people. Individual enterprise concerns activities of an individual, undertaken in order to establish and run own business. On the other hand, group enterprise relates to organised, conscious and voluntary cooperation of people, focused on accomplishment of a common objective, among others thanks to higher allocation of available resources, reduction of production costs (effect of scale and scope), increased impact onto the market (growth of market share). Group enterprise creates an opportunity, particularly for smaller business entities, to develop current undertakings or initiate new ones. One of the forms of group enterprise is a network organisation made up by several independent organisations related to one another by various cooperation bonds. For example, the following forms of integration may be distinguished: vertical (organisation networks are created around large companies), horizontal (network of an organisation manufacturing/producing similar product, usually within a given territory), vertical disintegration (network of small organisations established by a large enterprise) or a network created by way of incubation.

Most agricultural producers groups constitute examples of horizontal integration. They are established by owners of farms specialising in the same segment of production, with comparable production capacities (farm area, produced commodities, financial and material resources) functioning in the same area. Purposeful selection of farms is one of the conditions

required for success of this kind of activities. Here, an important role is played by the leader of the given local community who, upon recognising new opportunities, undertakes the effort of organising and leading a group of people.

3. ROLE OF LEADERSHIP IN ESTABLISHMENT OF AGRICULTURAL PRODUCERS GROUPS

Basically, the dynamics of establishment and functioning of agricultural producers groups does not differ at all from dynamics of social groups described by researchers into social psychology. For example, in his work “The Social Animal”, E. Aronson explaining the functioning of an individual in the society emphasises that man is, by nature, a social creature and it is only when functioning within certain social structures that man can feel comfortable and safe. With this assumption as the starting point, one may claim that creation of appropriate conditions for operation of agricultural producers groups will enable popularisation of this form of cooperation. Effective leadership, consisting in the ability to create and lead a group, is the prerequisite of success in this respect. Consulting services played an important role in this area at the beginning of operation of agricultural producers groups. While promoting the idea of group enterprise in agriculture, consultants established cooperation with local community leaders and, with their assistance, encouraged farmers to form associations. Results of research conducted among members of agricultural producers groups reveal that consultants had the greatest influence onto the adopted decisions on establishment of groups. Thanks to the support provided by consulting entities at the decision making and organisation stage (selection of the organisation and legal form, development of statutes, preparation of documentation required to register the group, etc.), the beginning of the 1990s saw numerous initiatives aimed at establishment of this kind of business entities controlled by farmers. Unfortunately, a significant proportion of agricultural producers groups established back then never even got to begin business activity. Apart from the fact that the very process of establishing organisations by producers is difficult, the slow pace of development of this kind of organisations resulted from numerous barriers connected with external conditions (lack of legal regulations at that time concerning producers groups, lack of financial and organisation support, unfavourable fiscal system, etc.), as well as internal barriers connected with the farmer (the greatest barrier was the mentality of farmers and difficulties in finding a leader with a vision to lead the group of agricultural producers). In many cases, members of newly established groups may be divided into those who actively participated in establishment of the group and who still aim at its development, and those who join the group preventively (not to be worse than others) and do not participate actively in the group’s works (Parzonko, 2006). This situation is in opposition to the idea of healthy collaboration. Despite that, the number of cases in which financial support is obtained by groups is growing, which has motivating influence onto others; what is more, farmers’ awareness is growing and possible benefits from getting involved in common activities on the market are visible. On 6 June 2011, the registers maintained by voivodeship marshals throughout Poland contained 680 agricultural producers groups, associating 23,760 members. The highest number of groups was established after 2004, after which successive growth in the number of newly established groups was recorded. Pursuant to statistical data, agricultural producers groups were developing most dynamically in 2008, when as many as 158 groups were established; 135 groups were registered in 2009, and 156 groups in 2010.

Experience gained so far in the development of agricultural producers groups evidences potential importance of effective leadership in this process. A good leader gives the group a chance for effective activity oriented on achievement of the group’s objectives and its further development.

Leadership is a process of influencing others in order to achieve specific objectives in specific situations, without using techniques, which are excessively based on forcing others to do certain things (Kuc, 2004).

The ability of effective and efficient leading a team depends both on innate predispositions and on experience of the individual. Authors dealing with the subject area of leadership differ with respect to considering importance of genetic factors and acquired ones. Some claim that most important are the innate characteristics as the ones, which determine specific reactions and styles of communicating with the group. Others emphasise that leadership skills are acquired while extending one's experience base and the field of self-awareness (Woyach, 1995). Remembering and systematisation of experiences so that they can exercise positive impact on future activities of the leader is influenced by familiarity with people's reactions to social influences, such as yielding, identification and internalisation. Each of these reactions is a manifestation of conformist behaviours, but with different importance to leadership influences. *Yielding* denotes behaviour of a person who is motivated by the will to obtain a reward or to avoid a punishment. This behaviour usually continues for as long as the promise of reward or threat of punishment persists – therefore, it is a short-term one. *Identification* is a reaction caused by the individual's will to be similar to the person the influence comes from. The individual indeed begins to believe in the opinions and values which he or she accepts, although not always deeply. If someone accepts a view by way of identification and subsequently becomes acquainted with counterarguments presented by a reliable person familiar with the subject area, the former person is likely to change his or her view. *Internalisation* of a given value is the most durable reaction to social influences. If one considers that the person exercising the influence is credible and has the right views, then the conviction propagated by that person is accepted and included into the influenced person's system of values. The motive of striving to justness, encountered in the case of internalisation, is a powerful and self-sustaining force. In the case of yielding, the power of the influencing person in terms of granting rewards for submission and exercising punishments for lack of submission is an important component; in identification, the decisive component is attractiveness of the person one identifies with, whereas in the case of internalisation – credibility of the person delivering the information. Altogether, these three components make up the competences of a contemporary organisation manager. However, a group of agricultural producers cannot be referred to as a contemporary organisation because of differences resulting from the character of their operation, different structures of mutual relations and internal influences and, above all, the culture worked out by many generations of farmers. Thus, it is the credibility of the leader followed by his or her attractiveness will play the major part in the discussions on effective leadership, whereas power (which, moreover, results from the ability to reward and punish) may not facilitate, but in fact, it may hinder management of the group. Group members perceive the leader as an attractive person in terms of personal characteristics, as a valuable person who thus deserves respect and is likeable. What is more, this must be a person who has the information necessary for effective operation of the group and constituting the basis of all activities, cooperating with institutions supporting operation of producers groups and organisations, which the group will or already does cooperate with.

Effectiveness of leadership influences (or leadership styles) depends not only on the skills and personal characteristics of the leader, but also on factors beyond the influence of the leader or influenced by the leader in an insignificant degree only. These elements include the nature of tasks faced by the group, time restrictions related to performance of those tasks and expectations of other group members. Basing on R. House's path-goal theory (the term of "path-goal theory" results from the conviction that effective leaders set this path to assist their

subordinates in overcoming the distance between the place where they currently are and the destination), four styles of leadership behaviours may be distinguished:

- directive leader, i.e. a leader who informs the subordinates what is expected of them, who programmes work and provides detailed instructions how to perform the tasks;
- supporting leader is a friendly person, caring to satisfy the subordinates' needs;
- participating leader is the type of superior who consults the subordinates' opinion and uses their assistance in the decision making process;
- leader focused on achievements sets difficult objectives to subordinates and expects of them ultimate efficiency (Robbins, 1998).

In case of issues related to leadership in agricultural producers groups, not all leadership styles mentioned above will be effective. Most effective leaders do not restrict themselves to one style only. Each week they freely and to a similar extent use all leadership styles, adapting them to specific situations. As the leader of a producers group is elected from among people who know one another very well and who frequently remain on friendly terms with one another, functioning in the same local environment, characteristics of the supporting and participating styles will be very likely to be recognised in the leader's activities.

Above all, the contemporary leader inspires and animates the necessary activities, focuses on competences; involvement, independence and responsibility of other group members to enable the group implement positive changes and achieve its objectives. A good leader is a person who is able to perform a proper analysis of the situation and propose ways to achieve the objectives, and finally divide the duties so that accomplishment of the objective is the achievement of all members. The leader provides best opportunities for effective initiation and management of collaboration of a group of people during performance of various undertakings as well as social and economic activities. Well-organised activities of members of an agricultural producers group allow achievement of the so-called synergy effect, i.e. achievement of much higher results thanks to cooperation than the sum of results achievable by the farmers individually.

The most desired form of leadership in a democratically managed group is so-called shared leadership, in which all group members feel responsible for the group and effects of its activities. During performance of a task, the most competent person in the given area becomes the group leader. The more the leadership functions are shared by group members, the greater is their motivation to act in a solidary manner and the more effective are their common decisions (Boguta, 2008).

4. CONCLUSIONS

On the basis of experiences from other countries it can be claimed that for Polish agriculture, and in particular for small and medium-sized farms, establishment of producers groups is a necessity. It is obvious that individual small, medium-sized or even large farms will not find recipients for their products. Competing and survival on the market is too expensive and difficult for them and, in many cases, it is impossible. For over a decade now, consolidation of benefits offered by group enterprise in the awareness of farmers can be observed. Gradual growth in the number of agricultural producers groups suggests that this form of cooperation is becoming a permanent element of the organisation structures of entities operating in the sector of agriculture.

The factors, which have positive influence onto development of group enterprise in agriculture, include effective leadership. A good leader is key to the success of the producers group, although the dynamics of producers groups operation suggests that different types of

leaders are needed depending on the group's development stage. Thus, so-called shared leadership may turn out to be most effective.

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