

# Impact of leadership styles in context of employee performance

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**IMPACT OF LEADERSHIP STYLES IN CONTEXT OF EMPLOYEE PERFORMANCE**

Graduate Thesis

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**Zagreb, November 2023.**

## **SUMMARY**

In the thesis, the research of the sophisticated and complex concept of leadership is approached by first analyzing all components and approaches to management in order to be able to analyze the function of leadership, the person of the leader, and different methods and styles of leadership. We come to know what is considered good leadership and what characteristics a good leader possesses. It is further analyzed by conducting empirical research on the observed company Merkur osiguranje d.d. how likely it is that good and adequate management has a direct effect on increasing personal business results.

The paper provides interesting insights into how leadership affects individuals, their results, and relationship with the business organization as a whole. Findings were reached by first analyzing management theories, and their lessons were summarized and applied in empirical research in the final parts of the paper.

Keywords: management, leadership, leadership style, leader, motivation

## STATEMENT OF ACADEMIC INTEGRITY

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Student: Tomislav Došen

Date and place: Zagreb 15.11.2023.

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## **1. INTRODUCTION**

Every company has a relatively simple goal which is to achieve a successful business result. In this context the human component is significantly important since it not only affects productivity but also has an effect on how the entire business process will turn out. Recently, companies have been trying to foster a family-like atmosphere where employees feel like they are part of a large group led by their superiors and managers who take care of that large group of co-workers. In order to achieve this, superiors must be able to lead their subordinates.

Effective leadership requires an understanding of business procedures as well as the ability to identify talent and assign people a tasks for which they are competent and by working on which they can add value to the company. A high level of employee motivation, which has significant effect on employees' as well as organization's performance, is the result of effective leadership too and the same is achieved by making people feel safe, respected and have sense of importance at work.

Leadership topic, incorporating the relationship between employee performance and leadership styles, has been addressed by a number of authors who all agree that there are many types of managers who tend to adopt different leadership philosophies. They can all be categorized and analyzed according to their unique primary traits, goals and how they affect people who work for them.

### **1.1. Subject and goal of the thesis**

The influence of leadership on employee performance is the focus of this thesis. Moreover, the paper investigates the consequences of leadership in management, information for which is collected through an online survey that includes responses from employees of Merkur osiguranje d.d. Austrian insurance company with more than six offices in Croatia and a wide range of agents, sales representatives and managers employed throughout the country. The goal of the thesis is to obtain a large amount of data which is then subject to a comprehensive research. Each branch in the observed company is led by a manager who chooses a certain leadership style. Taking into account this fact and analyzing the obtained results from online survey it is possible to observe if and to which extent a leadership style is actually decisive factor influencing employees' efficiency.

## 1.2. Research methods and data sources

According to Čendo Metzinger and Toth (2020), scientific methods used in scientific research are actually a set of different procedures based on objectivity, reliability, precision and systematicity for the purpose of systematizing and presenting the results of scientific research work. In the preparation of thesis it is necessary to distinguish, based on the type and subject of research, which methods come into consideration as an auxiliary tool.

The method of description was primarily used in this thesis to conceptually determine the objects of scientific research, and then analyze them into their constituent parts using the method of analysis, and in this way, using the methods of deduction and induction, independently reach certain conclusions regarding the observed concepts. The mentioned methods used round off the initial phase of research and observation of the legitimacy of the concepts about which the research is conducted.

In the second phase of the research, the classification method was used as a natural sequence of breaking down a general concept into its special parts and exceptions from the usual and general. Namely, every legitimacy has its exceptions, which is important to analyze and emphasize, and in this way scientific research gains systematization and transparency. In the last phase of the research, in fact, when drawing up the conclusion, the methods of generalization and specialization were used in order to defend or deny the initial positions expressed in the first part of the paper.

## 1.3. Content and structure of work

The work is structured in such a way that it is divided into five main chapters, each of which has its own subchapters. First; the introductory part of the work consists of a chapter in which the reader is introduced to the area of interest that is being observed and presents the scientific methods used in the research as well as the structure of the work itself. The central part of the work consists of three chapters and their sub-chapters in which the central concepts are elaborated on the basis of the knowledge obtained from the available literature. Empirical research is also presented in the central part of the paper and the obtained results are discussed. The last part of the work is the conclusion, in which the knowledge obtained based on the study of other authors is presented, and then the knowledge obtained from one's own research.

## **2. FUNDAMENTAL CHARACTERISTICS OF MANAGEMENT**

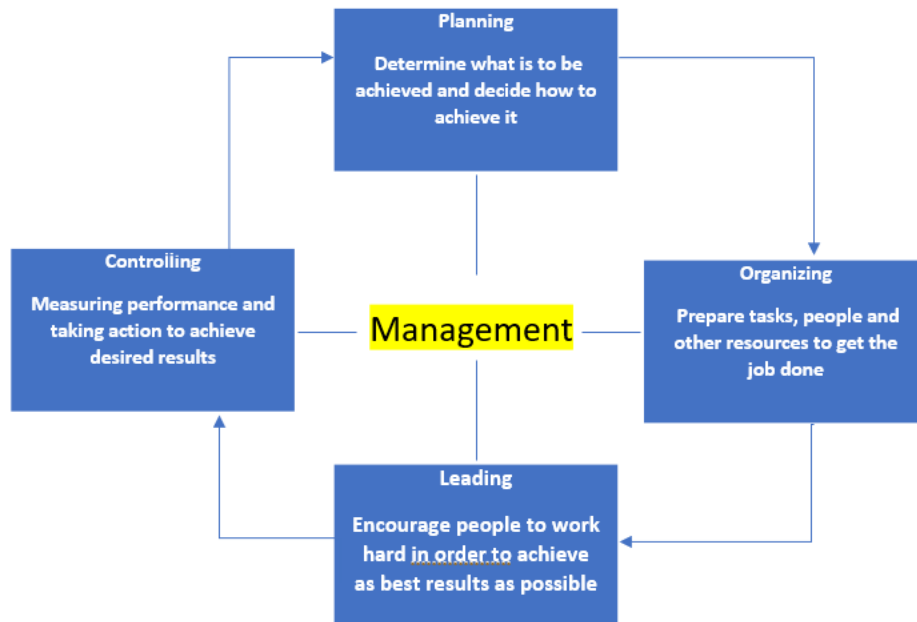
The etymology of the word "management" clearly refers to anglicism in modern Croatian vocabulary and speech. It is used to give meaning to the economic category of leadership and management and to take responsibility for the achievement of the goals of a business organization but also responsibility for the actions of other employees working in the same business organization. According to Trstenjak and Kukovec (2018), the term management appeared in business communication in the 20th century and comes from the Italian word manage, which means to manage. Therefore, the term management is not translated literally but is identified with terms such as organization, leadership and management.

If management is viewed strictly from a scientific point of view the father of scientific management is considered to be Frederick Taylor who was the first to propose certain measures to increase productivity and efficiency. In his study of time and movement, which was aimed at increasing the efficiency and effectiveness of workers in the context of their work tasks, he concluded that great attention must be paid to planning the performance of these work tasks during their working hours, thus confirming that organization is key if an entrepreneur wants to get the most out of its employees (Rupčić, 2018).

On the other hand, according to Sikavica and Bahtijarević Šiber (2004), Henry Fayol was the first to define the constituent elements of management as part of management theory. These are: planning, organizing, coordinating, ordering and controlling. In today's business and modern economic science, there is a generally accepted view that management has four functions: controlling, leading, organizing and planning, which is shown in the following illustration:



Figure 1. Four functions of management



Source: image taken from: Sikavica, P., Bahtijarević-Šiber, F. (2004) *Management, Management theory and large-scale empirical research in Croatia*, Zagreb: Masmedia, p.71.

Planning is a process during which goals that a organization wants to achieve are set in advance, and according to Buble (2006) it is limited by the degree of entropy or negentropy that reigns in the environment in which the organization operates and available financial resources. Planning, on the other hand, requires knowledge of the theory and technique of planning, dealing with adequate software equipment to support planning, the conditions of the environment in which the company operates, and an adequate forecast of behavior on the market and other environments closer to the company (Čavlin, Žugić and Prebiračević, 2017).

Planning serves the organization to define the reason for its existence and its field of activity as well as identifying its advantages and disadvantages. According to Buble (2006), planning is useful for paying attention to elements of external influence so that company can position itself in the best possible way not only to potential threats but also opportunities on the market.

Planning is the first step in achieving what company aims for in the future. Planning sets guidelines not only for managers but also for the entire organization. Planning is interconnected with other functions of management and especially with the function of controlling because any attempt to

control without a previous plan is meaningless (Sikavica, Bahtijarević-Šiber, Pološki Vokić, 2008).

It can actually be argued that planning is a kind of prerequisite for the realization of other management functions; conceptual design according to which later phases are aligned. Certain deviations from the conceptual projections are allowed; however, those cannot violate the very core and meaning of the original plan otherwise a completely new plan is created that is realized in a new project.

Logic dictates that planning is followed by organizing function which is characterized by systematizing and making a whole series of decisions about when, where, in which way and who will perform the tasks predicted by the plan. According to Buble (2009), it is necessary to provide appropriate solutions whose effect is such that efficiency of company's operations increases. In order to truly achieve this it is necessary to go through four basic stages of designing the organization:

- starting the design process
- insight into the state of an already existing organization
- conceptual draft of the new organization model
- practical implementation of the new organizational model

Organizing as a management function can also be viewed in a broader sense; as an entire organizational culture (formal and informal) that uses all available elements of the organizational structure in order to organize work of managers as efficiently as possible (Jurina, 2011). Štahan (2013) considers organizing to be the fundamental function of management necessary for the company to function as a whole and achieve its long-term plans.

A plan elaborated in the smallest details as well as a solid organization become irrelevant if there is a lack of adequate leadership. Šimić (2015) points out that leadership is often equated with management but it is only one of the functions of management. Potential reason why leadership is identified with the term management lies in the fact that leadership is of crucial importance for quality management.

According to Buble (2006), leading represents the sum of processes managed with the aim of making organization's members work towards achievement of the organization's goals. Leading consists of: motivation, leadership, interpersonal processes, communication and the ability to resolve conflicts and manage teamwork. From the given definition it follows that leading is a comprehensive function perhaps the most important one of management since it can be decisive for the success or failure of a business project.

According to Balog (2021), the concept of leading should be separated from leadership. Leading and leadership are similar to each other but different. Leading as a function is based on the formal position of manager or executive which gives him the authority to undertake and direct business activities. But how he influences employees to meet the organization's business goals depends on his personal competencies and emotional intelligence.

According to Balog (2011), leadership is precisely the ability of managers to influence work and organizational behavior of employees based on their organizational power. Leadership is associated with possession of all skills needed to motivate employees as well as to create a pleasant working atmosphere. The latter refers to leadership as the ability to recognize potential conflicts between employees and elegantly resolve them. Hence, according to Balog (2021), leadership as a part of leading has a pronounced sociological and psychological connotation. According to Goleman (2020), leading is primarily related to professional knowledge and skills while leadership is related to the leader's social skills and emotional intelligence.

Leading as a dynamic process, which motivates employees to perform tasks necessary to fulfill company's business goals, is defined by Bahtijarević-Šiber and Sikavica (2004) as the art of influencing individuals so that they not only perform what is required of them as part of their job description but that they do the same energetically and with a lot of enthusiasm. Therefore, leading is a management function that is based on organizational culture and tradition on the one hand but which also flirts with the inherited authority that goes with the position of a manager and the flexibility of that same manager to create a harmonious working atmosphere and resolve conflict situations.

The last function is controlling, which according to Rupčić and Datković (2013) can be defined as a managerial instrument that coordinates all managerial functions of all business departments within business organization. Furthermore, they state that the basic function of controlling is first

collection and then analysis of business results data. Therefore, controlling can be considered a bridge between the set goals and their final realization.

Osmanagić Bedenik (2010) believes that controlling is management support in the form of applying professional knowledge to the investigation of hazards being in the environment within which company operates. By researching potential dangers as well as information coming from the environment it is possible to discover the level of preparedness of the company for potential crises. It follows that the role of controlling is twofold since it is applied both in the analysis of company's performance and in the supervision of potential hazards that come from the external environment of the business organization.

Krajnović, Lordanić, Lukavac and Jović (2012) managed to prove in their work that controlling instruments in small and medium-sized enterprises in the Republic of Croatia contribute not only to the successful finding of risk factors from the external environment of the business organization but also help in choosing the right business strategy. Namely, the wrong choice of business strategy can be decisive for a certain entrepreneurial venture. There are three controlling strategies:

- management
- accounting
- informational (Kuzman, 2021).

The management strategy of controlling purposefully connects functions of the company at all hierarchical levels, the accounting strategy uses accounting data to increase the productivity of the company and the information strategy aims to build its own information system for all employees within the business organization so that they have transparent access to the necessary information at any time to perform tasks in their field which are for the purpose of achieving set business goals of the organization as a whole.

Controlling as a management function has its tasks and functions, which are shown in the following table:

Table 1 Tasks and functions of controlling

CONTROLLING TASKS	CONTROLLING FUNCTIONS
Management	Ensuring the rationality of management
Coordination	Ensuring the heterogeneity of the organization
Compilation, systematization and data processing	It creates the necessary prerequisites for the digitization of business organization data
Planning	It improves the efficiency and effectiveness of the business organization

Source: author's creation according to: Očko J., Švigir A., (2009) Controlling-management from backstage, Zagreb: Altius savjetovanje

From all of the above, it arises that management is a process that consists of four parts that complement each other; planning, organizing, controlling and leadership. Some authors claim that leadership is the most important, others do not engage in the discussion which component is the most important holding that each is of integral importance for the so-called good management.

### 2.1. Different approaches to management

Primarily, there are classic and modern approaches to management. The classical approach to management refers to the classical school of management, the behavioral school of management and the quantitative school of management; so called management science (Pfeifer, 2012). The modern approach to management includes management based on goals, exceptions, empowerment, alignment with best practice (benchmarking) and use of external resources (outsourcing) (Rupčić, 2018).

Today's business models are not limited exclusively to the domicile market of the business organization. The growth and development of the company and entering the international market is often one of the main tasks of the manager. Such an entrepreneurial trend prevails today due to the fact that entering the international market itself is facilitated by the effects of globalization and digitalization of data.

According to Ruščić (209), crossing international borders is complex because entrepreneurs and managers have to face an increasingly turbulent environment and differences in culture and customs as well as social norms. Respect for cultural and customary differences and the ability to

adapt to a new situation are key to the international success of a company. At the same time, top managers of business organizations have no easy task to plan, organize and lead an entrepreneurial venture in the form of internationalization of the company.

Therefore, in the light of modern entrepreneurship the term cross-cultural and international management arose (Rupčić, 2018) which includes subgroups of European, American, Japanese and Islamic management. According to Rupčić (2018), international management includes not only knowledge of cultural differences but also analysis of the socio-cultural environment of another country. When establishing international business relations it is necessary to study the integration of country on the basis of existing and ratified agreements or international treaties and what are their characteristics in the context of economic development.

According to Jelenc (2005), the classical school of management brings together several schools of thought that agree on the fundamental principles of strategic management. Jelenc (2005) states that these are a conceptual direction, a planning direction and a normative direction. On the other hand, Fabac (2020) states that the classical theory of organization brings together scientific management, administrative school and bureaucratic theory of organization, which is confirmed by Pfeifer (2012) and Rupčić (2018) in their works.

All majors of the classical school of management are focused on the study of the problems faced by the organization as a homogeneous whole. The founder of the scientific approach to management, Frederick Winslow Taylor, advocated for an increase in total production by increasing the efficiency of the production process. He also advocated for raising wages for workers and more human conditions at the workplace throughout his life. Taylor's approach to management is called a scientific approach for the reason that Taylor conducted the so-called "time and motion study" in which he observed important work tasks. Namely, he observed the way in which workers perform these tasks manually and thus isolated the movements that needed to be perfected in order to speed up the entire process.

Rupčić (2018) states that thanks to Taylor's study a norm was introduced for every job. In 1911, a work entitled "Principles of Scientific Management" was published the author of which was Taylor and in which a list of 20 principles of a scientific approach to management was published. The most important of those are:

- primacy of science over improvisation
- overcoming disharmony of the organization as a whole
- cooperation among the organization's employees
- work with the aim of achieving the maximum business result
- enabling growth and development of workers in all positions so that the company as a whole can progress (Fabac, 2020).

The most famous entrepreneur who applied Taylor's lessons in the production process is Henry Ford by introducing line production in his car factories (Pfeifer, 2012). It is interesting to note that despite the fact that Taylor constantly emphasized that an integral part of quality management is investing in employees, increasing their wages and improving general conditions at their workplaces the main objection to his approach to management is excessive rigidity and concentration on productivity which is actually dehumanizing.

The field of administrative management is led by Henri Fayol who, as mentioned earlier in the paper, is called the father of modern management theory. It was Fayol who devised fourteen principles of management that he believed could be applied in any business organization and among which, according to Rupčić (2018), the following principles stand out:

- the principle of centralization
- the principle of community feeling
- the scalar chain principle
- the principle of unity of direction
- the principle of unity of command
- the principle of division of labor
- the principle of authority and responsibility

Some similarities can be noted between Fayol's management approach and Taylor's approach. This primarily refers to the observation of problems that the organization must face as a whole and to

the creation of a sense of community between individuals who are employed in the business organization. However, there is one significant difference between Fayol and Taylor. Namely, while Taylor was criticized for excessive rigidity and obsession with maximum business achievement Fayol stood for the flexibility of the plan. In other words, he believed that pre-set plans should be adapted to realistic working conditions at the cost of achieving maximum results.

The most important contribution of Henri Fayol is manifested in the previously mentioned managerial functions of forecasting, organizing, ordering, coordinating and controlling which are only adapted for the needs of today's modern management. According to Fayol and observing from current perspective, forecasting is planning, ordering is the management of human resources and coordination refers to the component that connects everything into a homogeneous whole; leading.

In addition to the above-mentioned achievements in management theory Fayol is also responsible for the division of company activities into the following six categories:

- accounting activities
- commercial activities
- technical activities
- security activities
- managerial activities
- financial activities (Rupčić, 2018).

Max Weber, who believed that bureaucracy is the perfect organization, is responsible for the bureaucratic approach to management. Bureaucracy, which is normally considered cold, inaccessible and inefficient, for Weber is rational and efficient and possesses the following characteristics:

- division of labor based on authority and official hierarchy
- employee offices organized in such a way that the hierarchy and the chain of command path is maintained and reflected



- personnel selected on the basis of tests which assesses who possesses specific technical competences
- personal results are achieved based on strict rules and under strictly controlled conditions
- administrative officers work for a fixed salary
- the equipment used by administrative officers in their work belongs to the office where they work; the same applies to the privileges that come with a particular office
- administrative work is a career
- strict written rules are applied equally to everyone (Fabac, 2020).

It can be noted that the bureaucratic approach to management in the contemporary business world, where seen as unnecessary and outdated, is being tried to be bypassed with modern digital solutions. Nevertheless, Weber's contribution to the management theory is significant since, according to Rupčić (2018), he contributed to a clear demarcation of the division of tasks and to authority as the legitimization of managers to issue orders and expect results.

Weber's approach to management is the first to mention the professional careers of administrative officers as well as the possession of certain professional skills in order to be able to compete for a certain position. Furthermore, Weber mentions organizational rules that apply equally to everyone, a part of organizational culture that is very present in today's business world in the form of business codes and companies' internal rules.

After the classical school and their observation of the organization as a unique entity the behavioral approach to management, according to Rupčić (2018), is entirely based on an attempt to understand the needs of individuals. For the behavioral approach to management the absolute priority is development of harmonious interpersonal relationships which can only arise when insight into human needs is gained. It follows that behavioral management studies human behavior in order to find the *modus operandi* of a company that will motivate employees to perform their tasks in a harmonious working atmosphere.

Rupčić (2018) believes that the most prominent representatives of this approach are Mary Parker Follett, Elton Mayo, Douglas McGregor and Abraham Maslow. Mary Parker Follett believed that

managers must have a more integrative role which according to her was constrained by too strict regulations and a steel hierarchical scale. According to Mary Parker Follet, the foundation of a business organization are its employees regardless of the level of hierarchy and managers appear in the role of integrators, i.e. facilitators whose main task is to connect people and combine them into work teams based on their character traits, characteristics, professional competence and possessing technical knowledge.

Managers who observe their subordinates through the way they behave in society or react to stressful situations create teams of people who complement and help each other and most importantly work together to achieve organization's business goals. Such an approach minimizes possibility of conflicts in the workplace and leaves no room for possible egoistic outbursts of employees.

As Rupčić (2018) states, Mary Parker Follet was simply ahead of her time since she openly advocated for the forerunner of socially responsible business which is component of every serious business today. Mary Parker Follet held that business organizations in their professional work should take into account needs and interests of the environment in which they operate. She also advocated for participation of employees in the ownership of shares of the company in which they are employed believing that this achieves a high degree of employee identification with organization's business goals which is an indirect but powerful motivation to act in the interests of the company's success.

According to Pfeifer (2012), the most important representative of the behavioral approach is Elton Mayo, a Harvard professor who discovered that productivity and effectiveness can be improved by paying attention to social factors. Namely, according to his discovery, employees of a business organization can be motivated by managers paying attention to their social needs. Such motivation covers the psychological aspect of employees who then develop a sense of belonging to the work collective and only then can they develop interpersonal relationships not only with their colleagues but also with their superiors. Mayo's discoveries were the first to turn the previous approaches to management towards different leadership styles.

Douglas McGregor is the creator of the X and Y theory of human resources, according to which all work tasks in a business organization should be designed in a way to unleash potential of employees to the greatest extent possible. Rupčić (2018) explains that theory X stands for that

group of employees who are careless and lazy, have a bad work ethic and no work habits, and basically don't like to work at all. Theory Y refers to those workers who like to work and have good work habits and they do not need to be particularly motivated to perform work tasks. Once workers are grouped into X and Y groups work assignments can be created matching their characteristics to realize their full human potential.

Abraham Maslow is considered the creator of motivation theories and his most significant contribution to management theory is manifested in the theory of the hierarchy of needs. According to Sušić (2016), the hierarchy theory rests on the presumption that people satisfy their needs and desires based on a hierarchical order. Maslow grouped human needs into groups and displayed them on a hierarchical pyramid thus determining which needs of people are satisfied first and which last. The following illustration shows an example of Maslow's pyramid of human needs:

Figure 2. Maslow's pyramid of human needs



Source: photo taken from: Product Plan, <https://www.productplan.com/>, accessed: September 2, 2023.

A quantitative approach to management follows the behavioral approach that is oriented towards the individual, the individual's motivation to perform tasks and the role of a manager as a person who should know how to recognize human potential and direct it to the achievement of the organization's goals. Jovanović, Vuković and Urošević (2018) believe that use of quantitative

research methods in management only provides a complete insight into the situation that the manager needs to solve.

Quantitative approach to management or according to Pfeifer (2012) management science has its roots in the Second World War when mathematicians, in the absence of financial resources, were forced to design an optimal logistics chain for the delivery of fuel and other products to battlefields. Other businessmen were also faced with the challenge of how to maintain production with very limited supply of raw materials and limited manpower since a large number of men were on the battlefields.

Then a quantitative approach to management entered the scene which included mathematical and statistical methods in order to simultaneously optimize production and the efficiency of work procedures. Concretely, linear programming methods were mostly applied in wartime conditions. Such an approach to management is reduced to the so-called operational management (Rupčić, 2018) which is focused on accurate calculations and forecasting precision in order to reduce the possibility of risk. This type of management is in full swing today and the same is enabled by sophisticated modern technology.

Some of the most successful companies today, such as the online store Amazon, owe their success to the application of quantitative methods in management. However, it should be noted that for the success of an entrepreneurial venture only quantitative management is not sufficient but the elements of behavioral management that deal with people in a business organization and classic approach to management that deal with the organization as a whole are missing.

Modern management methods include:

- systematic approach
- contingency approach
- access to quality and excellence (Pfeifer, 2012).

The systemic approach is based on the principle of openness of the system and the principle of interaction of elements and views company as one large open system consisting of: input (input elements), output (output elements), control, transformation process and information system. Rupčić (2018) believes that input factors should include everything that is subject to the

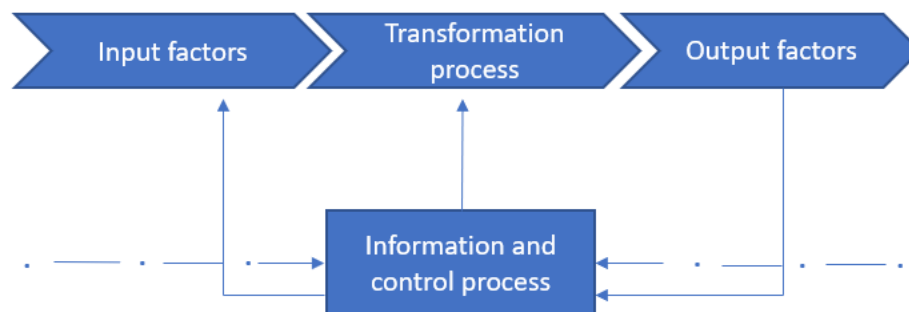
transformation process (e.g. raw materials and materials), while output factors are finished products after they have been subjected to the transformation process.

In the transformation process itself technology is used in order to obtain desired or planned result. But desired result is not only a specific type or quality of the product but also the effect that product will have on the market such as consumer satisfaction and most importantly their loyalty to the product/service.

According to Zekić (2007), the systematic approach to management views business organization as one large whole consisting of smaller parts. These smaller parts are not capable of achieving desired goal by themselves but can achieve the same only when they are combined into a large system. Zekić (2007) emphasizes that the systemic approach to management takes into account influence of external factors on the company. It is about influence of elements such as the relationship with suppliers and customers/consumers and the level of technological development with regard to the level of available technology. Management that takes care of these external elements covers the interaction of the business organization with the community within which it operates.

This approach to management takes seriously the information and control system whose task is to collect all relevant information about the external elements of influence that are in the business organization's environment as well as information about effects of output factors on the environment and the market. The systematic approach to management holds that for a business organization as an open system an interaction with the environment is of crucial importance for its survival. The following illustration shows the interdependence of all managerial functions in maintaining a business organization as an open system:

Figure 3. Systematic approach to management



Source: photo taken from: Rupčić, N. (2018). Contemporary management; Theory and practice, Rijeka: Faculty of Economics, University of Rijeka, p. 42

The originator of the contingency approach is Mary Parker Follet who was mentioned earlier in the paper when analyzing the behavioral approach to management. The contingency approach to management pays a lot of attention to different leadership styles since it believes that managerial competencies themselves arise from various situations. According to the contingency approach, managerial competencies and skills are developed according to different categories of situations.

Zekić (2007) believes that the basic idea of contingency management is that possibility of adaptation and selection of the most suitable technique for solving a conflict situation or crisis are the formulas for success. Contingency management believes that a successful manager is one who, in an unpleasant or unexpected situation, made the right decision, the best one for preserving the interests of the organization and employees, relying on his intuition and emotional intelligence.

The imperative of the total quality management concept is to fulfill goals of business organization in the best possible way. It could be stated that it is focused on the analysis of all procedures in the company so that they can be carried out continuously. The necessity of investing in the knowledge and skills of employees as well as managers who have the task of coordinating these processes and knowing how to get the best out of their employees is recognized.

It is also necessary to mention international management the application of which comes into consideration when establishing business relations with foreign partners and expanding company to foreign markets. Successful international management is one that incorporates into its methods the analysis of the economy, culture, social customs, infrastructure, technological development and relations with other countries observed from the perspective of the country with which it is

intended to do business. Buble (2009) believes that international management is extremely complex due to the fact that it combines business and culture of countries where completely different value systems often rule.

What all approaches to management have in common is the knowledge of importance of leadership function. In each of the studies, in some less, and in some more, it is emphasized how important it is for manager to coordinate processes which should take place in such a way as to express the maximum human potential. Managers are the ones who motivate employees, pay attention to their specific needs and create a harmonious working atmosphere. Of course, not all managers are the same, there are different leadership styles and different leadership methods used by managers which are discussed in more detail in the next chapter.

### 3. LEADERSHIP AS A COMPONENT OF MANAGEMENT

*"A leader is one who knows the way, goes that way and shows it to others."*

*John C. Maxwell<sup>1</sup>*

What is leadership? Who is the leader? How do terms leading and leadership differ, or are they synonyms? Undoubtedly, one of the most extensive and discussed function of management is leadership. It has always captured public's interest because the term leadership is associated with some charismatic political leaders who motivated entire nations with their speeches, such as Winston Churchill and Nelson Mandela, but also with charismatic figures from the world of entrepreneurship such as Anna Wintour and Elon Musk. The mentioned persons in question are not managers but they have all characteristics of successful managers and they have such an influence on the people in their work environment that they are perceived as leaders.

According to the above stated it follows that a leader does not have to be a manager at all, which is true, but any leader regardless of his formal function and position on the hierarchical scale must possess certain competencies and skills that are normally attributed to managers. Leadership is definitely one of the most discussed and researched management function since it has been proven that certain leadership techniques and styles lead to greater success of the organization as a whole.

#### 3.1. Definition of leadership

Before getting into the discussion of what leadership actually is it should be noted that leading is often associated with management and leadership. The difference between leadership and leading has already been analyzed earlier in the paper<sup>2</sup> so there is no need to enter into that discussion again. Leading is often unintentionally equated with management due to its integral role in management and often crucial importance for the success of a business project. Rupčić (2018) states that the key difference between a leadership and a management is that leaders have a vision and motivate people to fulfill that vision while managers develop a strategy (plan, organization,

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<sup>1</sup> John Calvin Maxwell is a writer and motivational speaker from the United States of America who has written numerous books on leadership and leadership methods.

<sup>2</sup> See above, p. 6.



supervision) that will literally fulfill the vision. The following table explains exactly how leadership and management are related and what are the key differences that separate these two terms:

Table 2. Differences between the leadership function and the management process

LEADERSHIP	MANAGEMENT
1. A much narrower term	1. A significantly broader term (leadership is part of management)
2. Process aimed at reform	2. A process aimed at achieving a certain result
3. Focus on interaction between employees of the organization	3. Focus on equal division of work tasks
4. The role of a leader is not necessarily based on formal authority	4. Closely related to the formal position on the hierarchical scale
5. A process in which the biggest obstacle is overcoming changes	5. A process in which the biggest obstacle is overcoming technical and logistical difficulties related to planning and organizing
6. The leadership style and charisma of the leader significantly influence the coordination of work tasks in the production process	6. Coordination of various stages of production in order to achieve maximum effect and the best result
7. Leaders achieve goals because other members of the organization follow them	7. Managers achieve goals by knowing how to use maximum human potential
8. It consists of leadership style, influence, emotional intelligence, charisma, leadership method and behavior towards other members of the organization	8. It consists of planning, organizing, leading and controlling

Source: made by the author according to: Sikavica, P., Bahtijarevic-Siber, F., Pološki Vokic, N.

(2008) *Management Foundations*, Zagreb: Školska knjiga

Srića (2004), as one of the authors of the available literature on the topic of leadership as a management function, listed the following ten characteristics of leaders:

- willingly accepts changes
- appreciates original ideas and general suggestions
- investigates innovations
- is prone to risky decisions
- shows emotions
- is charismatic
- motivates employees
- presents conceptual visions
- accepts challenges
- leads to reforms

According to Požega (2012), leadership is an integral part of management, that is, a character trait of a leader that is more evident in his ability to motivate people to action and to have them follow him towards the realization of his vision. According to Goleman (2020), all leaders have, without fail, one common characteristic; highly developed level of emotional intelligence. It enables leaders to perform their function well regardless of the fact that it does not have to be based on formal authority at all.

The official definition describes leadership as the management of the trajectory in politics, economy and society which is manifested by the ability of an individual to influence entire groups of individuals to act while giving them legitimate explanations why exactly the way they propose is the best given the specific circumstances (Prolexis encyclopedia, 2012). For Rupčić (2018), the essence of leadership is the leader's ability to bring the goals of the business organization closer to its employees and to encourage them to join forces in achieving those goals.

There is a large number of definitions of leadership in professional literature but all authors agree that leadership is closely related to management not only as one of its functions but also as a crucial

point in the success of entrepreneurial ventures because it is precisely quality leadership that carries the accomplishment of all previous plans, organization and even control methods. Palanović, Parmać Kovačić and Galić (2023) state that it is precisely bad management that can lead to employee dissatisfaction, failure of business ventures that lead to unexpected financial expenses that can threaten the business organization and finally to the loss of the good reputation of the business organization.

Science claims that there are different types of leaders based on the way they treat employees, their own competencies and professional expertise and interpersonal skills. It is possible that even within one business organization there are completely different leaders naturally in different sectors. The following subchapter lists different types of leaders, what their basic characteristics are and how they can contribute to the success or failure of the business organization as a whole.

### 3.2. Different types of leaders

It is clear that a leader does not have to be a manager at all and that his function does not have to be based on authority. But every leader who is able to move more people to act actually enjoys a certain kind of authority and respect from them, with the difference that, in relation to the manager, he did not acquire the same on the basis of his official position but on the basis of his interaction with other employees. In other words, leaders leave an impression on employees. The vast majority of this impression stems from their charisma but also the level of emotional intelligence which makes them extremely skilled in creating a harmonious working atmosphere.

Srića (2004) vividly presented, using a parable from the animal world, different types of leaders and their characteristics. Each animal is associated with a certain behavior and influence it has on others; therefore, such classification is actually very useful because it automatically associates readers with how a certain animal behaves in the animal world and what consequences its behavior has. Various leaders in business organizations also have such an effect. The following table describes the different types of leaders:

Table 2 Different type of leaders

TYPE OF LEADER	CHARACTERISTICS OF CERTAIN TYPES OF LEADERS	THE INFLUENCE THAT A LEADER ACHIEVES
1. Leader dolphin	1. The ideal type of leader, who takes care of the needs of his employees at all times and provides them with support.	1. Dolphin leaders look at how to achieve the goals of the organization through joint coordinated action. He is a strong motivator who never gives credit to himself but to his team.
2. Leader catfish	2. A passive leader who accepts changes only if he thinks he can overcome them without excessive effort.	3. Maintains the status quo in the organization, is not a motivator, but enjoys the trust of employees due to the stability and sense of security it provides them.
3. Pig-fox leader	3. A perfidious and selfish leader.	3. Due to his attitude that the aim justifies the means he does not enjoy popularity among employees but slight contempt because he is ready to do anything to achieve goals and he mainly attributes results to himself.
4. Leader shark	4. Aggressive and unethical leader.	4. Does not care about the needs of employees, is very authoritative and strict and does not choose means to reach goals which often include rudeness and aggression.

Source: author's creation according to: Srića, V. (2004). *Bible of the modern leader: harmony-based leadership*, Zagreb: Znanje

From the table above, it follows that leaders are either too authoritative to the extent that exceeds the rules of organizational culture or too ambitious and use cunning and meanness to achieve goals while not taking into account employees or the organization, or too passive and uninterested in

changes that bring not only positive results but also growth and development of the company and the opportunity for employees to learn new skills and acquire new professional knowledge.

Srića (2004) cited the dolphin leader as an ideal one. It is considered that the dolphin is the most intelligent animal, precisely because it is able to express emotions and establish communication. Thus, the ideal leader possesses emotional maturity also stability and is able to communicate to employees all kinds of problems or misfortunes that have befallen the organization without arousing in them a sense of guilt or insecurity. Likewise, in the case of positive business results, he always knows how to reward his employees and treat them as if they were an integral part of the organization and he never gives credit to himself but to the entire community that achieved a positive result under his leadership.

### 3.3. Different leadership styles

What can classify a leader into certain categories and give him the epithet of a tyrant or a good manager or a disinterested official is the choice of leadership style. According to Karlić and Hadelan (2011), style can be associated with the way leaders tactic strategies for achieving business goals that have been assigned to them and the way in which they treat employees within the organization and their business partners. A combination of personal competencies, level of education, experience, profession expertise, following trends in entrepreneurship, emotional intelligence and interaction with members of the organization who are in other sectors and in other positions result in a leadership style.

According to Buble (2011), the type of leader is determined by the leadership style he chooses in the daily execution of his own tasks but also in interaction with other members of the organization and business partners. The classification of leader types with regard to their leadership style is analyzed in the following table:

Table 4. Types according to the choice of leadership style

TYPE OF LEADER	CHARACTERISTICS OF LEADERSHIP STYLE
1. Dominant leader	He issues orders which are not negotiable. He has a high level of discipline and self-control, and gives the impression of being reserved. He almost never shows emotion unless it is about dissatisfaction with business results.
2. Democratic leader	Completely opposite of a dominant leader. He always takes into account suggestions of employees and encourages an open dialogue. Takes care of external elements that affect the organization and its employees.
3. Visionary leader	He has a strong motivational ability and is happy to share new acquired knowledge and information with employees and business partners. Although he motivates employees to progress he does not give them clear instructions on how to achieve it.
4. Bellwether	Sets high goals and expects dedication towards work that he himself has. He is no stranger to taking on responsibilities that in his opinion employees do not perform well enough.
5. Affiliate leader	First of all, takes care of the needs of other members of the business organization, thus creating a harmonious working atmosphere and good relations with other members of the organization who report to him.
6. Instructive leader	Fully dedicated to achieving goals of the organization; therefore, spends a good part of his time putting together a business strategy according to which human resources can be used to the maximum.

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Source: creation of the author according to: Buble, M. (2011). Business management, Zagreb:

M.E.P. Consult

According to Požega (2012), there are three fundamental styles of leading employees towards the achievement of the organization's business goals:

- supporting style
- indulgent style
- directive style

A supportive style is characterized by open communication between leader and employees in which the leader is ready to accept criticism and suggestions made by his subordinates without reservation. Leader allows employees to participate in the process of making business decisions but his word is decisive, thus maintaining a clear distinction between who is the leader and who are subordinates. This leadership style is chosen by dolphin leader types.

The indulgent style also incorporates open communication between leader and his employees with the difference that leader often appease his employees in order to maintain conditions of a harmonious work atmosphere and good relations. However, with the cost of employees seeing leader as a passive person who relies on the ideas of others, they not only lose respect for the leader but also lose motivation to fulfill their goals and their work enthusiasm decreases. The latter leadership style is the most common choice of catfish leader type.

The directive leadership style is the choice of a shark type of leader in which there is no two-way channel of communication between leader and employees but employees are ordered in a clear and unambiguous manner which actions they should take and in what way in order to achieve the given business goals. It is a tyrannical leadership style in which leader's orders are obeyed without question and employees feel uncomfortable around him. Also, such leader believes that he is superior and that any success is solely his merit.

According to Buble (2011) leadership styles in business practice are distinguished by three basic styles:

- autocratic leadership style
- democratic leadership style
- laissez faire leadership style

Autocratic leadership style carries a stigma because of its very name which implies rigidity and strictness. Particular style is often leader's choice in small businesses where very often a leader is also the owner of the business organization. A position that in itself gives power whose limits are not fully clarified and there is always danger of exercising corporate tyranny.

Bošnjak Turalija (2016) states that an autocratic leader independently decides on the choice of business strategy, the way of executing business plans, creating goals and organizational structure. An autocratic leadership style is characterized by the absence of two-way communication with employees; namely, employees are assigned tasks without the possibility of negotiation or taking into account social factors of individual employees or their specific needs. This leadership style is mainly criticized for rigidity, inelasticity, strict sanctions, lack of creativity and unclear limits of leader's authority.

An autocratic leadership style is therefore focused on the delegation of tasks and according to Tudor, Rijavec and Zarevski (2009), in organizations where such leadership style is applied there is a bad and tense working atmosphere. However, there are also advantages associated with that style according to Karlić and Hadelan (2011), such as shifting all responsibility on manager which relieves employees who then do not have to take into account consequences in case of negative business results, speed of decision-making, compliance with deadlines and norms, and a high degree of rationalization in the division of tasks.

Exact opposite of the autocratic is the democratic style of leadership that possesses all those elements, for the absence of which the autocratic style of leadership is criticized. This is primarily two-way communication and cooperation with other employees of the organization and business partners. Unlike autocratic leaders, democratic leaders are flexible and are happy to receive suggestions from employees that they openly discuss with. This leadership style is attributed to leaders who have developed emotional intelligence and are not afraid to use it in business.



Democratic leaders believe that for productivity it is essential to create a harmonious working atmosphere by taking into account employees' needs and respecting their opinions and demands. Democratic leaders always discuss with their team why a business decision should be made or why some projects should be abandoned. Through these joint discussions innovative ideas are gained and creativity and critical thinking are encouraged. Moreover, employees are instilled with self-confidence.

When leaders treat their employees as equals it not only influences their behavior in the workplace but also encourages much deeper character changes. By respecting employees they are taught not to be part of the "herd" and blindly follow instructions but to have enough self-confidence to present their own ideas and openly point out if they think that a business decision is wrong and be able to elaborate why it is the case in their opinion. According to Buble (2006), leaders who choose a democratic leadership style know how to recognize opportunities in the business organization's environment and are good motivators and pro-active.

The Laissez faire leadership style is completely opposite of the two previously described styles. While the active role of the leader is key in the autocratic and democratic style of leadership completely opposite is a characteristic of the laissez faire style or free style of leadership. According to Buble (2006), presence of the leader in business processes is completely negligible in the laissez faire leadership style. The fact that the leader has no initiative allows employees themselves to choose which work tasks to perform and in what way. According to Buble (2006), this can lead to complete chaos.

#### 3.4. Advantages of adequate leadership

Based on the previously analyzed leadership styles it can be determined that adequate leadership contributes to improving productivity because leaders provide clear guidelines and support to their team which motivates employees for maximum engagement in the business processes. Also, employees who are adequately guided are satisfied with their work and professional environment. Leaders who are able to recognize and reward their employees for their hard work and achievements create an environment where employees feel valued and appreciated.

After analyzing leadership styles a lesson that can be learned is that adequate leadership often leads to better decision-making within an organization. Leaders who are able to gather information from

their team members and consider different perspectives are more likely to make more informed and effective decisions. Adequate leadership can also foster an environment of cooperation and teamwork. Leaders who encourage their employees to work together and communicate openly create a culture of cooperation and friendship.

Adequate leadership can also lead to better employee retention rates. When employees feel supported and valued in their work environment they are more likely to stay with the organization and contribute to its long-term success. When employees feel like they are working under a competent leader who is genuinely interested in their well-being and professional development they are less likely to seek employment opportunities elsewhere.

According to Tenney (2023), adequate leadership is reflected in the overall profitability of the organization. Leaders influence employee engagement and retention, play an important role in employee motivation and organizational culture because they give employees a sense of purpose by guiding them on how to connect with their work and achieve above-average results.

Every leader has his own style but only a leader who feels comfortable and confident in his role and who is always ready to invest in further development of his skills will be able to convey all the benefits that adequate leadership provides to the organization and people who work in the organization. Leadership plays a key role in motivating employees to perform at their best. Effective leaders know how to recognize and reward good performance and create a sense of responsibility among team members. Good leaders provide direction, clarity and purpose to their teams by setting clear goals and expectations.

Furthermore, adequate leadership can stimulate creativity and innovation by encouraging employees to come up with new ideas and solutions. A leader who fosters a culture of innovation can help employees feel empowered and engaged in their work and inspire them to drive positive change within the organization. Adequate leaders communicate effectively with their teams ensuring that information is shared openly and transparently. This helps keeping employees informed about company's goals, changes and challenges which is essential for building trust and engagement.

Leaders can also improve employee performance through training and development programs. An adequate leader recognizes the importance of investing in the growth and development of employees and provides opportunities for learning, improvement and coaching.

The following illustration shows all the benefits for the organization that an adequate, that is, a good leader brings.

Figure 4. Benefits of good leadership



Source: photo taken from: Zoyya, <https://www.zoyya.com/post/vodenje-upravljenje-timom-salona>, accessed 5/9/2023.

In the next chapter one of the benefits of adequate leadership is analyzed namely the success of employees within a business organization. The results of already existing research will be compared with the obtained results of the conducted research through a survey and an interview with one of the employees, followed by a discussion of the obtained results and recommendations for future researchers.

#### **4. EMPIRICAL RESEARCH OF THE EFFECTS OF LEADERSHIP ON EMPLOYEE PERFORMANCE**

In order to be able to confirm earlier stated content, within this paper, referring to the successful leadership and its effects on the benefits of the organization and its employees, the need to conduct research in the business organization with such a hierarchical structure and organizational culture in which official and unofficial leaders direct their employees towards the fulfillment of given business goals arose.

##### **4.1. Overview of existing research**

Collins and Holton (2004) conducted a study that examined the effects of leadership style on employee performance in a sales organization. They found that when leaders display a transformational leadership style it positively affects employee performance. Specifically, transformational leaders were found to increase employee motivation and job satisfaction which in turn led to increased sales performance.

Research done by Lai and associates (2019) examined the effects of transformational leadership on employee performance. Results of this study showed that when leaders chose a transformational leadership style employees showed greater satisfaction with their work and approached the execution of tasks more energetically. It has also been found that transformational leadership leads to greater employee creativity, innovation and commitment to the organization.

The aforementioned studies show that leadership style has positive effect on employee performance. It is important to note that the relationship between leadership and employee performance is complex and can be influenced by various factors. Scholars and academics will certainly continue to research this topic to gain a deeper understanding of how different leadership styles and behaviors affect employees and organizations. Empirical research on the correlation of leadership style and employee performance provides valuable insights to organizations seeking to improve leadership practices and improve employee performance.

##### **4.2. Research methodology**

In order to gain insight into the actual opinion of employees on whether leadership style affects their business performance it was necessary to conduct an anonymous survey in a larger company that has appropriate organizational structure and relationships within the business organization that

relate to the leader and those who are led/managed. Thanks to the contact at the company Merkur osiguranje d.d. mentioned research was possible to carry out.

Initially, an interview was conducted with a contact who is employed in the Merkur osiguranje d.d. in order to gain an insight into the organizational and business structure of the company. The identity of the primary contact and the employees who participated in the survey remains anonymous in accordance with the General Data Protection Regulation (GDPR).

After the initial interview, a survey questionnaire was created with a total of 16 questions three of which refer to the general information and the other 13 refer to questions about management, business results and general satisfaction with one's position in the company and interpersonal relations in the organization. The survey was conducted online using Google documents tool. Before conducting survey it was necessary to obtain permission from the head of the department where the contact works. Department head approved conducting the survey but under the condition that respondents are exclusively those employees who work in the sales network and are at the bottom of the corporate ladder.

Department head was of the opinion that other leaders, managers, technical support, executives and board members would not be inclined to the possibility of conducting a survey. He also demanded for survey be sent from the official e-mail address of the contact who is employed at Merkur insurance d.d., and not from the e-mail address of the author of the thesis. As the reason for this he cited company's strict regulations on the prohibition of sharing business data and confidential data, even for academic purposes.

It was agreed with the department head that minimum sample size was 50 employees. He also pointed out that it was challenging to motivate employees to fill out the survey; however, in the end the number of 53 respondents was reached.

After data was collected it was processed using a statistical method. Google documents is a useful tool for creating a survey since statistical calculations are automatically performed with the help of AI. In addition to the three general questions the other 13 were formulated in such a way to correlate the elements of basic leadership styles with the performance of employees. All questions were closed-ended and offered the option of circling what seems to be the correct answer to the respondent.

Prior to the survey questions there was a short preface in which the author of the thesis expressed his gratitude to the respondents for taking time and investing an effort to take part in the survey and asked for truthful answers and stated that the data obtained from the survey will be used exclusively for academic purposes. Moreover, the author emphasized that anonymity of the survey and protection of personal data are guaranteed and that individual's answers in the survey cannot in any way affect respondent's current position in the company.

#### 4.3. Survey results

Merkur d.d. Croatia is part of the Austrian Merkur Versicherung AG concern which has subsidiaries in Slovenia, Croatia and Serbia. In Croatia it operates in fifteen cities and employs a total of 179 workers most of whom are employed in the sales network as representatives.

Employees who are in management functions are not limited only to the activities that are strictly in their job description but can in parallel deal with trade representation and contract insurance policies and investment funds. In each of the fifteen cities where Merkur operates there are branches where representatives, who are divided into teams, work. Each team has its own leader and it is not excluded that the teams merge if one of the leaders is demoted back to the position of representative.

The initial contact stated that he used to be a manager and that he was demoted to the position of independent representative for the reason that he failed to expand the team he inherited and retain the employees he hired in their positions within two years. As the reason for his failure the contact cited a combination of unfortunate circumstances and his wrong assessment of some job candidates. He started his career in the company as a sales representative then due to the high level of emotional intelligence and good business results he was promoted to manager only to lose that position after two years for the already mentioned reasons.

Furthermore, the contact stated that he currently enjoys the position of an independent representative which means that he does not report to any manager if he does not want to but reports directly to the management board. He acquired that position because he has good business results and fulfills the set goals as well as the financial plan which is newly signed every year.

The contact stated that regardless of the independent representative option he decided to be part of a team led by manager for the reason it is easier to perform given tasks and obtain needed

information and working atmosphere itself is better when more people sit at “the same table”. In addition, the contact stated that relations within the team are very good with some exceptions of egoistic employees who are focused only on themselves and do not choose means to fulfill financial plan but these are rather exceptions not the rule. Moreover, he emphasized that the job of a team leader is very demanding and ungrateful as it is necessary to simultaneously coordinate and motivate team members to fulfill the organization's goals and their personal financial plans while at the same time responding to the management board’s requests as well as attending numerous leadership events outside domicile town.

Furthermore, he stated that a good performance results are appreciated and stimulated with rewards, bonuses and other benefits. The only condition is fulfillment of the financial plan and compliance with the rules of the organization. There is a target track record managed by the sophisticated controlling methods; therefore, high performers are awarded with not only mentioned stimulations but also physical reward at a ceremony held once a year.

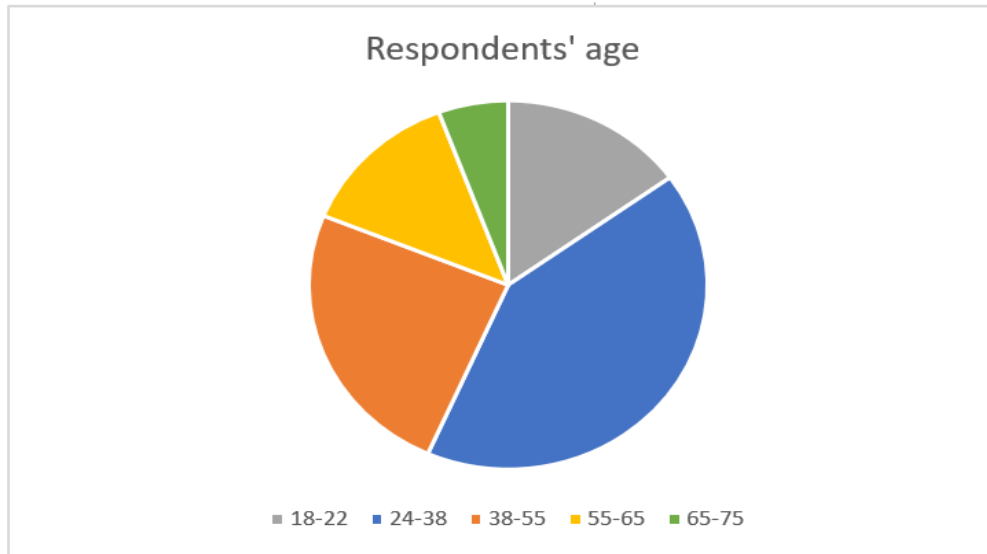
Following is a presentation of the questions asked in the survey as well as statistical calculation of the answers obtained along with the associated graph.

1. What age group do you belong to?

- 18-24
- 24-38
- 38-55
- 55-65
- 65-75

A total of 53 respondents took part in the survey, 8 (15.09 %) of which answered that they belong to the first age group, 22 (41.50 %) to the second age group, 13 (24.52 %) to the third age group, 7 (13.20%) to the fourth age group and 3 (5.66%) to the fifth age group. Results show that most employees in the sales network are between 24 and 38 while least employees are between 65 and 75 years old. Since 65 is the retirement age it is assumed that members of the fifth age group are retired part-time employees.

Figure 5. Respondents' age



Source: Author's creation

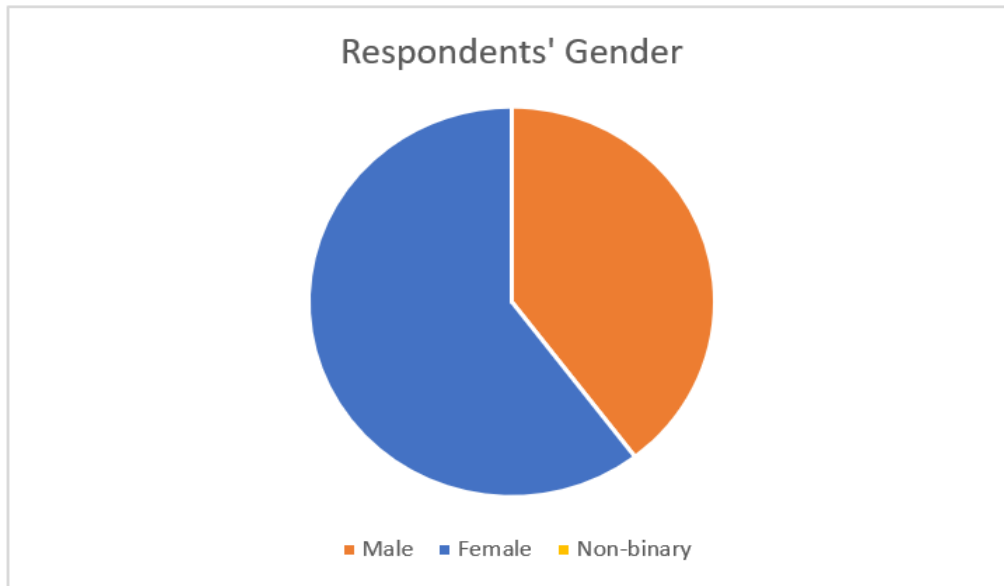
## 2. What gender do you identify with?

- Male
- Female
- Non-binary

Out of the 53 respondents who took part in the survey 21 (39.62%) declared themselves to be male while 32 (60.37%) declared themselves to be female. Not a single person identified as non-binary. Results of the survey show that female employees predominate in the sales network.



Figure 6. Respondents' gender



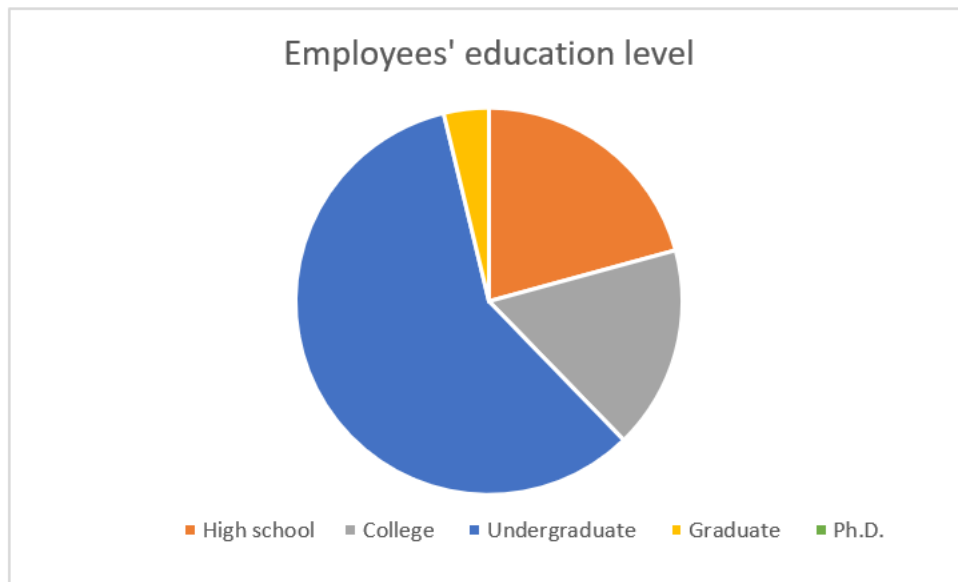
Source: Author's creation

### 3. What is your academic level?

- High school
- College
- Undergraduate
- Graduate
- Ph.D.

Out of the 53 employees who participated in the survey 11 (20.75%) declared that they have a secondary (high school), 9 (16.98%) college, 31 (58.49%) university (undergraduate) while two (3.77%) have master's degree. None of the interviewees has a doctorate (Ph.D.). The above results show that majority of employees have university (undergraduate) degree.

Figure 7. Employees' education level



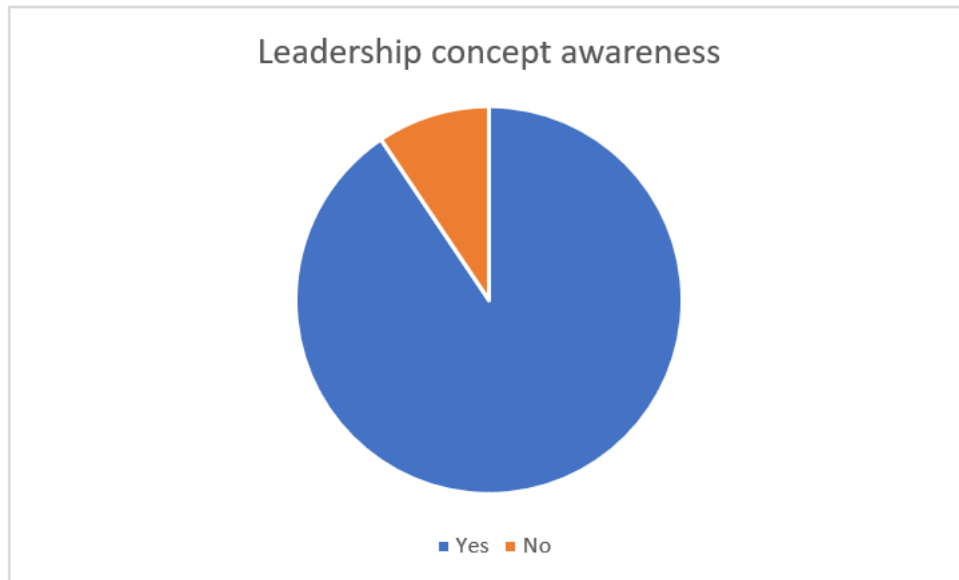
Source: Author's creation

4. Are you familiar with the concept of leadership?

- Yes
- No

Out of the 53 respondents, 48 (90.56 %) agreed with the statement that they are familiar with the concept of leadership, while 5 (9.43 %) percent stated that they were not. Results of the survey show that the dominant majority of employees in the sales network are familiar with the concept (term) of leadership.

Figure 8. Percentage of employees who are familiar with the concept of leadership



Source: Author's creation

5. Do you think that leadership is a function within management?

- Yes
- No
- I do not know

Out of the 53 employees who took part in the survey, 34 of them (64.15%) answered that leadership function is part of management, 15 of them (28.30%) think that it is not the case, while 4 of them (7.54%) do not know whether leadership belongs within the framework of management functions. According to the results of the survey majority believe that leadership is a managerial function.

Figure 9. Employees who believe that leadership is part of management



Source: Author's creation

6. Which of the following terms do you associate with the authority and within the scope of leadership?

- Guiding/Directing
- Motivating
- Participating in making important decisions
- Carrying out given tasks

Out of the 53 respondents who took part in the survey, 26 of them (49.05 %) answered that they associate the concept of motivating with leadership, 20 of them (37.73 %) think that leadership is mostly associated with guidance, while 7 of them (13.20 %) think that the execution of assigned tasks is mainly identified with leadership. Not a single respondent chose participation in decision-making option, which indicates that in the observed business organization there is an opinion that leader should first of all motivate, then guide and give clear tasks finally.

Figure 10. Terms employees associate with leadership



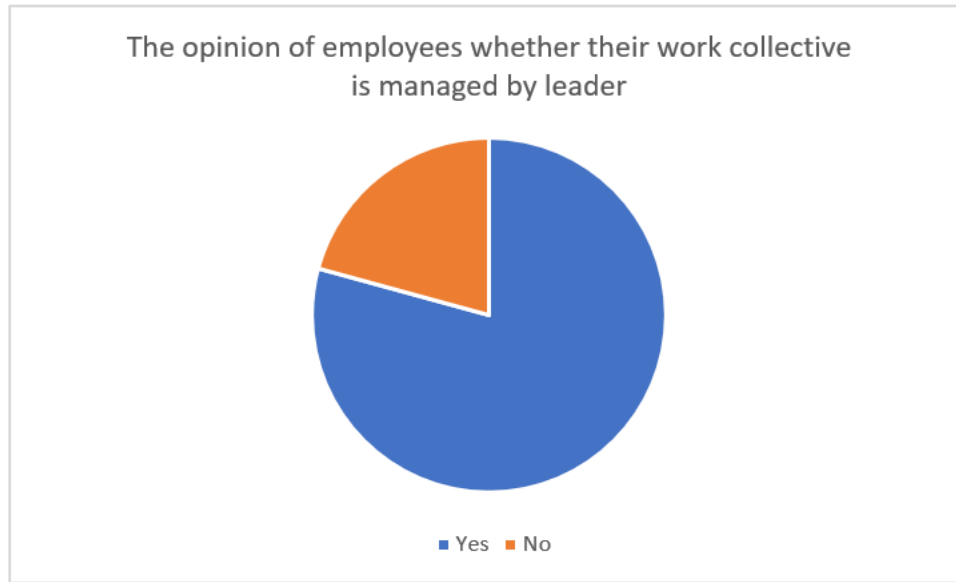
Source: Author's creation

7. Do you think that you are member of a work collective managed by a leader?

- Yes
- No

Out of 53 employees who participated in the survey, 42 of them (79.24 %) answered that they are part of a work collective managed by a leader, while the other 11 (20.76 %) answered that it is not the case. From the above results, it can be concluded that the dominant majority of sales representatives of the observed company perceive themselves as part of a collective managed by a leader.

Figure 11. Work collective managed by leader



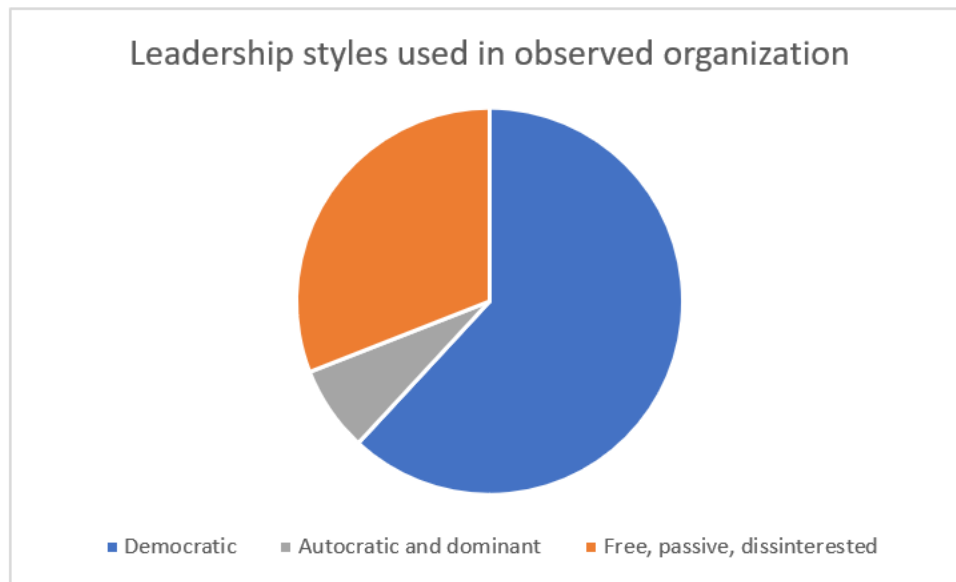
Source: Author's creation

8. If you answered yes to the previous question please mark which leadership style you would attribute to your leader:

- Democratic
- Autocratic and dominant
- Free, passive, disinterested

Out of 42 participants who answered that they consider themselves part of a collective managed by a leader, 26 (61.90%) answered that they attribute a democratic leadership style to their leader, 13 (30.95%) answered that they attribute a free leadership style to their leader, while 3 of them (7.14 %) answered that they attribute an autocratic leadership style to their leader. From the obtained results, conclusion can be drawn that the democratic style of leadership prevails in the observed company and the autocratic style of leadership is the least present, yet there is a non-negligible percentage of responses in favor of the free style of leadership.

Figure 12. Leadership styles in observed organization

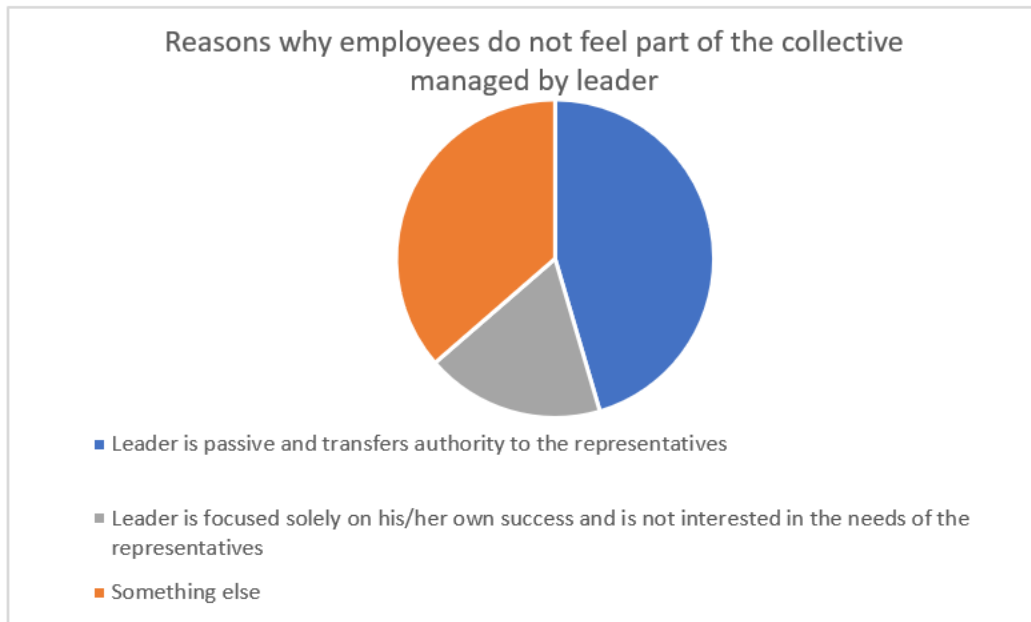


Source: Author's creation

9. If you answered negative to the question number 7. (Do you think that you are member of a work collective managed by a leader?) can you mark the potential reason for such an answer?
- The function of team leader exists officially but leader is passive and transfers authority to the representatives
  - The function of team leader officially exists but leader is focused solely on his own success and is not interested in the needs of the representatives
  - Something else

Out of 11 participants who answered that they do not consider themselves part of a collective managed by a leader, 5 (45.45%) answered that reason for this lies in the fact that function of team leader exists officially but leader is passive and transfers authority to representatives while 4 of them (36.36%) stated that reason is something else, while remaining 2 (18.18 %) of participants answered that function of team leader officially exists but leader is focused exclusively on his own success and is not interested in the needs of representatives. According to the obtained results it can be concluded that there is a certain percentage of leaders who due to their passivity ignore the needs of employees and a small percentage of leaders who due to the excessive preoccupation with their own results ignore the needs of their employees too

Figure 13. Explanations of respondents who do not consider themselves part of collective managed by leader



Source: Author's creation

10. Do you think that your leader's (leadership) style affects your contribution to the achievement of the organization's goals?

- Yes
- No
- I do not know

Out of 53 participants of the anonymous survey 39 of them (73.58%) believe that the leadership style used by their leader affects their contribution to the achievement of the organization's goals while 10 of them (18.86%) do not know if they can consider this statement correct. Furthermore, only 4 (7.54%) believe that style that corresponds to the leadership style of their leader does not affect the way they contribute to the business organization as a whole. According to the obtained results it can be concluded that dominant majority of employees believe that leadership style used by their leader has effect on their contribution in accomplishing set company's goals while small number of employees do not consider that statement correct. There is a percentage, which needs to be taken into account, of employees who neither agree nor disagree with the statement in question.



Figure 14. Leadership style's effect on the employee's contribution to the business organization



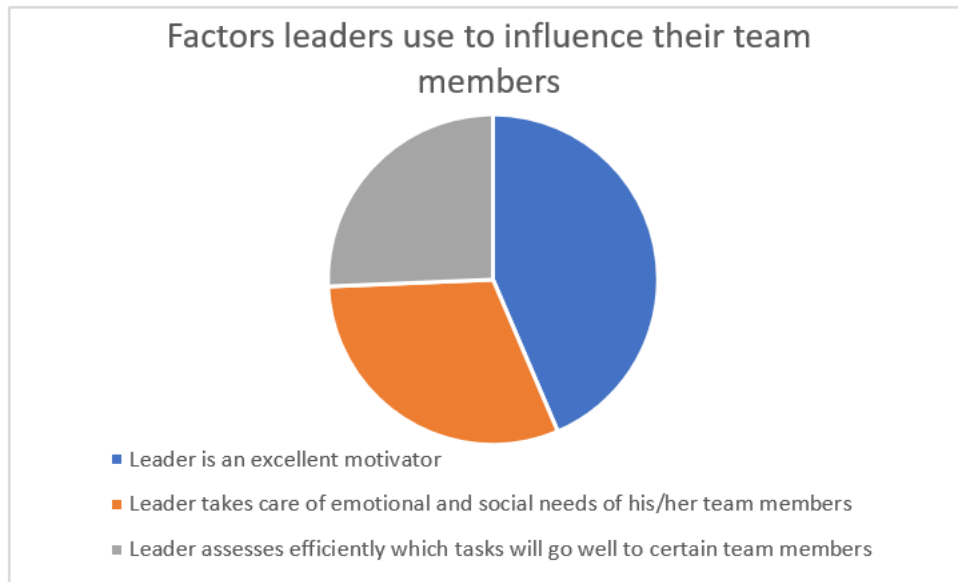
Source: Author's creation

11. If you answered yes to the previous question please mark how leader influences you?

- Leader is an excellent motivator
- Leader takes care of emotional and social needs of his team members
- Leader assesses efficiently which tasks will go well to certain team members and which ones will not and in this way sets the strategy

Out of 53 respondents, 17 of them (43.58%) answered that their manager is an excellent motivator and thus influences their performance within the organization. 12 (30.76 %) respondents answered that leader influences their work contribution by taking care of emotional and social needs of team members and remaining 10 (25.64 %) answered that leader influences their performance by setting a strategy based on his judgment about which team member will do well on a specific task. According to the obtained results it can be concluded that majority of employees state that their leader is excellent motivator. On the other hand there is a slight difference between percentage of the leaders who pay attention to the emotional and social needs of their employees and ones who are efficient in determining/assessing employees' skills and abilities to perform well certain task types.

Figure 15. How managers influence their team members?



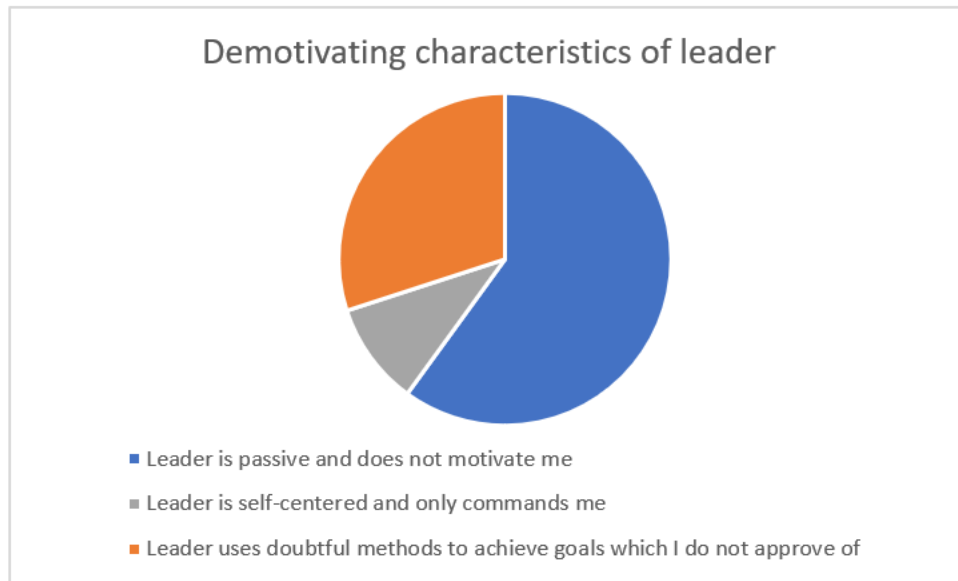
Source: Author's creation

12. If you answered negative to the question number 10 please mark the potential circumstance that led to your answer:

- Leader is passive and does not motivate me
- Leader is self-centered and only commands me
- Leader uses doubtful methods to achieve goals which I do not approve of

Out of 10 employees who said that leader does not affect their productivity 6 (60%) answered that the reason for this is leader's passivity and lack of interest and 3 (30%) answered that leader uses doubtful methods to achieve set business goals and they do not want to take part in such perfidious procedures. Only one (10%) respondent cited leader's egocentricity as a demotivating factor. According to the obtained results it can be concluded that majority of employees believe that due to the their leaders' passive approach they (leaders) fail to influence employees' productivity. On the other hand respective percentage of employees believe that their leaders use doubtful methods to achieve goals which is the primary reason why those leaders were inefficient in influencing their employees' productivity. Moreover, only a single employee does not see correlation between his performance and his leaders' style due to the self centricity and commanding approach applied by leader.

Figure 16. Undesirable leadership methods and styles



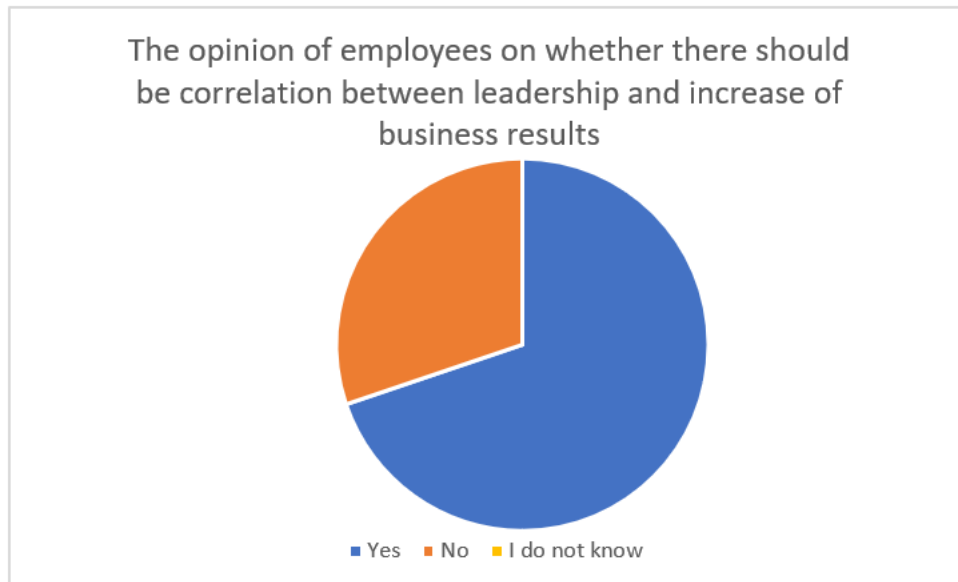
Source: Author's creation

13. Do you think that leader should be able to influence increase in business results?

- Yes
- No
- I do not know

Out of 53 respondents who participated in the survey 37 of them (69.81 %) believe that leader should have a positive impact on business performance while 16 of them (30.18 %) believe that there should be no correlation between leadership and achieving better business results. Not a single respondent chose the I don't know option. Consequently, it can be concluded, based on the obtained answers, that majority of employees believe that leadership and person of a leader play significant role in improving organization's business results.

Figure 17. The link between good leadership and business success according to the respondents



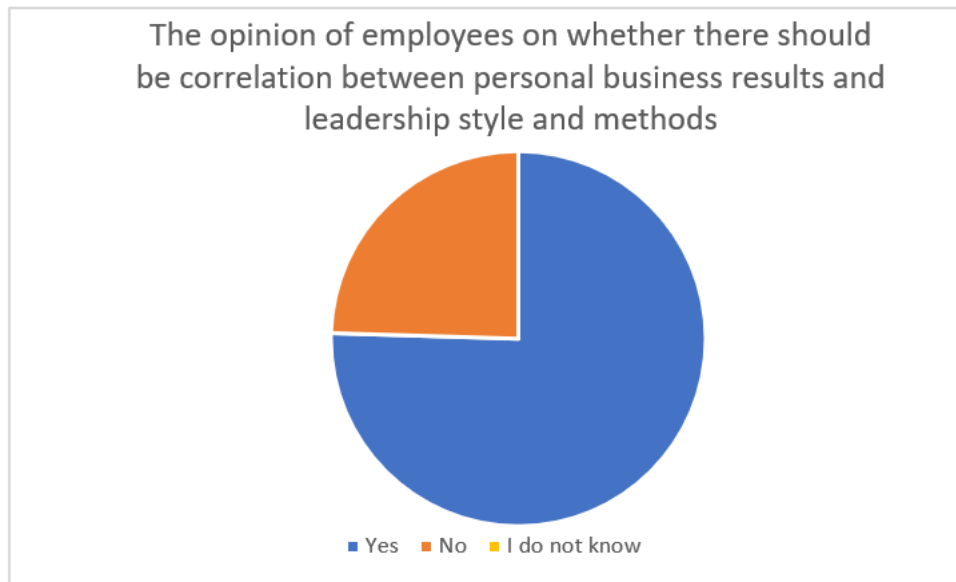
Source: Author's creation

14. Do you think that personal business results should be influenced and improved by adequate leadership style and methods?

- Yes
- No
- I do not know

Out of 53 respondents who took part in the survey, again, not a single respondent chose the “I don't know” option while 40 of them (75.47%) answered that they believe that personal business results should be influenced and improved by adequate leadership style and methods applied while remaining 13 (24.52%) said that they cannot confirm the accuracy of that statement. Results once again point very clear divisions within the observed business organization.

Figure 18. The connection between personal business results and adequate leadership style and methods



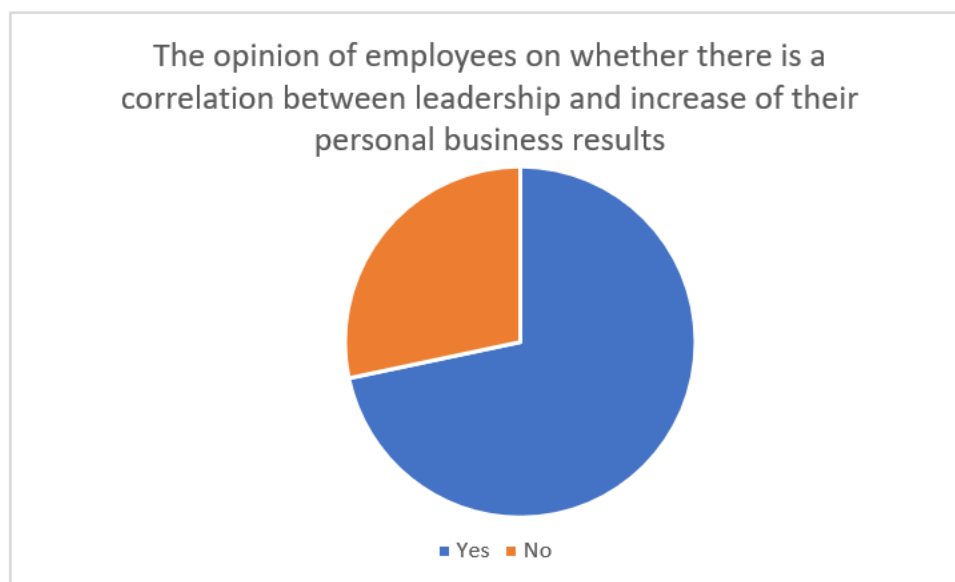
Source: Author's creation

15. Finally, can you confirm that adequate leadership has had an effect on your business results' increase?

- Yes
- No
- I do not know

To the most direct question of all the ones asked 38 respondents (71.69 %) answered that truly adequate leadership has had a positive impact on their increase in business efficiency and success while remaining 15 (28.30 %) answered that such statement does not relate to their personal business performance.

Figure 19. Impact of leadership on personal business results



Source: Author's creation

#### 4.4. Survey results discussion

According to the obtained results the situation in Merkur d.d. is quite transparent as far as leadership is concerned. In the predominantly female workforce within which there are number of individuals with university and college education the prevailing attitude is that adequate leadership directly affects business performance of sales representatives. Under quality leadership sales representatives primarily consider motivation, emotional and social support, and effective division of tasks.

As per the results of the survey it can be concluded that sales representatives understand that leadership is a managerial function which does not necessarily have to be performed by individual with a managerial title. Furthermore, and in accordance to the survey results, democratic style of leadership can be identified as the predominant followed by a certain percentage of leaders who use a passive liberal style and minor representation of ones who use an autocratic style.

Although majority of employees feel that they are an integral part of the work team, which itself points to the successful leadership and guidance, some employees do not share this opinion and the reason for this is the character trait(s) of leaders who, in their opinion, use methods that are immoral and unethical creating a feeling of repulsion and resulting in those employees not wanting

to be part of such team. Others state that they are bothered by the passivity of the leader and his handing over authority to subordinates which they cite as a demotivating factor. A very small percentage of employees reproach leaders with autocratic behavior. Employees of the observed company are familiar with the function of leadership based on formal authority since individuals holding managerial positions are authorized to design business strategies, plan, organize, carry out division of work tasks and lead. However, it is interesting to note that in a business organization where a democratic leadership style prevails employees do not consider that participation in making important business decisions is basic characteristic of adequate leadership.

What the vast majority of employees of the observed organization agree on is that methods and leadership style have positive effect on improving their contribution to the organization as a whole. According to the results of conducted survey employees of the business organization in question confirm that adequate leadership which puts an emphasis on employees' motivation has direct effect on increase of their professional efficiency. In other words, an appropriate leadership style leads to better financial results for employees which ultimately reflects on the entire organization.

#### 4.5. Limitations of the conducted research and recommendations for future researchers

Time shortage as well as limited number of previous studies can be noted as some of aggravating factors for conducting survey in question. Taking into consideration the fact that international literature and available researches, which focus on different priorities and business culture compared to the ones applicable to the environment within which observed organization acts, were used in the particular survey's preparation it was necessary to adapt it to gain an insight into which elements should be taken care of when conducting research and collecting data.

The additional limitation refers to the shortcomings of the survey questionnaire. In the absence of experience and model on which to create questionnaire it may be perceived as too focused on whether the employees of the observed company understand the concept of leadership lacking orientation on which elements of good leadership lead to a direct connection between the improvement of personal business results and adequate leadership.

Further limitation refers to the difficulties in cooperating with observed organization's employees regarding data access and their reluctance to fill out survey and return it to the author.

Moreover, too small sample size, for this survey to be considered relevant in an academic sense, represents additional limitation for particular research. Although it is an original survey and appropriate type of organization was selected to observe the relationship between leadership and business results a sample comprised of 53 respondents is too small to make generalizations using the scientific method of deduction. Therefore, correlation between good and adequate leadership with improved personal business results can only be applied to this and not to all organizations operating in the market.

This research can serve as a starting point for future researchers of the topic in question. Those, if they intend to research this topic, should take a much longer period of time for empirical research in order to be able to compile and systematize the obtained data into rational conclusions. The additional recommendation refers to the fact that it is necessary to cooperate only with companies that are open for the same otherwise the research becomes much more difficult and unnecessarily complicated.



## 5. CONCLUSION

The thesis can be concluded by stating that leadership is an extremely complex concept which should be approached with caution. It is a function but also an integral part of management. Without management component its essence becomes questionable as well as its definition as a process.

There are various approaches to management as well as to leadership which distinguish leadership styles; however, the bottom line is that one becomes a good leader if he develops emotional intelligence and has sufficient dose of empathy that must not exceed certain limits. The ideal leader is considered to be a democratic one who is in the same time able to simultaneously coordinate activities of his subordinates and satisfy demands of his superiors. Democratic leader, regardless of his "soft" and benevolent leadership style is successful in setting clear boundaries and does not allow exploitation.

Namely, a democratic leader takes into account suggestions of his subordinates when making business decisions, yet it is clear to everyone that he makes final decision and that there is no discussion about it. Democratic leader is a visionary and innovator, always ready to learn new skills and techniques that not only improve his competencies but also the entire business organization benefit from it. A good leader is the one who knows how to communicate and convey important information and share his knowledge.

A good leader is not afraid of growth and development of others nor the fact that by investing in his subordinates they can one day become his superiors. His essential quality is manifested in his very appearance and charisma and infallible work ethic that can be an example to all other members of the organization. A good leader is the one who has the skill to influence others to action by his example and the way he treats his subordinates and his business partners.

Given the degree of importance of leadership it is not surprising that results of the survey confirmed a proportion between increase in personal business success with the selection of an adequate leadership style and that the integral characteristics of a good leader are motivation, taking care of the needs of other people and directing them business processes wise. The survey conducted further confirmed that in the observed company, which is extremely profit-oriented, those under the leadership of a democratic leader have better results. The research finally proved

how employees under the authority of a good leader feel part of the collective and how they behave more actively and practically when interacting with the entire business organization.

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## ATTACHMENTS

The transcript of the conducted survey is attached.

1. What age group do you belong to?
  - 18-24
  - 24-38
  - 38-55
  - 55-65
  - 65-75
2. What gender do you identify with?
  - Male
  - Female
  - Non-binary
3. What is your academic level?
  - High school
  - College
  - Undergraduate
  - Graduate
  - Ph.D.
4. Are you familiar with the concept of leadership?
  - Yes
  - No
5. Do you think that leadership is a function within management?
  - Yes
  - No
  - I do not know
6. Which of the following terms do you associate with the authority and within the scope of leadership?
  - Guiding/Directing
  - Motivating
  - Participating in making important decisions
  - Carrying out given tasks

7. Do you think that you are member of a work collective managed by a leader?
  - Yes
  - No
8. If you answered yes to the previous question please mark which leadership style you would attribute to your leader:
  - Democratic
  - Autocratic and dominant
  - Free, passive, disinterested
9. If you answered negative to the question number 7. (Do you think that you are member of a work collective managed by a leader?) can you mark the potential reason for such an answer?
  - The function of team leader exists officially but leader is passive and transfers authority to the representatives
  - The function of team leader officially exists but leader is focused solely on his own success and is not interested in the needs of the representatives
  - Something else
10. Do you think that your leader's (leadership) style affects your contribution to the achievement of the organization's goals?
  - Yes
  - No
  - I do not know
11. If you answered yes to the previous question please mark how leader influences you?
  - Leader is an excellent motivator
  - Leader takes care of emotional and social needs of his team members
  - Leader assesses efficiently which tasks will go well to certain team members and which ones will not and in this way sets the strategy
12. If you answered negative to the question number 10 please mark the potential circumstance that led to your answer:
  - Leader is passive and does not motivate me
  - Leader is self-centered and only commands me
  - Leader uses doubtful methods to achieve goals which I do not approve of
13. Do you think that leader should be able to influence increase in business results?
  - Yes
  - No
  - I do not know

14. Do you think that personal business results should be influenced and improved by adequate leadership style and methods?

- Yes
- No
- I do not know

15. Finally, can you confirm that adequate leadership has had an effect on your business results' increase?

- Yes
- No
- I do not know