

## IMPACT OF LEADERSHIP POTENTIAL ON CHANGE POTENTIAL

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**Annotation.** *The current paper puts forward the following hypothesis: leadership potential is the key to the effectiveness of changes taking place within business structures to ensure their functioning in the markets. In this context, we conducted research on leadership potential of the business structures operating in Ukraine. The following objectives have been specified: 1) to analyze and evaluate the development of leadership potential at Ukrainian enterprises and develop its regulation; 2) to provide tools for the enterprise change assessment in the dynamics by means of leadership potential. Fifteen enterprises of the textile industry of Ukraine have been involved in the research. We have based our analysis on a random sample of 300 respondents.*

*The analysis of the dominance of the activated Change Management System conducted on basis of Resultant Leadership has revealed that leadership potential is the key factor for change. It establishes an integrated connection between all subsystems of the enterprise potential to be subject to change. Our research suggests that leadership potential is a socio-psychological characteristic of a person that reflects the individual's ability to successfully lead a situation. The level of leadership potential determines the application of other functional potentials of the business structure. The findings of the study were introduced to five Ukrainian enterprises. The current research is of practical importance for various industries and the state as a whole.*

**Key words:** *leadership, enterprise potential, leadership potential, change potential.*

**Introduction and setting of the problem.** In a modern business environment, leadership is considered to be a driving force. XX-XXI centuries are marked by issues of the conceptual and practical value of "leadership" and the "psychology of leadership", but prevailing research results have rather theoretical than practical value.

The problem of leadership is still relevant and has not been resolved to the end. Nowadays it is necessary to rethink the following issues:

I. Investigation of the "leadership potential" issue.

II. Peculiarities of leadership potential formation in the business structures and the dynamics of its change.

III. The impact of leadership potential on the efficiency of organizational change management in business unities of different forms of organization.

**Analysis of the newest researches and publications.** The purposes of the current study are to formalize leadership potential as a key element of the potential for change, ensuring the effectiveness of the business structures, and to develop a methodological approach to the business entity leadership potential diagnosis. Most of the existing definitions are based on

the study of a leader's manifestation patterns and the implications of leadership. Nowadays, the development and integration of psychological science in management highlight the following issues – 1) how to create leaders in society and 2) how to leverage their potential in the business structures management. The gurus of management and psychology of human resources management convincingly prove that enterprises are managed not by systems and technologies, but by a person who ensures the development and existence of certain organizations for the sake of own values and goals, using own mental abilities, business qualities, knowledge, and competencies [1,2]. Studies on the "leader" and "leadership" concepts underscore that different sciences provide own interpretation of the concept of a "leader", in accordance with their specifics. For instance, in the philosophical literature, the term "leader" is considered very rare, one-sidedly and superficially. A leader is defined as the most authoritative member of an organization or a social group.

Personal influence allows a leader to play a key role in various political, moral and social situations; the authority of a leader is informal and occurs spontaneously [3]. Sociology and economics consider a leader as a group member who carries a great authority and influence with any team, and who is able to lead the group; a person who due to his/her personal qualities has a significant influence on the members of the social group [4; 5]. Political science defines a leader as a person who heads a political party or other socio-political organization [6,7]. In psychological and pedagogical science, the concept of a "leader" is considered quite broadly: a leader is defined as a member of a group who is capable of exerting a special influence on the behavior of other participants in significant situations; a member of a group with the highest status that recognizes the right to make decisions in the significant situations for a group; a person who, due to his/her personal qualifications, is capable of displaying initiative, has a momentous influence on members of a social group [8].

Most definitions are based on the research of both the leader's behavioral and manifestation patterns and the consequences of leadership. Integration of psychological science in management accentuates the problem of how to mold the leaders and how to leverage their potential in the business structures management. In this regard, we dwell on the study of the Italian psychologist A. Meneghetti whose findings are considered to be noteworthy. [2]. Meneghetti's position is expounded in three directions of observation and description: in the parameters of scientific psychology, economic experience, and the fundamental criterion, discovered by ontopsychology and used by all branches of scientific knowledge and practice. According to Meneghetti, on the one hand, a leader is the head, personality, personality-vector, the one who controls the actions and is able to synthesize the context of relations. On the other hand, a leader is the one who builds the function, improves and rebuilds it when necessary as a craftsman. A leader knows how to establish a relationship, gaining the benefits and obtaining the result. A leader is a person who sets the goal, finds the means, resources, and people able to achieve it. [2, p.21]. Such an interpretation of the notion in many respects suggests that a leader should be a manager. However, Meneghetti's theory puts forward the idea that successful organizations and/or any business structures require not only top executives as leaders,

but leadership within the personnel of the enterprise at large. In fact, the results of the research show that the success and effectiveness of enterprises directly depend on the relative weight of leadership potential of its personnel.

Taking into account all mentioned above, we have put forward the following objectives for the current study: 1) to formalize the leadership potential in the system of the potential for change within a business structure; 2) to investigate the main tendencies of the change dynamics in leadership potential at Ukrainian enterprises; 2) to propose tools to assess the change dynamics in leadership potential in the context of effective change management introduction. Fifteen enterprises of the textile industry of Ukraine were involved in the research. We based our analysis on a random sample of 300 respondents.

**Purpose and objectives of the article.** The actualization of leadership as a new managerial paradigm that corresponds to modern realia is determined by the existing social tendencies, the transformation of values and organizational structures and by the crisis of the prevailing administrative model of management. Nowadays, it has become axiomatic that the personnel is considered to be the key element of any enterprise's efficiency. The authors have conducted research on the potential for change and leadership potential at Ukrainian textile industry enterprises within the framework of the activity of the "3S" Consulting Company. The research results make it possible to state that the leadership potential is the tool for the staff and management assessment during the change era. As a scientific problem, it is necessary to highlight what leadership potential exactly means and to find out the methodological approaches to the integration of leadership potential assessment into the overall enterprise potential.

**Main results of the research.** The studies of conceptual theories on the business structures potential [11, p. 19-32, 12, p. 122], on the one hand, demonstrate the correlation between leadership potential and the potential of the particular enterprise, on the other hand, identify leadership potential in the context of practical application of leadership in management of the business structures. Investigating the influence of leadership potential on the potential for change, we took a closer look at the gist of leadership potential. The concept of "potential" naturally took an important place in the categorical apparatus of the management theory. However, its categorical apparatus requires the notion of "leadership potential" for further development of this theory, The etymology of the word "potential" is of Latin origin and means "power" or "hidden possibilities" that in economic practice may come true become through labor. So, if "potential" is referred to as a hidden opportunity, the leadership potential is considered as the ability of the individual to acquire leadership competence. Effective management requires the perception of to what extent leadership potential of the personnel (specialists and managers) will allow a company to make effective change. It is also important to understand how the structuring of leadership potential will affect the structure of the potential for change, inasmuch as the enterprise's potential for change is also a certain set of possibilities of functional and resource composition.

Our research suggests that leadership potential is a sociopsychological characteristic

of a person, which reflects both situationally stipulated and situationally independent individual's ability to successfully conduct leadership. The level of leadership potential of certain professionals or managers determines the manifestation of other functional potentials. Leadership potential is presented in every structural element of the enterprise's potential. Though the finances (financial potential), the quality of materials (resource potential), and the features of the organizational structure of management (organizational potential) determine the functions of different potentials, it is a person with some leadership potential who carries out these functions. In order to investigate leadership potential we have generalized existing methodological developments that meet such criteria as objectivity, purposefulness, validity, effectiveness, etc. In order to investigate the proposed axioms, we have chosen the textile industry enterprises of Ukraine. The analysis of statistical data [10] made it possible to identify a group of leading and well-known enterprises in Ukraine: LLC "Textile Contact", Concern "Yaroslav", PJSC Ukraine (Zhytomyr), PJSC "Cherkassy Silk Factory", OJSC "Ternopil Association "Texterno", OJSC "Rivnelon", LLC "Lubawa-Grace"(Cherkasy), PJSC "Knitting Company "Rosa" (Kiev), PJSC "Sofia" (Brovary), etc.

How does the success and activity of enterprises operating in the textile industry correlate with the leadership of their managers? Who are the captains of the textile industry in Ukraine? There are some famous Ukrainian designers who gained the success in the world fashion industry (Diana Dorozhkina, Andre Tann, Lilia Pustovit, Irina Karavay, Oksana Karavanska), but their success results from their own accomplishments and has nothing to do with the creation of a successful company. In order to answer the above-mentioned questions, we have conducted the research of leadership potential of the Ukrainian textile industry enterprises. Monitoring and control of leadership potential of business entities were based on the use of calculation methods and techniques of economic analysis, mathematical modeling, which ensures accuracy, efficiency, and reliability. The analysis of leadership potential involves a combination of research methods for leadership potential: observation; intuition, sensation; interviews, and testing: \* "Forma Mentis" test, \* 6 drawings test, \* Interview. Particular attention in the study was paid to leadership potential and to evaluate the possibilities of its application in management.

It is necessary to mention that the study of the leadership potential structure and the study of the peculiarities of its formation made it possible to structure it by the main constituent elements with their further integration into the overall assessment of leadership potential. Thus, the testing of the managerial personnel and specialists of each enterprise (the following tests have been conducted: 'Forma Mentis', 'Myers-Briggs Personality Type Indicator', Shalom H. Schwartz. Survey) allowed us to identify the main three blocks of leadership potential [13,14]:

- psychotype of personality in 16 classic personality types (PT) [15];
- value orientations (development and improvement (I), focus on the result (R), the natural level of leadership potential (NLLP), independence (Ind), initiative (Int), adherence to traditions (T);
- personality potential (responsibility (Rsp), autonomy (A), will (W), focus on

problem solving (PS), ability to collaborate with others (C).

Grouping and statistical processing of the survey results enabled us to obtain aggregated values of indicators for enterprises that were investigated on the whole (Table 1)

Table 1

**Results of research on the level of leadership potential at Ukrainian enterprises by constituent elements**

Indicators	Enterprises									
	E1		E2		E3		E4		E5	
1. Personnel categories	M	S	M	S	M	S	M	S	M	S
2. Psychotype	0,6	0,4	0,45	0,32	0,33	0,28	0,73	0,45	0,83	0,75
3. Value orientations:	0,62	0,38	0,38	0,28	0,45	0,32	0,72	0,42	0,72	0,52
NLLP	0,57	0,45	0,48	0,38	0,54	0,38	0,67	0,48	0,67	0,58
R	0,63	0,25	0,29	0,19	0,63	0,29	0,63	0,39	0,63	0,49
I	0,4	0,45	0,47	0,43	0,4	0,37	0,6	0,47	0,6	0,47
Ind	0,6	0,3	0,4	0,3	0,6	0,5	0,6	0,5	0,6	0,5
Int	0,82	0,65	0,68	0,55	0,78	0,58	0,72	0,48	0,72	0,48
T	0,73	0,34	0,39	0,26	0,71	0,29	0,73	0,59	0,73	0,59
4. Personality potential:	0,79	0,45	0,47	0,37	0,74	0,37	0,79	0,47	0,79	0,47
Rsp	0,65	0,46	0,49	0,39	0,63	0,49	0,65	0,69	0,65	0,69
A	0,84	0,4	0,78	0,58	0,81	0,68	0,84	0,38	0,84	0,38
W	0,44	0,45	0,55	0,51	0,44	0,65	0,64	0,75	0,64	0,75
PS	0,65	0,46	0,5	0,39	0,62	0,43	0,7	0,51	0,7	0,51
C	0,6	0,4	0,45	0,32	0,33	0,28	0,73	0,45	0,83	0,75
5. Leadership potential	0,62	0,38	0,38	0,28	0,45	0,32	0,72	0,42	0,72	0,52

The analysis of the leadership potential complex indicator values also required the establishment of a range of the leadership potential integral indicator levels. O. Babina has managed to set the mentioned range in her dissertation work [16]. For a better understanding of leadership potential, the intrinsic characteristics of all components and the degree of interaction within each group have been scrutinized. Having scrutinized the modeling experience, the authors made the decision to apply the models of longitudinal (panel) data. The research results have been presented in the form of multidimensional correlation matrices and graphs - correlation constellation based on longitudinal data using Statgraphics Centurion statistical package (SPSS 22). The value of the correlation coefficient and the density of the connection have been traditionally determined by the 'Chaddock's Scale', where the correlation coefficient has the following values: 1.00 (functional connection); 0.90-0.99 (very strong); 0.70-0.89 (strong); 0.50-

0.69 (significant); 0.30-0.49 (moderate); 0.10-0.29 (weak); 0.00 (no connection). Since the research of leadership potential has been carried out on conditions of the personnel division into two categories: the managerial personnel and the specialists, the results of calculations are also presented in two categories.

To assess the value orientations of the managerial personnel the following factors have been identified: the natural level of leadership potential, focus on the result, development and improvement, independence, initiative, adherence to traditions.

The highest average value of the managerial personnel's value orientations is "Focus on the result", i.e., this factor is dominant, since its value is approaching 1. The following factors also have a significant influence on the value orientations: "the Natural level of leadership potential", "Independence" and "Development and Improvement", inasmuch as the average values of these factors are above the median. The highest average value of the specialists' value orientations is "Development and Improvement", i.e., this factor is dominant. The above-the-median average value is "Initiative". Such factoring fully corresponds to the qualitative characteristics, typical for the investigated group of the personnel of a lower management level.

The correlation research for the managerial personnel resulted in the following features (Fig. 1): there are 14 statistically significant connections between factors; seven factors have a reverse connection ("Initiative" and "Development and Improvement"; "Focus on the result" and "Adherence to traditions"; "Development and Improvement" and "Independence"; "Initiative" and "Adherence to traditions"; "Initiative" and "Independence"; "Adherence to traditions" and "Independence"; "Adherence to traditions" and "the Natural level of leadership potential");

- six factors have a direct connection;
- ten pairs of factors have a high and significant density of connection according to the Chaddock's Scale, which is a positive moment.

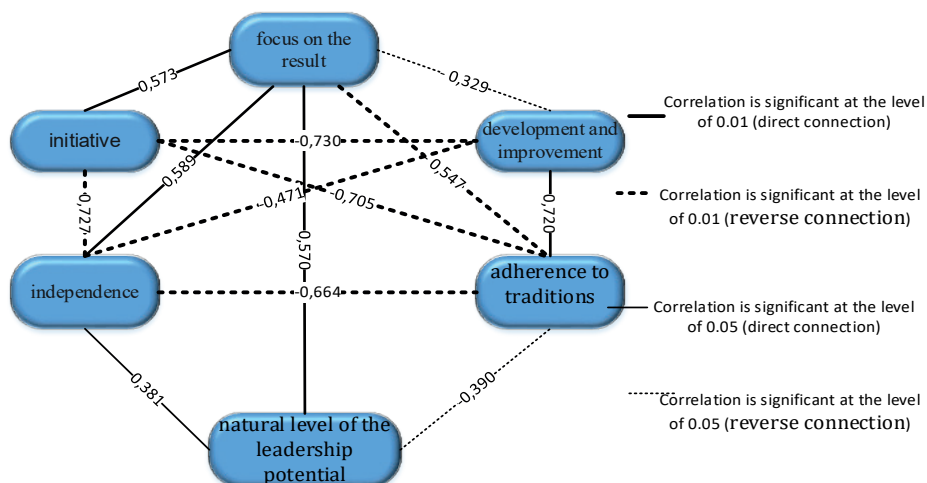


Fig. 1. Graph of correlation constellations of managerial personnel's value orientations



The "Adherence to traditions" factor has the biggest impact on the value orientations of the managerial personnel. Besides, all five connections that it forms are reversed, strong and significant. So, this factor has a negative context in terms of impact on the value orientations of the managerial personnel.

The correlation research for the specialists resulted in the following identified features:

- there are only eight statistically significant connections between the factors;
- three factors have a reverse connection ("Focus on the result" and "Development and Improvement"; "Development and Improvement" and "Independence"; "Development and Improvement" and "Initiative"),
- five factors have a direct connection;
- one factor has a high and significant density of connection ("Development and Improvement" and "Initiative"), the other connections have a moderate and weak density (Fig.2).

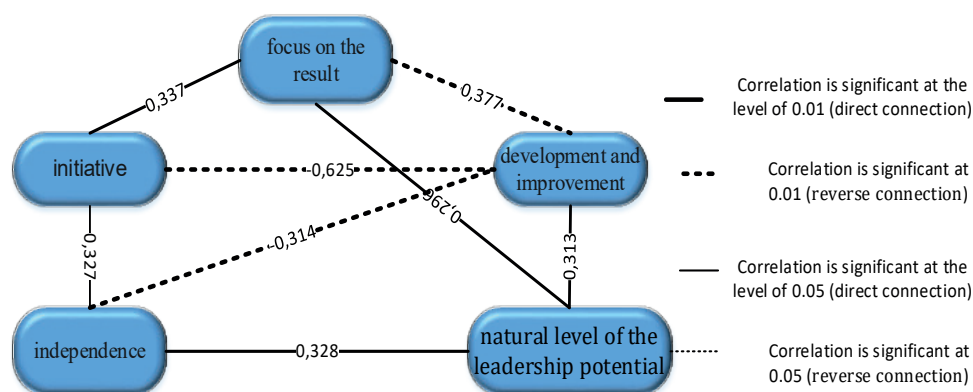


Fig. 2. Graph of correlation constellations of specialists' value orientation

Upon the completion of the correlation analysis, it has been discovered that the "Development and Improvement" factor has formed the number of connections with other factors. Most of them have the reverse connection.

In order to establish both the density and the connections between the indicators that characterize the personality potential of the managerial personnel, we have singled out the following factors: responsibility, autonomy, will, focus on problem solving, the ability to cooperate with others.

The highest average value of the personality potential of the managerial personnel is the "Focus on problem solving" factor, which is the dominant one, inasmuch as the crisis phenomena in the economy have intensified. Such factors as "Autonomy", "Responsibility" and "Will" have a significant influence on the personality potential, as long as the average values of these factors are above the median. The interaction of the factors in the group is presented in Table. 4. The results showed that there are only

five statistically significant connections between the factors, with two of them having a reverse connection ("Responsibility" and "Focus on problem solving"; "Focus on problem solving" and "Autonomy" ), six factors have a direct connection. Separately, it should be noted that the density of connection in the correlation of factors is moderate.

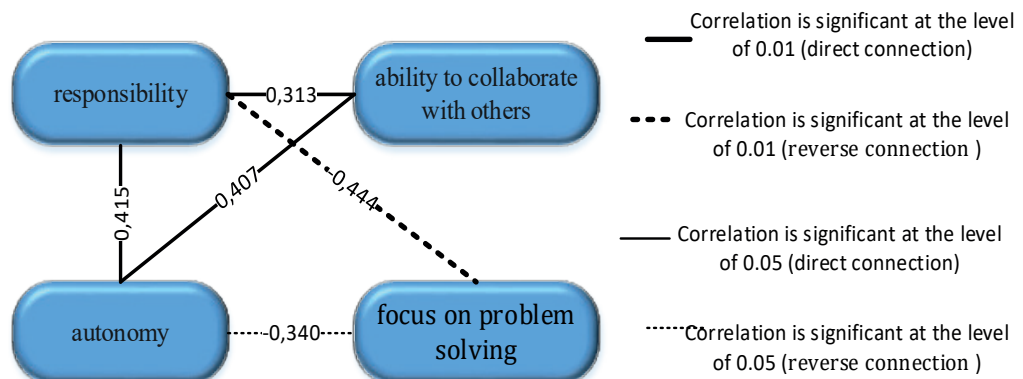


Fig. 3. Graph of correlation constellations of managerial personnel's personality potential

Upon the completion of the correlation analysis, it has been discovered that the "Responsibility" factor has formed the number of connections with other factors.

In order to establish both the density and the connections between the indicators that characterize the personality potential of the specialists, we have singled out the following factors: responsibility, autonomy, will, focus on problem solving, the ability to cooperate with others. The average values of all factors except the "Ability to cooperate with others" factor are above the median value, the range of variation varies from 0,94 to 0,2.

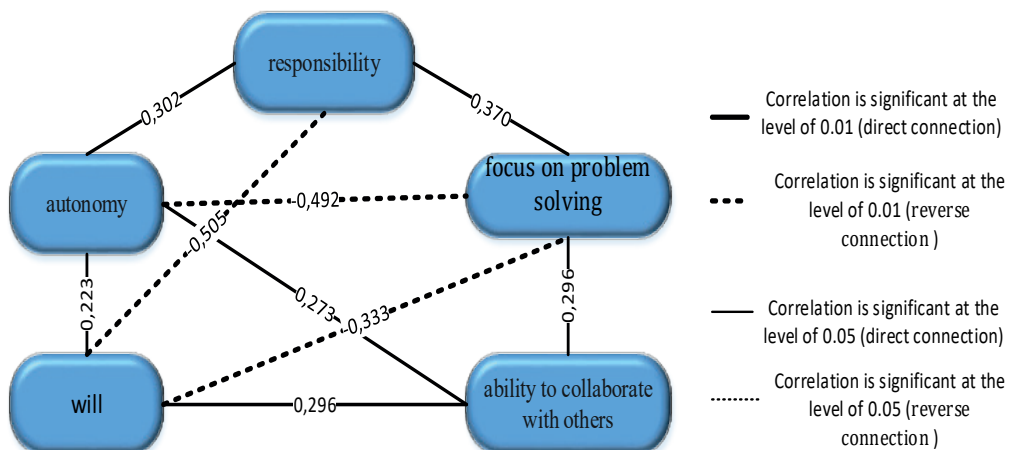


Fig. 4. Graph of correlation constellations of specialists' personality potential



The correlation analysis of the personality potential of the specialists demonstrated that the connections between the factors, increasingly, are moderate and weak. The connections between the "Responsibility" and "Will" are the densest, but they are reversed.

Generalizing the results of the analysis of the personality potential, we noticed that although the average value of the factors is high, the connections between them are weak and not significant.

The following stage of the analysis was to establish the density and connections between the indicators that characterize the psychotype of the personality in accordance with the Myers-Briggs Personality Type Indicator. (Fig. 5, 6) The legend to the Myers-Briggs personality types indicator is as follows: P - Perceiving i.e irrational; J - Judging i.e rational; E-Extraversion; I – Introversion; N – Intuition; S – Sensing; F - Feeling i.e ethical; T -Thinking i.e logical.

In order to conduct the analysis, we have selected 12 psychotypes. Analysis of the correlation matrix allows us to identify the structure of the connection between the set of factors and reduce the number of measured factors required for a sufficient description of leadership potential. We have aimed at establishing the number of optimal connections between the psychotypes, identifying the leadership qualities, and allocating the roles of employees in accordance with the personality type. The connection between the socionic psychotypes of personality has also been of tremendous interest because the personality of an individual is multifaceted and ambiguous.

By average values, the maximal variation has been observed in the 8th, 9th, and 11th psychotypes. The main feature of a qualitative classification is that classes or categories are not in any mathematical (quantitative) dependence. The top priority is a qualitative classification as a process where certain categories comply with more general ones, and, consequently, receive the appropriate features. In this case, the 11th psychotype has the highest average value.

The correlation for the managerial personnel revealed the following features:

- there are 56 statistically significant connections between psychotypes;
- almost all connections between psychotypes are directly connected, except for the connection between the 11th and 12th psychotypes;

There is a very strong constraint on the Chaddock's Scale between the psychotypes: 1st and 2nd, 2nd and 3rd, 3rd and 9th, 4th and 8th, 4th and 9th, 8th and 9th, 8th and 10th.

The correlations for the specialists revealed the following:

- there are 50 statistically significant connections between the psychotypes;
- almost all connections between the psychotypes are direct, except for the connection between the 9th and 11th, 9th and 12th psychotypes;
- there is even a functional connection in accordance with the Chaddock's Scale between the 6th, 7th, 11th and 12th psychotypes. There is very strong connection between the following psychotypes: 1st and 2nd, 2nd and 3rd, 2nd and 9th, 3rd and 9th, 4th and 6th, 4th and 7th, 4th and 8th, 4th and 9th, 8th and 9th, 8th and 10th.

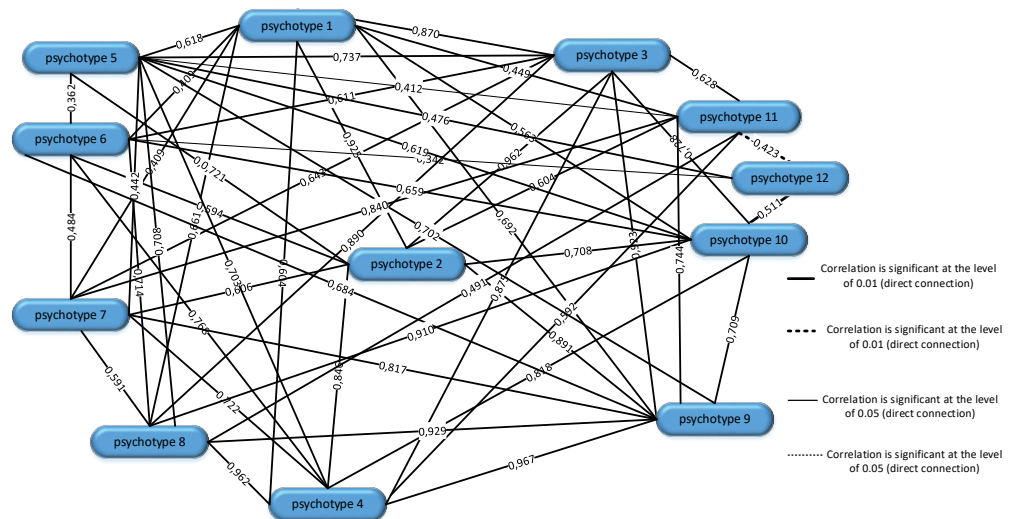


Fig. 5. Graph of correlational constellation of managerial personnel's psychotypes

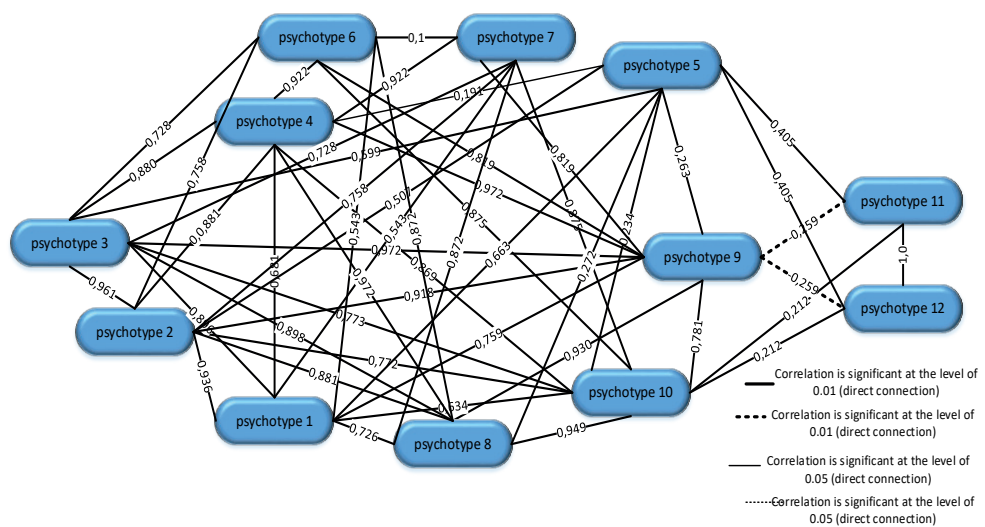


Fig. 6. Graph of correlational constellation of specialists' psychotypes

In order to visualize the relationship between the level of leadership potential and the level of the enterprise potential for change, multiple correlations have been applied.

Furthermore, we have researched the connections, the density of connections, not only by integral indicators of the enterprise potential for change and leadership potential but also calculated the effect the components of leadership potential (value orientations, personality potential, psychotypes of personality) have on the enterprise potential for change. The investigation of the managerial experience and practice at the textile industry

enterprises proves that the level of efficiency of the enterprises' activity depends on efficient application of professional and personal competencies by managers. Accordingly, a company will perform efficiently providing it effectively utilizes the leadership skills of its managers. Therefore, the search and research of the personal factors determining the efficiency of the company's and its managers' performance in conditions of change both in the external and internal environment are of particular importance.

In the course of the study, we have found out that the leadership qualities of the managerial personnel impact the managerial potential of the enterprise rather than other components of the overall enterprise potential. This conclusion is apprehensible, inasmuch as the leader-making components are very important for the system-forming element of the managerial potential.

The correlation analysis demonstrated that the connections between the factors, increasingly, are strong. The graphic interpretation of the correlation between individual psychological leadership qualities of managers and the enterprise potential (in terms of management activities) is presented in Fig. 5

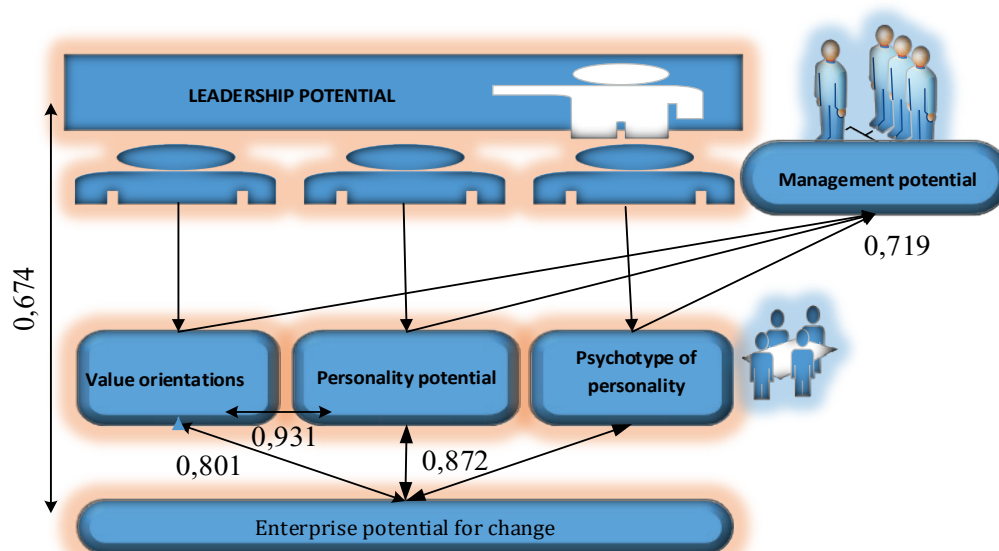


Fig. 7. Graphic interpretation of correlation between individual psychological leadership qualities of managers and enterprise potential

The managerial potential has a strong functional connection with leadership potential (0.719), which results from the fact that leadership is a certain milestone on the way of the personal growth in the managerial structure of the enterprise. The overall potential of enterprises has a strong influence on value orientations and personality potential (0.872 and 0.801, respectively). Consequently a person's awareness of his/her role in the company's activity clearly set personal goals and priorities, job promotion

opportunities and participation in the process of management have a direct connection with the growth of the company's potential. We have found out that there is a direct strong connection between leadership potential and the company's potential for change at the level of 0.674.

**Conclusions and suggestions regarding further researches.** The research of the structure of leadership potential and the nature of the connections between its structural elements in the context of the managerial paradigm of the business structures functioning revealed that leadership potential is the key factor of productivity, which provides the integrated connection between all subsystems of the enterprise's potential. The results of the study made it possible to prove that leadership potential is a socio-psychological characteristic of the personnel involved in the processes of management that contributes to the effectiveness of the business structure performance. The level of leadership potential determines the application of another functional potential of the business structure.

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