


Influence of Leadership Potential on the Effectiveness of Managerial Change

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ABSTRACT

The current article 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, the authors 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. Analysis is based on a random sample of 300 respondents. The analysis of the dominance of the activated change management system conducted on the basis of resultant leadership has revealed that leadership potential is the key factor for change.

KEYWORDS

Change Management Effectiveness, Enterprise Potential, Individual Leadership, Leadership, Leadership Potential, Social Management

INTRODUCTION

At the beginning of 21st century, one of the key factors on which are depended success of organizations' activities, is an effective leadership. Exactly on development of leadership today are directed efforts of many countries in the world both developed and those, which are seeking to strengthen it's competitiveness on international arena. Leadership is developing both in private and in public sectors and moreover on civil services. Leadership is a core of proper democratic government, the modern concept of management. So, management of changes, on the basis of effective leadership as the direction of modern management takes on the role of development's driving force for industrial enterprises. Development and improvement of effective instruments of changes' management on the basis of leadership theory, gives us an opportunity not only to rise an adaptability of enterprise to changes, but to realize the conception of stable improvement and development.

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The purpose of this research is finding of leadership potential influence on the process of changes' management on enterprises, and to determine factors which provide efficiency of business structures. Analysis of system's formatting features in the system of changes' management on the basis of leadership theory allowed to justify role and place of leadership potential in rising of effectiveness of the functioning of management subjects. Also were summarized and systematized that aspects of enterprises development that concern the cognition of subject of the research, emphasized features of changes' management system's formatting at the context of efficient leadership. Provided researches allows us to summarize concept of changes' management and to interpret it as the process of providing innovations in organization, which concern practically any aspect of business structures' activities. The purpose of changes is rising of enterprises' competitiveness, and efficiency of their activities.

To make changes successful we need to manage them. Efficient instrument of changes' management is the developing of system of changes' management on industrial enterprise. So, analysis of the results of the research gives us a possibility to make a conclusion that under the system of changes' management – appropriate to understand the process of stable adjustment of the enterprise's activities direction, modification of it's workers' behavior with taking into account factors of the resistance to changes in conditions of changes. If we put process approach in the basis of changes' management, than it is appropriate to consider changes from the point of adaptation of all management functions. Process of changes' management provides definition of it's necessities, planning, organization of works with changes implementation, control over their implementation and motivation of workers, who take a part in the process of changes. Using of only this approach significantly narrows the solution of scientific problem. It is obviously that system of changes' management has to base on systematical and complex solution of the problem.

LITERATURE REVIEW ON ERP DEPLOYMENT

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 (Maczumoto, 2008; Menegetti, 2017; Astaxova, 2012; Silzer, Church, Rotolo & Scott, 2016; Cortellazzo, Bruni & Zampieri, 2019; Kolpakov, 2005; Peele, 2005; Dubinska, 2014; Kalashnikova, 2012; Reber, 2002).

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 Meneghetti (2017) whose findings are considered to be noteworthy. 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 ontopsihology 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 Meneghetti (2017). 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; 3) 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.

RESEARCH METHODOLOGY

The system of general scientific and special methods, which allowed us to study the process of formation and leadership potential change dynamics in business structures on the basis of the theory of leadership serves as the methodological basis of the research. The following methods have been applied during the research: the method of comparison and generalization - to clarify and formalize the essence of the concept of leadership potential; the method of abstraction, abstract-logical methods - to both establish the constituent elements of the conceptual foundations of the process of leadership potential formation and to determine the components of leadership potential of a business structure; the methods of economic and mathematical modeling - to calculate the integral index of the leadership potential level of industrial enterprises; the Saati's hierarchy analysis method - to determine the weights of integral indicators as per subsystems in the process of leadership potential integral indicator modeling; the correlation-regression analysis - to construct multi-factor regression models, to calculate predictive values of leadership potential integral indicators for each subsystem, to optimize subsystems of the potential for change at industrial enterprises, to determine the degree of leadership potential impact on the indicator of the enterprise's potential for change; the graph-analytical method - to provide a clearer picture and schematic picture of a number of theoretical and practical provisions of the study. The information base incorporates statistical materials of the State Statistics Service of Ukraine (1998), Ukrainian textile industry statistics Ofitsiynyi sait Ukrlehpromu (2019), official publications of international organizations, expert ratings, monographic literature, fundamental scientific developments of the national and foreign authors, materials of scientific conferences, the national and foreign publications, electronic resources of the Internet, etc.

The studies of conceptual theories on the business structures potential Ignatieva & Mykytenko (2010), Ignatieva (2014), 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.

RESULTS AND DISCUSSION

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 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 Otto & Janet (1993), Ignatieva & Babina (2019):

- Psychotype of personality in 16 classic personality types (PT) (Otto & Janet (1993));
- 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).

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 Ignatieva & Babina (2019). 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

Table 1. Results of research on the level of leadership potential at Ukrainian enterprises by constituent elements

Indicators	Enterprises									
	E1		E2		E3		E4		E5	
	M	S	M	S	M	S	M	S	M	S
1. Personnel categories										
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
4. Personality potential	0,79	0,45	0,47	0,37	0,74	0,37	0,79	0,47	0,79	0,47
5. Leadership potential	0,62	0,38	0,38	0,28	0,45	0,32	0,72	0,42	0,72	0,52

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:

- 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.

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.

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. 1.

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.

Since the purpose of the research of leadership potential is the creation of efficient system of changes' management, than for determination of changes' management system's efficiency on light industry enterprises. For each enterprise was made an analysis of changes' potential's sensitivity to changes of changes' dominant – leadership potential (table 2). Such analysis was made separately for managers and specialists.

At the process of research of the forecasting changes in leadership potential components' results, there are set possibilities of rising of level of changes' potential of enterprise in general. Analysis of sensibility approves that efficiency of formatting of changes' potential on enterprise, and it's existence is in a strong dependence of leadership potential.

CONCLUSION

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

Figure 1. Graphic interpretation of correlation between individual psychological leadership qualities of managers and enterprise potential

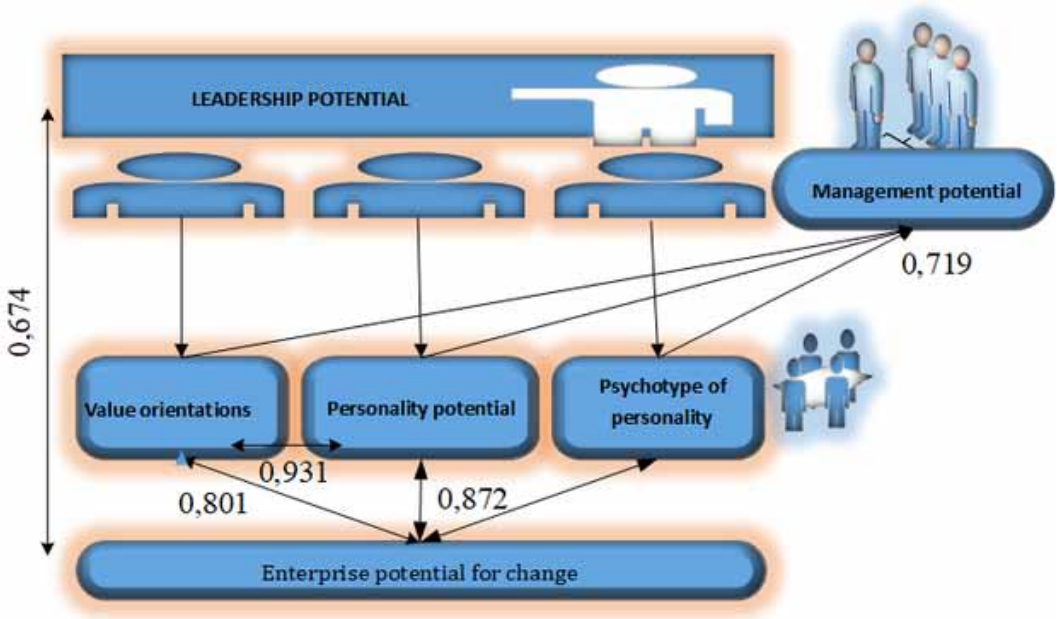


Table 2. Results of the analysis of integral indicator's changes' potential's sensitivity on enterprise to changes of leadership potential's components

Enterprise	Influence of LP component's rising per 1% for managers			Influence of LP component's rising per 1% for specialists		
	OV	PP	PT	OV	PP	PT
PrAT «Shveina Fabrika «Elegant»	1,01	1,203	1,01	1,045	1,033	1,05
PAT «Volodarka»	1,05	1,045	1,07	1,0422	1,0270	1,0283
AT «Siverianka»	1,056	1,025	1,19	1,001	1,032	1,0086
PAT «Cheksil»	1,008	1,021	1,042	1,0243	1,0630	1,0302
TOV «Massimo Sarto»	1,48	1,41	1,44	1,1113	1,0982	1,1442

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.

The analysis of the qualitative assessment of leadership potential contributed to determining the economic nature of leadership that possesses intellectual, professional and ambitious qualities inherent in the individual, that in their overall integrity help to mobilize individual and corporate interests in order to achieve common goals with higher economic indicators and lower costs. 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.

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