

Mastering Strategic Leadership

How to Convey
Myth to Reality

Darko Tipurić

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MASTERING STRATEGIC LEADERSHIP

How to Convey Myth to Reality



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ta' Malta



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Mastering Strategic Leadership
How to Convey Myth to Reality

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*The exercise of power is determined by thousands of interactions
between the world of the powerful and that of the powerless,
all the more so because these worlds are never divided by a sharp line:
Everyone has a small part of himself in both.*

Václav Havel

*To command is to serve,
nothing more and nothing less.*

André Malraux

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Foreword

It is hard, if not impossible, to decouple strategy from leadership. The two concepts are closely intertwined and hence, it is difficult to refer to one concept without reference to the other. At first sight, the book 'Mastering Strategic Leadership: How to convey myth to reality' seems to be convincing readers to accept what is believed to be already known to an extent that it may sound a tautology.

On closer examination one realises that this title is not one of convenience. Rather it conveys a deeper meaning in terms of thought and purpose. For example, it is not unknown that leadership has been consistently construed as something naturally 'positive'. However, the conceptualisation of 'destructive' leadership is also a reality of organizational life with a myriad of constructs like 'destructive leadership', 'abusive leadership', 'derailed leadership', 'tyrannical leadership' and 'corrupt leadership' that all capture this concept. These constructs are certainly not reflective of styles of leadership that set direction, achieve objectives at all levels and ensure a means to jointly optimise both the task and the people depending on different circumstances. Indeed, it is difficult to correlate destructive leadership with strategy because strategy represents a plan and requires skill to develop and achieve set targets by utilising the best available resources.

In this thought-provoking book by Professor Darko Tipurić, the author correctly avoids the common assumption that leadership and strategy are merely naturally related. He spells out this independence explicitly in Chapter One. He reflects on ‘strategic leadership’, the core of the whole book, as constituting more than ‘one more style’ to add to the list. Rather, Tipurić shows how ‘strategic leadership’ represents a spectrum of styles that in a diversity of forms generates a fundamental meaning of the higher order purpose of leadership – an action with a defined purpose that instils change, which evolves and takes shape over time. This is a critical part of the concept, and the emphasis is warranted as not to elude anyone of a mere cliché.

As defined and presented by Tipurić, ‘strategic leadership’ presents a situation where strategy and leadership are as effective as their product term each serving a purpose. Yet their collective power stands over and above their single contribution. Tipurić’s definition places the whole concept within a context of change characterised by a global scenario that is emerging from a pandemic and settling to a new world order from a social, political, economic and environmental perspective.

Moreover, the book discusses the role of strategic leadership at various levels, starting from a bigger picture. The book then evaluates the internal and external adaptation challenges right through to a fuller understanding of strategic leaders’ skills and traits that underly their practices. This dual scenario is presented in an integrated way as to remind us of the interdependence of each level and the interconnectedness of each stratum.

Tipurić has done a fine job to link these many principles to real world cases, setting out a test check against which to examine each of the propositions put forward. The book offers testimony to the importance of development and change as a journey that inspires us on those aspects that we can embrace and adopt

in our lives as managers and leaders. In so doing, Tipurić stays away from adopting a prescriptive and indoctrinating style yet successfully engaging us into an active and critical debate. It is this debate that helps us resolve the issues and enables us to make informed conclusions about the salience of strategic leadership.

We are convinced the book will be well received by a diversity of people: academics who are motivated to explore a fresh way at looking at both strategy and leadership in an evidence-based approach as well as professional managers who often question which style is best. Indeed, Tipurić presents insight on many examples with whom managers can easily identify with. The work in this book does not provide quick fix answers but it presents, in an intelligent way, a number of solid arguments that generate insight and hopefully a new mental repertoire that illustrates the combined power of ‘strategic leadership’.

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Preface

The book *Mastering Strategic Leadership: How to Convey Myth to Reality* was written along with three other books that are the result of my many years of reflection and research on leadership and strategy.

This is not an extensive book. It has been written in the hope that it can be read in a few hours and that the reader will be introduced to the notion of strategic leadership, without lengthy theoretical discussions or too detailed insights into some of the essential aspects of this phenomenon.

One may think that shorter books are better because they are achievable. More often than not, a big book will put off most readers because they cannot dedicate the required time to it, as they would rather spend it doing other things. Shorter books also allow people to fit reading into their lives – into that window that is growing increasingly narrower as technology is slowly wiggling into every nook and cranny of our day.

My goal in this book is to provide ideas, concepts and models that will help you understand strategic leadership. Notably, you will find this book very useful even if you are not a leader or planning on becoming one, as long as your work requires that you get results by working with others and if others depend on you to achieve their goals as well.

A number of themes have been woven into and emerge throughout this book.

The first is that there are multiple ways in which we can approach the understanding of strategic leadership. Strategic leadership can be understood as a special type of leadership in important and crucial situations with significant consequences for the organisation or as a leadership setting that gives meaning and a framework for all leadership activities and processes in a collective or organization (meta-leadership). Moreover, while “ordinary” leadership deals with relations within an organisation, strategic leadership focuses on leading entire organisations. Apart from that, strategic leadership can be explained as a reflection of ideologies and power structures in the society and in the organisation. In addition, we can view successful strategic leadership as a phenomenon that changes organisations and the overall society for the better.

Strategic leadership is a bond between strategy and organisational action. The second theme is that it need not always be observed as a set of tasks to be performed by top leaders. It guides the collective members’ actions and inspires them to achieve the defined objectives; integrates coordination efforts in the performance of activities; helps solve major disputes and disagreements; encourages members to perform to the best of their abilities; gives sense to moves made and activities performed so far, in the light of an envisaged future or set of principles that justify organisational collectivity. In order to understand strategic leadership, one has to recognise key meta-activities and meta-processes that can be assigned to different actors in the organisation. Primarily, one has to identify the *architecture of strategic leadership* and only then look for attributes, characteristics and performances of persons involved in important decisions, processes and activities.

The third theme is that strategic leaders have to keep track with the *Zeitgeist*, the spirit of the times. There are many things that

affect people's perceptions, predominant discourses, behavioural framework, ethics and leadership styles but also their modes of interaction with others.

The dark side of strategic leadership is revealed if we view it through the lens of a world full of dominant ideologies, structures of power and influence intent on domination and social control.

Strategic leadership does have a bright side, too. It plays a role in preventing a moral decline of the civilisation by departing from greed, selfishness and callousness on which the dominant social paradigm rests. It is meant to change people, organisations and the society for the better: to be a strong driving force for creating and spreading noble ideas and responsibility to the future generations.

The fourth theme is that strategic leadership seems inseparable from the individuals who actively participate in the determining and/or interpreting of the organisational purpose and intent, and whose decisions play a crucial role in the organisation's future. They are focused on vision, external adaptation and integration of the collective, on performances, change management and achievement of main objectives. Survival of the organisation in the long run is at the centre of their attention. Strategic leaders also hold a position of power, whether formal or informal, in the collectives they lead.

My purpose is to provide you with food for thought, trigger your imagination, and offer useful frameworks that help you to understand this phenomenon. The key practices and aptitudes of strategic leaders are presented as the fifth theme in this book, together with different approaches to presenting the tasks and activities of strategic leadership.

The sixth theme is an analysis of five qualities of strategic leaders. The central quality of strategic leaders is integrity; without it, the remaining elements of leadership cannot be built. The main

internal qualities that determine a leader are decisiveness and balance, whereas the inventive capacity of creating a future environment (imaginativeness) and developing relationships with members of the collective and other individuals (sociability) represent the qualities that are the pillars of the leader's external world.

The next theme is also important: networking and creation of social connections are some of the distinctive traits found in the best of leaders. Leaders have to be able to understand the existence, nature and structure of important ties within their social networks: not only those close to them and surrounding them, but also those that are remote from them, as well as ties between other relevant actors in the ambience in which their leadership is manifested.

Finally, an analysis of different types and generic configurations of strategic leadership is presented. Developing a new taxonomy of strategic leaders based on the level of managerial discretion and executive job demands is also a relevant theme of this book.

The discussion about strategic leadership raises more questions than it answers. The fact that it has been described in detail does not mean we have an in-depth understanding of it.

My personal experience has helped me gain a better understanding of strategic leadership. It has been several times over the course of thirty years that I held the position of organisational leader or close associate to a person at the top of the hierarchical ladder.

Experience has also helped me consider the possible answers to the question of what strategic leadership is and what it definitely must not be.

I would like to acknowledge the ongoing support of my colleagues at the Department of Organisation and Management of the Faculty

of Economics and Business, University of Zagreb. Especially, I want to thank professors Frank Bezzina and Vincent Cassar from University of Malta, professor Viktor Dörfler from University of Strathclyde, and colleagues from my Department, professor Domagoj Hruška and assistants Lana Cindrić and Ana Krajnović, for their constructive comments and suggestions that contributed to the quality of this book. Ana Brezovac, George Martin and Nina Bardek were also of much help to me.

I am deeply thankful for the support that my family have given me throughout the years.

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1. The concept of strategic leadership

Blending strategy and leadership

In the last few decades, the construct of “strategic leadership” has originated and developed as a distinct area of theory and research that connects the disciplines of strategic management and leadership within social sciences.

Strategy was created in order to explain the behaviour of people, organisations and other social entities when interacting with the environment, and the intent behind such behaviour. It may seem as an organisational *supra-function*: an integrating arrangement that is to optimize and coordinate organisational action. It acts as a support for the collective in internal and external interactions and transactions; it helps the organisation and its members to act in unison as a coherent group.

Strategy is a deliberate effort to “delve into” and actually see the future while making those precarious steps with our backs turned to it; as noted by Cummings and Wilson (2003:1), an organisation’s strategy can be described as *its ‘course’, its onward movement in space in time, where it goes and where it does not go*. At the same time, it is an interpretation of reality: the way the collective members see and explain the organisation in the context of time.

It is shaped by those who create it through social interactions, interpretations, and meanings ascribed to it. According to Weick (1987: 231), strategy is *a form of discovery of meaning that arises from actions that have been taken.*

Strategy needs to provide a glimpse of the organisation's tomorrow; or, to be more precise, its tomorrow has to be explained and interpreted by strategy – by an imaginary picture of a desirable future, basic strategic directions, and other strategic actions that make such tomorrow possible.

On the other hand, leadership is primarily a concept that denotes an individual or a group of individuals whose authority has been accepted by others. Secondly, leadership is a process in which the set goals, plans and tasks are realised through exerting influence on one's followers and their behaviour. Thirdly, leadership may be viewed as a relation between two persons or as a multilateral relation in hierarchies and networks that connect people. Finally, leadership is the connection between collective intentionality, collective action and the desired outcomes: it exists as a guiding, integrative and coordinating mechanism of common action in the collective.

Leadership implants desirable values, develops a culture of mutual understanding, and reinforces cohesion. It creates the frameworks for understanding, purpose and meaning of collective action (Jacobs and Jaques, 1987) and delivers symbols and stories that help shape and reinforce the collective identity.

There are difficulties with the circular definition of strategic leadership. Strategic leadership is a general linguistic construct, a neologism that connects two categories the meanings of which are elusive and variable depending on the context in which they are used.

Strategic leadership shares the plurality of meanings of both underlying concepts, producing different meanings which are

not mutually exclusive and which adequately point to real and perceived-dimensions of the phenomenon.

It is imbued with the need to supervise organisational outcomes. The core issue is a search for meaning and purpose, the art of drawing the lines within which strategy emerges, the development and selection of guidelines and developmental trajectories, the imprinting of symbols and plausible explanations that can bring together and motivate people in common action.

There are multiple ways in which we can approach the understanding of strategic leadership. Different perspectives make it difficult to establish a stable symbolic canopy, although nowadays no one can dispute the creation of an “autonomous sub-universe of meaning”¹ of strategic leadership, which has the capacity of a feedback effect upon the persons who have produced such a meaning.

Strategic leadership as a distinct type of leadership

Firstly, when we add the attribute “strategic” to a phenomenon, we emphasise its significance and isolate its relevance in regard to the underlying phenomenon. Concepts such as strategic plan, strategic thinking, strategic behaviour, strategic move, etc. are subgroups within the basic category, with connotations of the essential and the critical as a common feature. For instance, in that regard, the most important decisions that define the being and the future of an organisation are referred to as “strategic decisions.”

¹ I borrowed the terms in quotation marks from authors Berger and Luckmann (1992).

Franklin (1998: 320) points out: *The word ‘strategy’ is brought out... when writers and speakers, theorists and managers are looking for a more impressive word than ‘important’.* The construct of leadership suffers from the same ailment, as emphasised by Learmonth and Morrell (2020: 20) in a witty parable: *Leadership is simply being used almost like an aerosol sprayed over every activity to make it somehow ‘special’.*

A similar logic may be applied to strategic leadership, which we can identify as a special type of leadership in important and crucial situations with significant consequences for the collective or the organisation.

Strategic leadership can thus be understood as *the ability to handle complex problems for which there is no obvious short-term solution, in which the stakes are high, and in which influencing others is essential* (Kleiner et al, 2019).

Strategic leadership as a meta-leadership

Secondly, strategic leadership can be understood as a kind of *meta-leadership* or in other words, a leadership setting that gives meaning and a framework for all leadership activities and processes in a collective or organization.

Strategic leadership integrates coordination efforts in an organization and sets the framework for fulfilment of the mission and for outlining of a desirable future. It is a crucial instrument in an organisation’s interaction with its surroundings.

In other words, it is an integrative activity connected with the ability to create, improve and maintain the capacity for learning, changing and managing strategic thinking in an organization. It helps to face uncertainty, complexity and overflow of information, by requiring

timely action and adaptability to changes in the environment (Boal and Hooijberg, 2000). Another function of strategic leadership is efficient mobilisation of available human and social capital of an organization (Kriger and Zhovtobryukh, 2016).

Its purpose is to engage members so that they may play an active role in organisational transformation (Nutt and Backoff, 1993: 324), to develop abilities and instil core values (Boal and Hooijberg, 2000) and to strengthen their commitment (Collins, 2001).

This goes to show that strategic leadership implies a need to control the organisation's destiny. The central issue is the quest for sense and purpose, development and selection of guidelines and developmental trajectories, imprinting of symbols and plausible explanations that can mutually connect and motivate the members of the organisation in common action. It can also be seen as an art of setting boundaries where strategy emerges, a making and giving of sense and purpose of organisational actions (Crossan *et al*, 2008: 573-4) and as a link between key organisational dimensions: ideology, identity, mission, context and core competencies of an organisation (Worden, 2003: 32).²

This definition outlines strategic leadership as an organisational feature or an integrated process that does not have to depend on individuals or groups that assume the position of formal authority. It can be personalised or depersonalised, concentrated or dispersed, pertinent to only one collective or pertinent to an alliance or network of individuals, groups or organisations.

² Crossan *et al* (2008) propose that a form of strategic leadership which simultaneously "covers" three levels: level of one's self (self-leadership), leadership of others and leadership of an organisation, be referred to as transcendent leadership. Transcendent leadership supersedes the three levels mentioned above and, according to those authors, improves organisational performance in a dynamic environment.

The duality of the essence of strategic leadership is crystal clear. It may appear to be *personalised*: indivisible from persons who take part in defining and interpreting the organisational purpose and whose decisions have a critical impact on the organisation's future, or it may seem to be *an important characteristic of the organisation* enacted everywhere where there is guidance, integration and creation of commitment in the collective, emerging from a whirl of interaction, exchange and institutional arrangements.

Strategic leadership as a leadership of organisations

Thirdly, one can separate strategic leadership from “ordinary” leadership, depending on its position in the organisation. According to this idea, “ordinary” leadership deals with relations within an organisation (“leadership *in* organisations”) whereas strategic leadership, on the other hand, focuses on leading entire organisations (“leadership *of* organisations”) (Boal and Hooijberg, 2000).

Leadership of whole organisations is usually entrusted to an individual or a coalition of people with the highest authority and influence in an organisation (“upper echelons”) who are at the top of the hierarchical ladder (Hambrick, 2007). Position, role and activities of upper echelons greatly differs from positions and activities of all other individuals who have different managerial responsibilities and authority in an organisation.

This prompted some scholars to attempt to distinguish between theoretical approaches: according to them, leadership theory focuses on leaders at any level of an organisation, from heads of smaller or larger teams or groups, to foremen or managers on all levels, whereas strategic leadership theory focuses only on

individuals at the top level of the organisation (Hambrick and Pettigrew, 2001).

It is common for strategic leaders to be entrusted with tasks such as: (1) formulating organisational goals and strategy, (2) developing structures, processes, controls and core competencies for the organisation, (3) managing multiple constituencies, (4) selecting key executives, (5) creating the context for grooming the next generation of executives in the organisation, (6) providing direction with respect to organizational strategies, (7) maintaining an effective organisational culture, (8) sustaining a system of ethical values, and (9) serving and acting as the representative and negotiator on behalf of the organisation *vis-à-vis* external entities such as government and other organizations and constituencies (Bass, 2007: 36).

Successful strategic leaders need to be good at coping with paradoxes (Peters, 1991; Wang *et al*, 2012), possess mental elasticity and the quality of grasping time, from the past to the future (Goldman, 2012: 27; Liedtka, 1998), develop a capacity for dialectical thinking (Lloyd, 1990; Zhang and Chen, 1991, according to Wang *et al*, 2012), know how to deal with contradictions, and move away from one-dimensional and naive interpretation of reality.

Apart from the relational “leader-followers” activities characteristic of “ordinary,” analysis of strategic leadership cannot be complete without including strategic and symbolic activities (Cannella, 2001), or in other words, without an insight into the characteristics, cognition, behaviour, actions and strategic choices of persons on top positions in the organisation, including the connection between those attributes and organisational performance in the broadest sense (Hambrick 2007; Finkelstein *et al*, 2009: 4).

In this context, strategy becomes the *punctum saliens* of strategic leaders’ work. As emphasized by Porter (2001), the role of

strategic leaders is to *teach* others about strategy, to act as a barrier preventing any straying from it, and to define limits for organisational action. They make and communicate decisions that affect the future of the organisation (Zaccaro, 1996).

From a pragmatic viewpoint, strategic leadership is the ability to influence others to voluntarily make day-to-day decision required to improve long-term survival of the organisation, while at the same time ensuring its financial stability in the short term. Rowe (2001: 83) explains that such definition implies *an ability to influence subordinates, peers, and superiors and that the leader understands the emergent strategy process that some authors consider more important than the intended strategic planning process for organizational performance.*

Former *British Petroleum* CEO John Browne emphasised that the important constitutive elements of leadership at the highest level are the following: (1) identifying possibilities that other may not have identified, (2) use those possibilities quickly and completely, (3) inspire people to achieve more than they think they can achieve, and (4) convince them that they should never be satisfied with their present position (Prokesch, 1997).

Strategic leadership as an instrument of ideology

Fourthly, strategic leadership can be explained as a reflection of ideologies and power structures in the society and in the organisation.

This approach interprets strategic leadership as a phenomenon used to obscure and cover up the obvious legitimacy of existing social relations, specifically in terms of maintaining and strengthening the position of some interest group in order to retain

power and the constellation of influences in the organisation and around it. It additionally helps to justify and reproduce existing power relations, resource inequality and injustice in organisations and in the society.

Strategic leaders are inalienable representatives of the dominant view of reality. Their task is to establish order in a symbolic universe, to eliminate any alternative ideas of the truth and discrepant discourses from the organisational space, and to develop and integrate the collective based on a system of values that tacitly or completely explicitly protects hegemonic relationships.

Power is also extremely important for understanding strategic leadership, considering that it delimits the space for organisational action and explains the key relationships that develop between organisational actors.

Ideology, organisational culture, and other arrangements can be perceived as a framework within which the supremacy of the managerial elite is effectuated. Narratives, rituals, ceremonies and symbols help strengthen the position of strategic leaders and encourage the self-renewal of their supremacy by deeply instilling ideology, and by indoctrination and socialisation of the members of the organisation. Instead of repression and coercion in the imposition of the will of the leader, what emerges is identification with the collective, feeling of belonging and connectedness among its members, which in turn encourages and strengthens togetherness (“us” against “all others”), and makes it possible to recognise personal and collective benefits of the present situation.

Acknowledgement of social and organisational acceptance of the role of strategic leaders and managers gives justification to existence of a superior position of technocratic elites and to hibernation of existing socio-political relations and structures.

Strategic leadership as a phenomenon of change

In addition, we can view successful strategic leadership as a phenomenon that changes organisations and the overall society for the better.

Each organisation is a part of the society: its activities affect, to a greater or lesser extent, our common present and future. Selfishness and lack of understanding of social reality, social insensitivity and environmentally harmful behaviour create massive damage, destroy modern-day institutions and undermine trust that has already been created.

Strategic leadership might turn into *inclusive leadership*, which may be viewed, according to Bourke and Espedido (2019), as *a unique and critical capability helping organizations adapt to diverse customers, markets, ideas and talent*.

Inclusive leadership includes six main characteristics: (1) visible commitment to diversity, departure from status quo and division of responsibility in the collective in terms of making others accountable as well, (2) humility that strategic leaders show by not boasting about their own abilities, admitting mistakes and creating space for others to contribute, (3) awareness of their own bias and shortcomings, which encourages them to establish a meritocratic system in the organisation, (4) curiosity and openness to different ideas, with development of empathy which enables them to better understand those they lead, (5) attentiveness and adaptability to cultural differences, and (6) efficient collaboration through empowering and delegation, with due care being given to diversity of thinking and with the aim of achieving cohesion and togetherness of the collective (Bourke and Espedido, 2019).

Strategic leadership entails civilizational responsibility. The world needs to be changed and the planet has to be protected in the process: in this type of work, leaders need to play a vital role, focusing on the interests of future generations and on social benefits. The creation of new value and its allocation has to be contextualised, including by distancing it from short-sighted interests based on greed and avarice. The recent pandemic crisis has shown just how important social responsibility, acting in common interest and departure from myopic view of reality actually are.

Hence, strategic leaders must not stay isolated behind closed doors of their offices where they discuss only the survival and prosperity of an organisation. They have to be capable of seeing beyond the horizon and the boundaries of the organisation, and take into account the long-term needs of the entire civilisation. Their leadership has to embody “doing what is right,” irrespective of the palliative and partial benefits endowed in the holders of positions of power.

This again raises the eternal question of how to solve the paradox which, to paraphrase Aristotle, can be outlined as follows: in order to be capable of doing what is right and good, we have to know what is right and good; and to know what is right and good, we first have to do it. The future of our civilisation and preservation of the planet for future generations is the only meta-criterion that is appropriate, in our view.

Collective intentionality and collective action need to be ennobled by the highest human values. Balancing between economic, social and environmental objectives has to be the cornerstone of strategic leadership in collectives on all social levels: from small groups to the largest global organisations. Responsibility to the society, the environment and to those that will come after us becomes the quintessence of strategic leadership.

The enactment of strategic leadership

Strategy provides the *fundamental justification* to an organisation for its existence: *ex ante* or *ex post* interpretation of strategy is the most important part of the managerial elite's task in seeking and creating organisational purpose (Tipurić, 2014: 27–29). It is interpreted as imaginary, visualised, mind-made and recognised; however, it is also noticeable in designed or observed behaviour patterns. At the same time, it is a focus on what is important and it creates a structure that establish order in networks of meaning.

It may be a reflection, mental representation, cognitive labelling and sensemaking, as well as an action, a type of activity or an execution. It is observed in the consistent and integrated behaviour of social entities, via purposefully combined and interconnected activities, rules and routines, through which one may identify the reasonableness of action and its rootedness in the social environment in which it is manifested.

It is identifiable in key images, narratives, plans, decisions and activities, in the selected model of interaction with the surroundings, in resource combinations and dynamic capabilities, in the leaders' ideas about definition and future of the organisation, in the degree of innovativeness and entrepreneurial orientation, in the speed of adaptation to change in the environment and in a whole series of other characteristics, attributes and organisational features.

On the other hand, organisational action is an impression onto reality: a transposition of collective intentionality and strategy into organisational decisions and procedures.³ Organisational

³ The phrase “collective action” can be replaced by “organisational action” while still keeping the basic meaning when talking about complex collectives, such as larger organisations.

action is characterised by permanent, almost change-resistant behavioural patterns. Routines, processes and standardisations help to connect and integrate, whereas clear and indisputable objectives facilitate work focus and implementation of what has been planned.

Traces and symbols of strategy can be seen in implemented organisational action. Moreover, Mintzberg (1987) paraphrases the philosopher David Hume, emphasizing that strategies result from human actions, not from human design. According to Weick (1987: 231), *strategy is a form of discovery of meaning that arises from actions that have been taken. Just like in other situations, its content and meaning depend on the degree to which they are arranged into sensible, coherent configurations.*

Clear and unambiguous strategy should ensure consistent and non-redundant behaviour of an organisation. Uniformity in action is the premise of coordinated activity, loss prevention and better monitoring of resource usage. This requires discipline and commitment, and also stability in organisational action.

The need for strategic leadership arises due to a gap between strategy and organisational action.

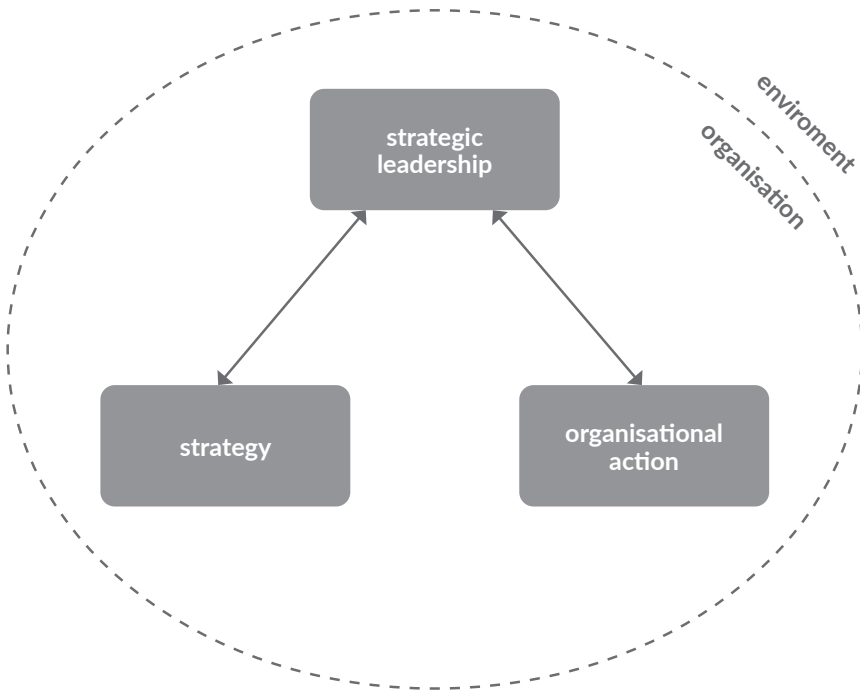


FIGURE 1. Enactment of Strategic Leadership

Strategy defines the relationship of the organisation and its environment; interaction with the world beyond its boundaries needs to be non-conflicting, non-redundant and manageable. Existence of coordination mechanisms in the implementation of organisational action is a prerequisite without which this cannot be achieved.

Strategic leadership bridges this gap. It is intended to direct various organisational activities, resolve the major issues and disagreements concerning key issues, encourage members to achieve the best possible results, and give sense to current measures and performances in the light of an imaginary future or a set of principles that justify joint organisational efforts.

Enactment of strategic leadership creates the prerequisites for congruence between key organisational components.

In conclusion, strategic leadership connects strategy with organisational action. It guides the collective members' actions and inspires them to achieve the defined objectives; integrates coordination efforts in the performance of activities; helps solve major disputes and disagreements; encourages members to perform to the best of their abilities; gives sense to moves made and activities performed so far, in the light of an envisaged future or set of principles that justify organisational collectivity.

2. Architecture of strategic leadership

Model of strategic leadership

Strategic leadership is a key configurational characteristic of an organisation: a bond between strategy and organisational action that need not always be observed as a set of tasks to be performed by top leaders. Therefore, it is an organisational phenomenon and not a designation automatically associated with persons on top positions in an organisation.

There are two opposing views in this context. According to the first one, organisational leaders have the crucial role in defining strategic intent; they define modes and dynamics of the organisation's adaptation to its surroundings; they use their skills and knowledge to connect, motivate and integrate members of the organisation; they directly and indirectly influence the outcomes of leadership and organisational performance.

According to the other view, the environment and the collective play a more important role than the formally positioned leaders. Structure, rules, routines and processes in an organisation dominantly affect strategic leadership and leaders do not have too much managerial discretion: their space for independent making of strategic decisions is narrowed and limited.

In order to understand strategic leadership, one has to recognise key meta-activities and meta-processes that can be assigned to different actors in the organisation. Primarily, one has to identify the *architecture of strategic leadership* and only then look for attributes, characteristics and performances of persons involved in important decisions, processes and activities.

Architecture of strategic leadership is the result of orchestrating meaning and important interpretations that emerge in the interaction of organisational actors and build the main platform for organisational action. It is also defined by other elements of enactment: social construction of ambience and role assignment, language and culture, social expectations, ideology and power structures, and ultimately the issue of moral appropriateness in organisational behaviour.

It is the result of thoughts and actions of the leader or a coalition or network of leaders; and/or social, institutional and organisational properties; and/or collective intentions and agreements.

It refers to the role and place of creative, managerial and administrative mechanisms and clearly positions strategy in the centre of organisational goings-on. It provides a framework for defining main priorities, endeavours and guidelines, and for aligning the organisation with the determinants of the present and future environment.

Regardless of those extremes, we believe that it is possible to identify four components of strategic leadership architecture in any situation. These are: (1) strategic direction, (2) external adaptation, (3) integration of collective, and (4) strategic leadership outcomes.

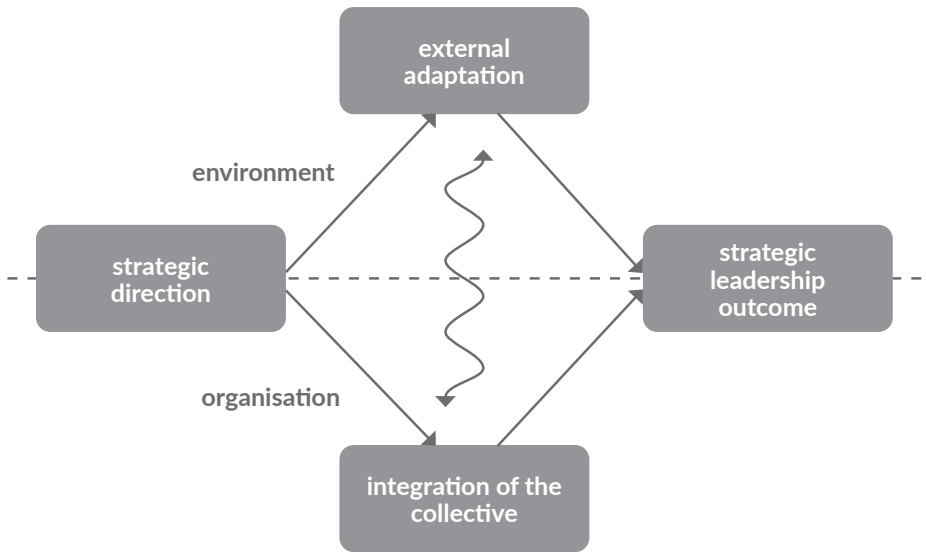


FIGURE 2. Architecture of Strategic Leadership

Strategic direction

The journey from the present towards an imagined future relies on intentions and abilities of key organisational actors in developing the imaginarium of the new reality.

Strategic direction answers the question how organisations deal with the challenges of present and future surroundings. This is a grateful task, because, as Victor Hugo wrote: *There is nothing like a dream to create the future.*

It creates traces of sense and produces clusters of important meanings for members of the organisation. It comprises the challenges that need to push the boundaries of the action horizon, by bonding people into a collective and encouraging their commitment and identification with the organisation.

Additionally, it integrates the vision and the mission: it shows what the organisation strives to, what the aspirations are, and gives a glimpse of the desired future. Mission interprets the principles of behaviour, recognises the purpose or reason for the organisation's existence, identifies the basic values, outlines the scope of operation and method of management, and delimits the directions of action. Vision is an individual or group mental image of the future of an organisation and It lies at the heart of organisational strivings (Stacey, 1997).

Strategic direction might involve a different term to express the same meaning, for example the concept of *strategic intent*.

The domain of strategic intent is broader than the main priorities and strategic objectives and involves distinctive principles and guidelines of organisational action. Hamel and Prahalad (1994) define strategic intent as *an ambitious and compelling ... dream that energizes ... that provides the emotional and intellectual energy for the journey ... to the future*.

Strategic direction can be the conception of the individual or group holding the top managerial position, or it may emerge as the result of intra-organisational agreements and actions. It can be the consequence of set plans or a lucky outcome after much trial and error in strategic experimentation that has become a behavioural pattern.

In any case, it is a more or less inevitable journey into the unknown; a departure from familiar shores towards clouded and unpredictable horizons of tomorrow.

The role of organisation's leaders in the forming of strategic direction is often emphasised. However, caution is needed in this context. Some leaders are known as visionaries, while others hardly possess the stuff that key elements of vision are made of. Some of them are unable to participate because they do not have

sufficient room available to make decisions, but they are capable of transforming existing ideas into successful organisational actions.

External adaptation

Interaction between the organisation and its present and future environment is an important element of strategic leadership architecture. Surroundings are inseparable from the organisation; the boundaries between them are often movable, fluid and permeable. Strategic leadership should help to find reactive and proactive ways of facing a dynamic, quick-changing and uncertain environment.

The way the ambiance in which the organisation finds itself is contextualised affects the way the two interact. It could be said that organisations and its surroundings are constructed together in the process of social interaction of key organisational participants, as Smircich and Stubbart (1985: 726) noted and added: *organizations and environments are convenient labels for patterns of activity.*

The same applies when we observe organisations that compete in the market. Indeed, it is hard to challenge the idea that organisations and markets are *sticky, messy phenomena, from which strategies emerge with much confusion and in small steps* (Whittington, 2001: 21).

External adaptation is at the same time a process of cognitive constitution and action adjustment. Subjective interpretations of external information are objectivised through the actions of leaders, organisations and other participants in the environment (Porac and Thomas, 1990; Thomas and Porac, 2002).

It is necessary to develop and support the process aimed at proactive maintenance of the organisation in continuous balance with its surroundings.

There are two perspectives, the managerial and the evolutionary one, and they view the strategic leaders' potential of affecting the organisation's adaptation to its surroundings differently.

Managerial perspective is based on strong trust in the leader, in the leader's willingness and capability of long-term planning, strategy formulation and decision-making, through which the leader can influence the positioning of the organisation in its environment. Obviously, one should not strive to an unreachable ideal of rational action, but rather one should accept the world as it is and act in accordance with it.

To develop a successful strategy means to align the organisation's potentials with the characteristics of the environment; adapt oneself to the surroundings and its demands, and, to the extent possible, shape the surroundings according to one's own needs and abilities. Cognitive, informational, cost-based and other limitations, just like the extent of decision-making discretion, define the perimeters of strategic action. This kind of approach is comparable to Whittington's *systemic perspective* of strategy, which assumes that organisations are capable of planning ahead and that they can be efficient in interacting with their environment. Leaders are not *simply detached, calculating individuals interacting in purely economic transactions, but people rooted deeply in densely interwoven social systems* (Whittington, 2001).

On the other hand, the evolutionary perspective does not ascribe much importance to choices and deliberate action of the managerial big shots. Environment exposes organisations to contradicting selectional pressures so that in most cases it is completely uncertain whose and which strategies will "survive."

Selection in a social context involves, on the one hand, the processes of learning and discovering, and on the other hand, a selection mechanism of some kind for making choices (Dosi and Nelson, 1994: 154-5). Selection processes often generate unexpected consequences and there are no guarantees that selection will result in survival of the most efficient. According to the evolutionists, surroundings will provide a *meta-criterion* for the selection of the best ways and strategy versions; the role of leaders of organisations is only a minor one.

Evolutionists emphasize that organisations are not too successful in anticipating and adapting to change of environment. They point out that the importance of deliberate strategic creation is overestimated by strategic leaders and other top managers, and that construction of “long-term strategies” distracts their attention from operational effectiveness and the aspiration towards achieving the highest possible efficacy. This is a view based on which strategic leadership is removed from inventive construction of future environment. Selection on markets will separate those that are fittest in evolutionary terms, those that have opted for strategies best suited to answer the demands of the environment and that consequently have the best performance and chances for survival.

Managerial and evolutionary perspective are extremes between which we need to look for the position of strategic leadership. In our opinion, within the permissible space, strategic leaders need to find adaptive responses to massive and critical changes happening in the environment. This is the key substance of their work.

Integration of collective

The decisive activity of strategic leadership is integration of the collective. It requires a clear idea of the purpose of common action and the desirable future that is to be realised. Members of the organisation need to be inspired and encouraged, motivated and emboldened in togetherness; they need to be helped to better understand the vision, to accept it as their own, and to invest effort in making it a reality.

Integration of the collective depends on size, complexity and locational distribution of the organisation, or in other words, on the amount of information and scope of tasks that need to be covered in order for strategic leadership to be effective. The more actions performed by the organisation and the greater need for knowledge and special skills of members, the greater the challenges of integration of the collective.

Homogeneity of the collective and organisational cohesion are strengthened by socialisation and indoctrination of members.

Coordination of activities is also important to avoid redundancy, distraction and contradicting organisational action. Coordination-related activities falling within the scope of competence of managers need to be differentiated from those that fall into the category of strategic leadership. Lack of systematic approach and contradiction in the main objectives, policies, activities and programmes is an indication of strategic problems and overcoming those problems is the duty of the leaders of the organisation.

In other words, directing and connecting people in common action is an essential “ingredient” of strategic guidance. Integration of the collective is a prerequisite for efficient implementation of organisational action. Not only members, but also all other factors that are relevant in strategy implementation and that have an interest in and impact on the organisation have to be involved.

In addition to that, strategic leaders need to sensibly and plausibly communicate in order to create commitment and strengthen coherence of action within the organisation. Communication of important narratives, mission and strategic vision, signs and symbols, plays a part in integration. Symbols and rhetoric help with organisational bonding and encourage members to coordinated common action. Telling memorable stories and putting emphasis on select examples can help to strengthen the feeling of connectedness and dedication among followers.

Integration of the collective depends on the traits that strategic leaders possess. Integrity is always central, and it has to be accompanied by imaginativeness and a high level of social awareness, self-confidence and determination. Leadership capacity, credibility, reputation, reliability and consistency between what is said and what is done encourage the creation of an atmosphere of confidence and belonging, with people trusting the leadership and the organisation, and inspiredly performing their assignments.

The relationship between the collective and the persons who take on the role of strategic leadership is not a simple one. Formal authority is not a guarantee that someone will become a leader. The collective has to accept a person's leadership and adhere to this person's ideas, intentions and conduct.

Imposed and unaccepted managers can rarely achieve anything more than what is guaranteed by the power of their position. They are unable to create a proper connection and motivate people in the performance of their assignments. Leader identity cannot be created without the collective endorsement of the actors the leader is supposed to lead (DeRue and Ashford, 2010).

Strategic leadership outcome

The key result of successful leadership is an incremental or radical change in the organisation that can be recognised as progress in comparison to the present situation.

Taylor-Bianco and Schermerhorn (2006: 458) posit that organisations expect *commitment to continuous change* and that it is *ever-present as a goal*. They further note: *people in organizations are expected to both change and perform well at the same time*.

Success of an organisation can be decomposed to two elements: (1) efficacy of strategic leadership, and (2) efficacy of all other actors in the organisation and in its surroundings. The greater the share of the first component in overall success, the greater the sensitivity of the organisation to the quality of strategic leadership.

If strategic leadership is seen as *personalised*, then efficacy is directly associated with the skills, knowledge, human and social capital and managerial capabilities of organisational heads. Key capabilities are connected with formulation and implementation of strategy, articulation of a superior vision, potential for strategic thinking and excellent management of human potentials. If, on the other hand, it is understood as a *characteristic of the collective*, efficacy is related to the quality of key managerial processes (integration, alignment and commitment) in situational challenges an organisation might be faced with.

Besides that, strategic leadership outcomes are also represented in the selection of objectives that are set and that serve as a measure of success when organisational performance is observed *a posteriori*.

The setting of objectives is the process of determining the main areas of performance that can be controlled and delimited in time. It was Marcus Aurelius who wrote: *People who labour all their lives*

but have no purpose to direct every thought and impulse toward are wasting their time – even when hard at work (2001: 23).

Strategic leadership needs to encourage the collective in the discovery of objectives that can be identified as possible outcomes and that can be the bonding and integrating force of the organisation.

When organisational objectives are unclear and ambiguous (defined by interests, needs, demands and expectations of different stakeholders), it is not easy to specify the *exact* task of strategic leaders and other managers, nor can outcomes be measured easily or judged by any fixed standards (Eisenhardt, 1989).

Specifically, a lack of systematic approach and contradiction in the main objectives, policies, activities and programmes is an indication of problems in strategic leadership.

Strategic objectives need to be demanding, challenging and ambitious, they need to really stretch toward the limits of what is achievable so that the organisation may reach its full potential. Still, the objectives must not be unrealistic and unachievable, extending beyond what is possible in view of the available resources and capacities.

This approach was well portrayed by Porras and Collins (2002), who introduced the concept known as BHAG, the acronym of *Big, Hairy, Audacious Goals*. The underlying idea is the assumption that ambitious and almost unachievable goals can motivate people inside an organisation to achieve much greater things than what is normally expected from them. According to the authors' opinion, striving to exceptionally challenging goals gives greater chances for success of organisational action.

Stretched objectives are based on the assumption that it is necessary to motivate people and focus their creative energy

by setting high levels of organisational aspirations.⁴ We can paraphrase the words of the famous, early 20th century car designer and manufacturer Henry Royce: *Take the best that exists and make it better. When it does not exist, design it.*

Strategic leaders might experience problems in applying the BHAG concept if organisational potentials and culture do not sufficiently accommodate large and radical steps, and when there are objective obstacles and limitations in the surroundings that might hinder such significant achievements.

Besides, organisational purpose cannot be reduced merely to technical economic rationality. In the business world, strategic leaders are no longer solely in charge of maximising the wealth of the owners, but they are also expected to fulfil the ever-greater expectations of stakeholders (Carter and Greer, 2013).

Organisations are not distinct integrated entities with a clear, unambiguous objective, but rather they are coalitions of groups and individuals who all have different and often contradictory interests and goals.

Existence of a large number of constituents that affect the survival of organisations, the interwovenness and multifacetedness of their interests and demands, as well as the diversity of and conflicts between expectations of suppliers of critical resources, all indicate that organisational objectives that strategic leadership has to aspire to are multi-dimensional.

⁴ Porras and Collins (2002) listed examples of four types of such objectives: (1) target BHAG, e.g. Ford's turn-of-the-century goal to "Democratize the automobile," (2) common foe BHAG, e.g. Philip Morris's "Knock off R.J. Reynolds as the number one tobacco company in the world," (3) role model BHAG, e.g. "Become the Nike of the cycling industry" of Giro Sport Design, and (4) internal transformation BHAG, such as, for example, Rockwell's "Transform this company from a defence contractor into the best diversified high-technology company in the world."

Conflicting objectives create great organisational tension that is only additionally amplified by pressures coming from the environment. The role, action and position of strategic leadership depends on the constellations of power of stakeholders; on the structures of power and influence, interactions and shifts in negotiation positions. Moreover, one must not forget the importance of stakeholders when it comes to legitimation of the leader's decisions and actions.

Finally, it should be pointed out that defined objectives need to reflect multiple harmonized interests that emerge within the collective and around it and that are in furtherance of general welfare and well-being, and ultimately survival of the collective and its environment. Besides the relationships with key organisational stakeholders, strategic leaders also have to deal with the broad context in the process of defining objectives.

Organisations are often parts of an ecosystem that comprises multiple interconnected institutions and organisations that have a significant impact on their existence. Also, objectives have to be aligned with interests of the society and the cultural inheritance brought by civilizational progress.

The issue of creating new value in organisations can, therefore, not be analysed without taking into consideration the society and the environment, specifically social profitability and protection of natural resources.

Recently, the need for a triple bottom line has been underlined (Elkington, 1997). This concept includes economic, environmental and social lines as the prerequisites for achieving outcomes of profit and non-profit organisations in the 21st century.

In other words, organisations and their leaders need to simultaneously focus on economising, sustainability of life on the planet, and on people and the society as a whole (Fy and Slocum,

2008). This leads to additional tensions being put before strategic leadership, considering the fact that those objectives exist in a natural conflict, which is then reflected in the expected results and achievements of organisational action.

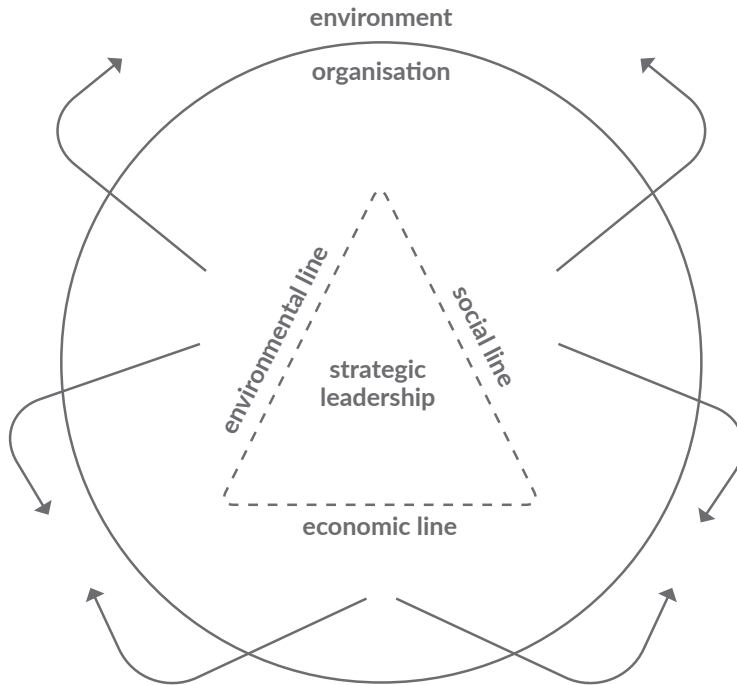


FIGURE 3. Strategic leadership and triple bottom line concept

Firstly, the economic dimension of objectives is associated with economic prosperity, business success, and growth. It underlines the need for rational use of organisational resources, with indicators such as return on investment, revenue, profits, and other. Information about industrial profitability and other comparable indicators for comparison with the competition (such as sales growth rate, market shares, innovation success and the number of new products, numeric distribution, and other)

influence the defining of economic objectives and measures of performance of a company.

Secondly, the social dimension of objectives presupposes a responsibility to the community and to people. Social measures reflect organisational commitment, welfare and vitality of the members of the organisation and the community, charitable contributions and quality of organisational connectedness in the society. Strategic leaders need to impose socially responsible business as an imperative for their organisations. The objectives and measures have to incorporate good-quality inclusion in the community, health and welfare of employees, commitment to society, contribution to community vitality, but also contributions toward humanitarian and other social agendas (Fy and Slocum, 2008; Carter and Greer, 2013).

Thirdly, the environmental dimension of objectives reflects the importance of minimising the harmful effects of human action and the overall collective presence in the environment. Environmental indicators are based on sustainability of organisational and civilizational existence (e.g., protection of natural resources, balanced consumption of energy, reduced waste and harmful emissions, etc.), or in other words, on helping to preserve the living conditions on the planet (Slaper and Hall, 2011). Successful leadership cannot be separated from the great responsibility we each bear for the future of our planet. Development and expansion of circular economy, lower energy wasting, reduced pollution and harmful emissions, responsible waste management and proper valuable inventory management – all this should be integrated in the target area of modern-day leadership.

Strategic leadership should always focus on achieving a balance between those three target dimensions of organisational action. It is not easy to establish and maintain balance between the triad of the target areas and at the same time avoid redundancy, distraction or contradictory organisational action.

3. Leadership and the *Zeitgeist*

Brave New World?

Strategic leaders have to keep track with the *Zeitgeist*, the spirit of the times. There are many things that affect people's perceptions, predominant discourses, behavioural framework, ethics and leadership styles but also modes of interaction with others.

The era in which we live is distinct in the context of human history. The spirit of a new age emerges in a new climate of radical changes in the social landscape. Social networks and the virtual world have become an indispensable element of all the segments of our lives. The one-dimensional nature of the world of the Internet has almost completely substituted the world as we used to know it, significantly affecting the new generations' cognitive structures, thought processes and decision-making processes.

The media and the Internet are changing the way we perceive reality: the speed at which things are happening is increasing and things are becoming more and more mutually connected. Virtual and physical experiences have become so tightly interwoven that they are impossible to unravel: it would be hard to even imagine a hypothetical world where there would be no mobile phones, social media or other platforms that flood us with never-ending information.

As far as the darker side of social media is concerned, there are increasingly complex algorithms designed to affect people's attention, behaviour and the ways they express affection. Human beings are on the way to becoming nothing more than an addition to the network, an object that reproduces the incomprehensible intentions of a secretive, network-based super-entity. Personality is lost and the mind's ability to think critically becomes numb. Manipulation of thoughts and wishes becomes the norm, and *truth* nothing more than a word that means something different depending on who you ask. Many people believe that we are on the fast track to a dystopia that will be characterised by a post-truth society, where personality will be thwarted and human mind restrained, in a world where a multitude of interwoven illusions will make it impossible to tell what reality is.

Moreover, large-scale, fast-occurring technological changes and continuous diffusions of innovations are accompanied by the creation of a whole new set of human needs. Risk and uncertainty increase, and usefulness of forecasting and planning techniques decreases as a result of the blurriness and vagueness of the time horizon. Old activities disappear and new ones develop, wiping away the boundary between industries and markets.

The downward-spiralling into an all-encompassing *society of the spectacle* (in French: *la société du spectacle*), as so appropriately described back in 1967 by Guy Debord, got an unexpected turn for the worse with the development of communication technology and the gaining power of mass media. Very simple signs and messages are enough to stimulate immense pleasure in the shallowest of things, knocking off wisdom and reasoning from the pedestal of desirable social values in the process. Hyper-reality encompasses us and, as Baudrillard said (2001a; 2001b), simulacra and simulation emerge as elements of reality that

represent nothing more than a vast void and become meaning in and of themselves. *Assumption of objective reality*, as emphasised by Baudrillard (2006: 37), *has such power over our spirits because it is by far the easiest solution.*

Modern-day leaders have to machete their way through multidimensional communicational jungles of symbols and slogans; they are forced to use impoverished language and find their way across the vast complexity of network structures. If they do not become accustomed to this, no other qualities or competences they possess will be sufficient to help them.

Knowledge is becoming a crucial axis of action in all human activities and the technology is radically changing the way we live, work and learn, how we exchange information and create partnerships and business opportunities.

The Fourth Industrial Revolution

The Fourth Industrial Revolution is transforming virtually everything: the way we cooperate with others, our work environment; we are seeing the transformation of entire institutions, companies and other organisations. New technologies are completely different than previously existing ones in that they destroy traditional markets and business models, bring proprietorship into question, and break the connection between salaries and work. Beyond the usual horizon of brick-and-mortar businesses, a whole new world is emerging, one based on the information revolution and artificial intelligence, but also on changes in mental models and behaviour of the upper echelons.

The domain in which strategic leaders of this new age operate is framed by progress in numerous fields, such as genetics, artificial intelligence, nanotechnology and biotechnology.⁵

Leaders also have to be aware of the effects of the evolution of the Internet, cloud computing and the emergence of the Internet of Things, which implies interconnectedness of various types of machines that can communicate and share information, making daily tasks and our lives simpler. They have to be aware of the development of cognitive technologies that enable information systems to independently learn when receiving more data, based on recognising patterns and natural language, and also of the fact that improvement of complex algorithms makes the simulation of human-like decision-making increasingly sophisticated and automated.

Organisational future and strategic leadership will also be affected by further development of advanced robotics, especially in the segment of development of adaptable smart factories and service entities that integrate processes, partners and clients in a comprehensive process of value creation.

Strategic leaders have to become accustomed to an environment of frequent and radical innovations, disruption, and redefinition of business activities.

Disruption involves innovations that make existing business activities obsolete and unnecessary, resulting in the ambience of leadership becoming characterised by strategic discontinuity.

⁵ Each of the previous three industrial revolutions brought along significant changes. The first industrial revolution began with the commencement of energy generation by using water, steam and coal. The second industrial generation was based on generation of electricity and the concept of mass production. The driving forces of the third industrial revolution were electronics and information technology.

New technologies significantly reduce the value of existing ones, affecting the changes in market structures and creating completely new markets, while at the same time eliminating existing ones. These technologies are becoming increasingly available, which makes it possible for business models to be changed from the bottom up and the boundaries between traditional industries to be erased, enabling the emergence of asymmetric competition.

For instance, disruptive innovations are redefining the shopping experience and completely changing retail, by altering the way how and the time when consumers learn about products and decide about purchasing them, and where and how the transactions take place. The data are striking: e-commerce is growing globally at 18%, with an extended scope ranging from fashion and electronics to beauty, cosmetics, pet care, pharmaceuticals and sporting goods. In early 2019, there were three billion people who had mobile access, with a 10% annual growth rate.⁶

On top of that, we are seeing an increasingly short life span of business organisations. For example, the average estimated life span of organisations that were included in the *Fortune 500* list of the largest businesses dropped from 75 to 15 years over the last fifty years. Similarly, a study conducted by the company McKinsey showed that the average life-span of companies listed in *Standard & Poor's 500* was 61 years in 1958, which dropped to less than 18 years by 2016. Experts from McKinsey believe that by 2027, 75% of the companies quoted on the *S&P 500* will have disappeared.⁷

As underlined by the World Economic Forum, the Fourth Industrial Revolution brings more than just technological changes that

⁶ See: <https://www.weforum.org/agenda/2019/01/why-companies-should-strive-for-industry-4-0/> (accessed 17 September 2019)

⁷ See: <https://www.imd.org/research-knowledge/articles/why-you-will-probably-live-longer-than-most-big-companies/> (accessed 30 August 2019)

will radically transform the world we live in. With it come the opportunities for leaders and decision-makers worldwide. As stated on the WEF webpage, *it represents a fundamental change in the way we live, work and relate to one another. It is a new chapter in human development, enabled by extraordinary technology advances commensurate with those of the first, second and third industrial revolutions. These advances are merging the physical, digital and biological worlds in ways that create both huge promise and potential peril. The speed, breadth and depth of this revolution is forcing us to rethink how countries develop, how organisations create value and even what it means to be human. The Fourth Industrial Revolution is about more than just technology-driven change; it is an opportunity to help everyone, including leaders, policy-makers and people from all income groups and nations, to harness converging technologies in order to create an inclusive, human-centred future. The real opportunity is to look beyond technology, and find ways to give the greatest number of people the ability to positively impact their families, organisations and communities.*⁸

Value shifts in the society, significant technological innovations, structural and other paradigmatic shifts can completely alter the horizons of organisational existence.

The need emerges for a new and complex ecosystem of numerous entities, ranging from organisations, enterprises to regulators, civil society and institutions, in order to realise the potential of the new technological, industrial and social revolution.

⁸ See: <https://www.weforum.org/focus/fourth-industrial-revolution> (accessed 11 November 2020)

Radical changes in the social landscape

Moreover, strategic leadership is inseparable from the important civilizational issues that have been greatly addressed in recent years. The revolutionary industrial changes have been accompanied by an increasing awareness of the need for development of a more humane society.

Global asymmetry in distribution of economic and political power, growing inequality and poverty, irresponsible attitude to natural resources and poor management of those resources, gender inequality and social inclusion problems, climate change and other important issues of the modern world, have a significant impact on the challenges of strategic leadership.

The recent challenges brought on by the coronavirus pandemic must not be forgotten, either. The way countries, societies and organisations have coped with this crisis is a good indicator of their leaders' leadership potential. Some have been very successful (within reasonable limits), while others have demonstrated just how much harm leaders' incompetence can cause and how it can threaten a community.

Threats of dystopia emerge continually and greatly challenge the leaders of our time. A crisis of trust affects every segment of life, causing a tear in the social fabric. For instance, the difference in average earnings of the upper echelons of an organisation and its workers has never been greater. In the USA, average salaries paid to CEOs in 2017 were 312 times greater than those paid to an average worker. This piece of information should be compared to 1965, when their salaries were only 20 times greater than those of workers, or to 1989, when the earnings ratio was 58:1.⁹

⁹ The sample comprised 350 of the USA's largest companies. Source: <https://www.theguardian.com/business/2018/aug/16/ceo-versus-worker-wage-american-companies-pay-gap-study-2018> (accessed 12 June 2020)

Let us consider some other data as well. Individuals with more than one million US dollars (who account for 1% of the richest people in the world), own 45 percent of the world's wealth. Adults with less than USD 10,000 in wealth make up 64 percent of the world's population but hold less than 2 percent of global wealth. The world's richest people, those who own over USD 100,000 in assets, make up less than 10% of the global population, but own 84% of global wealth. Inequality continues to be on the rise. The number of billionaires it took to equal the wealth of the world's poorest 50 percent, dropped from 380 to 42 in the period from 2009 to 2017.¹⁰ Wealthy individuals are predominantly white men. Apart from that structural problem, it is needless to say that a large majority of the world's poorest people live in African and Asian countries, without prospect of improvement. Finally, the developed Western world is getting older, as people live longer and there are more retirees. It is estimated that one half of the children born at the turn of the millennium will live to be a hundred years old.

An interesting analysis was conducted by Moody's six years ago that demonstrates how population ageing will dampen economic growth. Ageing is no longer the problem of the developed world alone, as it affects many undeveloped countries as well. The working population will grow almost twice as slowly by 2030 than it was the case in the last twenty years or so, with a growth rate of no more than 13.6 percent, compared to the previous growth rate of 24.8 percent. It is also estimated that the number of companies with more than 20% of employees over 65 years of age will increase by 2030 from 13 (which is the current number) to 34.¹¹

Strategic leaders are being put to the test: how and in which direction to lead organisations at a time of great technological and

¹⁰ See: <https://inequality.org/facts/global-inequality/> (accessed 13 June 2020)

¹¹ See: <https://www.poslovnih.hr/svijet/starenje-stanovnistva-usporit-ce-rast-svijet-skog-gospodarstva-276930> and <https://www.cardi.ie/publications/populationagein-gwilldampeneconomicgrowthoverthenexttwodecades> (accessed 17 June 2020)

social change, while at the same time preserving the interests of our planet and future generations. The time when one could focus solely on one's self and one's own goals is inevitably passing.

Organisational interests must not be in conflict with the interests of the community. We are all parts of a greater whole, of an interconnected and fragile world in which reasonable and responsible leadership is a necessity.

Responsible leadership has been developed as a distinct construct that observes leadership through the leader's interaction with other interest groups (with the aim of balancing out many different needs), where the leader's success is measured based on their providing of legitimate solutions for everyone involved, by including the economic, social and environmental dimension in the targeted domain of organisational action (Waldman and Galvin, 2008; Voegtlin *et al*, 2012; Carter and Greer, 2013).

Social responsibility, environmental protection and a sustainable future for everyone are issues that rank high on the agenda of 21st century strategic leadership.

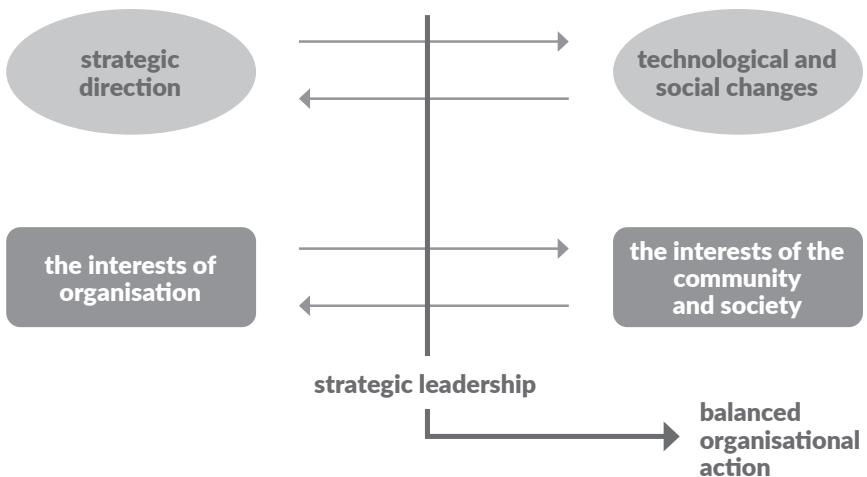


FIGURE 4. Responsible Strategic Leadership

The dark and bright sides of strategic leadership

The discussion about strategic leadership raises more questions than it answers. The fact that it is described in detail does not mean we have an in-depth understanding of it.

As Learmonth and Morrell (2020) have pointed out, “leader” is a positive and prestigious title in the modern world. It has the power to strengthen a person’s position and boost their influence in and outside of the collective, as well as to convincingly conceal the actual political interests and power relations in the organisation. This is true even though most “leaders” are not really leaders, as an analysis of their behaviour and job roles can confirm.

Unlike management, which is based on facing complexity and establishing order and consistency in the organisation’s existence, leadership is primarily a phenomenon of facing changes (Kotter, 1990), based on shaping a vision and on connecting people, inspiring and encouraging them to act together.

Strategic leadership is the ultimate consequence of the inevitable side of human behaviour that surfaces in smaller or larger groups: the interwovenness of power and dynamics of influence with the intention to dominate and establish social control. This is what everything comes down to, irrespective of the various manifestations, hidden agendas and seeking of the “higher purpose” designed to obscure or distort the truth.

The dark side of strategic leadership is revealed if we view it through the lens of a world full of dominant ideologies, structures of power and influence intent on domination and social control.

Power is not a means; it is an end – as George Orwell put it. In the last instance, it can lead to complete supremacy, or *hegemony*:

a situation where members of the collective willingly accept the leader's dominance, identify with them, follow their guidance and never question the established structures of organisational and social power.

Strategic leadership continually emerges from ideology. Organisational ideology is not a construct that exists independent of civilisation, culture, space or time; it serves to legitimise dominance of privileged structures in the society. It represents the collective spirit's circumnavigation of the illusion perceived as the true reality.

Hegemony and ideology are two sides of the same medal: sophisticated tools in desubjectivisation of a person and their reducing to a mere fragment that is incomprehensible if observed outside the collective being.

Strategic leadership continually emerges from ideology and it cannot be understood if observed separately from it.

Leaders and other persons in charge act either as guardians of existing organisational ideology, according to Mintzberg (1979: 43), or as challengers who attempt to imprint new ideological patterns, more or less divergent from those that have taken hold and become historically accepted.

Imprinted, fortified and strengthened beliefs of members of the collective help leaders in their task of coordinating collective action in order to make strategic vision a reality. Aspirations and behaviours of leaders are determined by the ideological framework, and the success of their action is related to homogenisation of the collective, or in other words, with the achieved degree of integration, togetherness, and group identification.

Strategic leadership does have a bright side, too. It plays a role in preventing a moral decline of the civilisation by departing from greed, selfishness and callousness on which the dominant social

paradigm rests. It is meant to change people, organisations and the society for the better: to be a strong driving force for creating and spreading noble ideas and responsibility to the future generations.

Transformational leadership is based on authenticity and motivational capacity to inspire the organisational members to follow the leader and enthusiastically perform the tasks and jobs in the collective interest. The prerequisite for leadership success is a distinct vision accompanied by the leader's personal values and strong character. It has to encourage others to be committed to working to the benefit of the organisation (Yukl, 2006). This is a process in which, as initially noted by Burns (1978), *leaders and followers help one another reach a higher degree of morale and motivation*.

Transformational leaders help others overcome their own opportunistic interests in order for the "higher common goals" to be fulfilled, in the form of a powerful and plausible strategic purpose created or advocated by the leaders (Sashkin and Sashkin, 2003; Vera and Crossan, 2004). They encourage followers toward self-actualization and other higher-level goals.

It is, therefore, imperative to develop innovative strategic leadership in the function of good-quality external adaptation. This involves encouraging individual initiatives, defining explicit and clear individual responsibilities and a performance evaluation system, highlighting the importance of task completion, creating an atmosphere where the quality of relations is valued and trust encouraged (Carmeli *et al*, 2010).

Besides that, it requires the leaders' beliefs and behaviour to be changed, the way they treat people to be improved, and their understanding of strategy to become better.

Organisations are to be observed from a completely different perspective: they have to be seen as dynamic entities and not as

invariable sets of tangible and intangible assets. In this industrial revolution, information has become especially important: leaders have to organise the gathering of information as appropriately as possible to enable good-quality decision-making. In this context, coaching is also becoming increasingly important, because it serves to help the leaders become more self-aware and work toward minimising weaknesses and shortcomings.

The capacity of strategic thinking is usually considered an important trait to be had by strategic leaders, one that manifest itself in creative visioning capable of bringing together, motivating and guiding members toward common action, giving sense to actions being undertaken.

Unity and equality, solidarity and cooperation, social and organisational balance, lesser inequality and better social utility, environmental protection and interests of all stakeholders — all these things have to be important elements of the managerial elites' agenda. The best leaders are completely certain in knowing that in life, instead of doing nothing — to paraphrase Helen Keller — one has to be daring enough to embark on the adventure of creating a better future.

As already mentioned, a new era brings a different kind of leadership. The Fourth Industrial Revolution has had a disruptive effect on leadership and, together with the inevitable agenda of civilizational fairness and relationship towards the environment, it is radically changing leadership at its core, putting an emphasis on importance of moral guidelines and ethical choices, trust and respect as notions that have to be deeply rooted in organisations, and increased social responsibility.

Between the dark and bright side there is a whole plethora of manifestations and possibilities of strategic leadership.

4. Strategic apex of the organisation

Uppermost level in organisational hierarchy

It is widely understood that strategic leadership is the task of an individual or group holding a top position in an organisation. Heads of organisations take responsibility for the strategy and the leadership of the organisation: all the tasks that need to be performed at the managerial top level define and round-up the process and activities involved in strategic leadership.

From this perspective, strategic leadership seems inseparable from the individuals who actively participate in the determining and/or interpreting of the organisational purpose and intent, and whose decisions play a crucial role in the organisation's future. They are focused on vision, external adaptation and integration of the collective, on performances, change management and achievement of main objectives. Survival of the organisation in the long run is at the centre of their attention.

Strategic leaders also hold a position of power, whether formal or informal, in the collectives they lead.

However, their position cannot be observed through absolute categories. Besides being "leaders", they are at the same time

“followers” of organisational policies, legal and social rules (Malakyan, 2015; Fairhurst and Hamlett, 2003; Larsson and Lundholm, 2013), and consequently it is necessary to contextualise them in an ambience with all the existing or potential limitations and challenges it brings.

In addition, they are inseparable from their own historic, cultural and institutional environment.

When discussing Plato’s concept of leader and looking for modern-day analogies, Kirkeby (2008: 19) emphasized that strategic leaders need to have deep insight into organisational issues, values and principles; they need to encourage change in the light of the organisation’s survival, and create the prerequisites for transformation of objectives in the community and in the society toward balanced progress that will be beneficial to everyone.

Hence, they need to concentrate on strategy and know how to improve the strategic competencies of the organisation; they ought to be capable of transforming strategy into organisational action and bring the collective together in a common purpose (Davis and Davis, 2004). They have to find the answers to the questions how to free the potential of human resources in the collective and what can be done together, through coordinated and focused action, in order to achieve what has been planned.

Strategic leadership can appear in two variants: the case when an individual, usually occupying the top of the organisational pyramid, assumes the role of dominant leader, with significant impact on the mission and development trajectory of the organisation, or the case when the leadership role is distributed horizontally and/or vertically among multiple members of the organisation.

Individual strategic leadership

In the first case, strategic leaders have a recognisable and unequivocal position in the organisation and their words resonate the loudest when it comes to direction of action and visioning of a desirable future.

Organisation is the long arm of the leader's intentions: the ideas and the aspirations are the result of the leader's own thinking and planning.

Normally, leaders of this type are observed in the light of their autocratic tendencies and their taking of full leadership responsibility. This may, but does not necessarily have to be the case. Leaders can include other organisational members in the management processes, to a greater or lesser extent; they can do this in the form of consultancy or delegating of some of the authority, or through members' direct participation in the decision-making process.

Individual strategic leadership results in significantly lower costs of negotiation and implementation than it is the case with collective leadership (Kriger and Zhovtobryukh, 2013: 421).

The image of "perfect" strategic leaders, like a picture torn out from many literature sources on leadership, bears great resemblance to unreachable ideals instilled in the collective mankind's mind; it is a picture of complete rationality, unquestionable courage and exemplary conduct. It is a widely accepted belief that the best leaders successfully bring together all those elements and combine them into a purposeful unit, focusing on a holistic perspective and influencing other members of the organisation so that they may understand the context and recognise their role in common action. They have the cognitive potential required for understanding the overall situation (in terms of seeing the big

picture), and the capacity for making important decisions; they are imaginative and creative; they are willing to take risk.

Normally we associate such abilities with extraordinary individuals and there is actually an off-shoot of leadership theory that focuses on analysing their traits, called the Great Man Theory. This way of seeing things would mean that *only great people are worthy of drama and politics*, and leadership is manifested as a *psychodrama in which a brilliant, lonely person must gain control of himself or herself as a precondition of controlling others* (Zelevnik, 1992: 16). Such people have innate traits that make them efficient; their talent to lead large collectives differentiates them from others; they are destined to play the lead roles on the organisational stage. From this standpoint, strategic leadership is the task of the rare and the special, the best of the best, the often-misunderstood loners who, from their position at the hierarchical top, exert a key influence on the existence and future of the organisation.

One person, the strategic leader, has a decisive impact on the goings-on in the collective and on the way it interacts with the environment. His/her role is crucial and unavoidable in all aspects concerning the organisation. He or she assumes the decisive role in defining the strategic intent and the direction of organisational development. Such leadership is mainly autocratic,¹² but it can range from full totalitarian power to enlightened and inclusive domination of an individual which does not exclude consultations and two-way communication.

Egocentric strategic leadership is nowadays commonly associated with well-known entrepreneurs or managers who have had a significant influence on modern-day business. A few examples of powerful leaders come to mind in this context: Henry Ford,

¹² Autocracy (from the Ancient Greek αυτοκρατία; *autos* – *self* and *krateín* – *power, strength*; autocrat »ruler with unlimited power«) literally denotes *self-rule*.

who adopted every important decision and was extremely rigid in managing and supervising his associates; Walt Disney, who likewise made decisions independently and was very demanding of his employees, although he sometimes asked them to develop new ideas and concepts; Steve Jobs, who was a true autocratic leader who strongly insisted on complete loyalty and trust; Elon Musk, who holds the strategic direction and key choices in his hands in all of his companies. Regardless of the concentration of power and autocratic leadership style, they all had a powerful vision that fundamentally transformed the global economy; they showed incredible dedication to their work and made bold decisions that radically changed the world as we know it.

Egocentricity creates a stage on which the collective becomes a demonstration of the leader's aspirations *sui generis*. The leader makes all of the important decisions and demands that everyone in the organisation follow their rules and the direction they set. They shape the space for strategy, set the pace and direction of action, and create space for interpreting meaning relevant for organisational actors. In his interview with *The New York Times*, former CEO of Cisco Systems, John Chambers, made this illustrative remark: *I'm a command-and-control person. I like being able to say turn right, and we truly have 67,000 people turn right.*¹³

¹³ For more details, see: <https://qz.com/701895/the-best-companies-in-the-world-are-run-by-enlightened-dictators/> (accessed 30 June 2020)

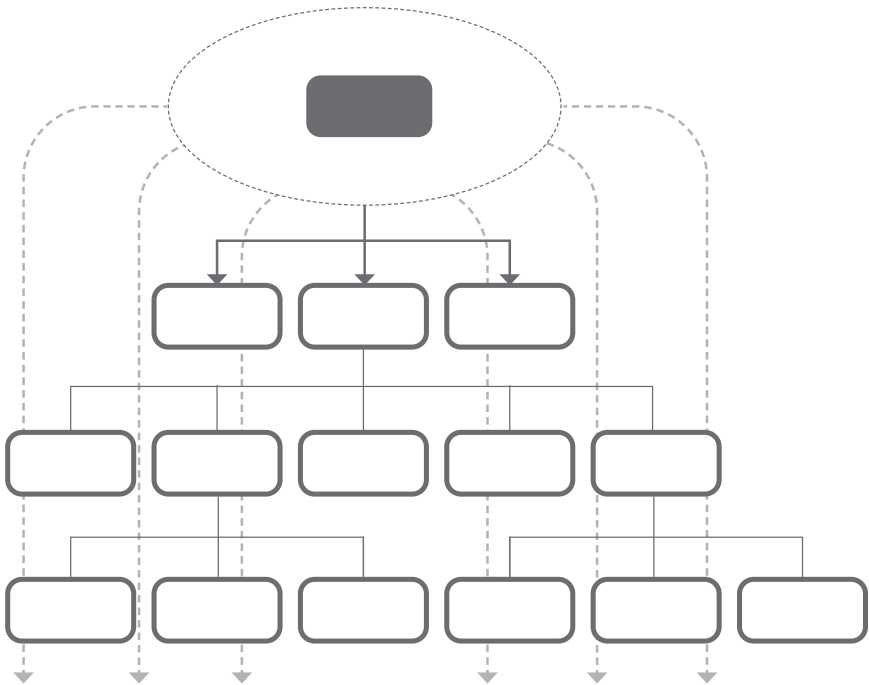


FIGURE 5. Egocentric Strategic Leadership

Dietrich Mateschitz, Austrian entrepreneur who created the energy drink company and megabrand Red Bull, is an example of a dominant strategic leader who created a business opportunity by identifying a niche not yet exploited in the market.¹⁴ Trusting his gut feeling and intuition, he dismissed strong recommendations of market surveyors and other consultants who advised against investing in an energy drink business. And he was not wrong. Today, the company is a global leader. In 2018, nearly 7 billion cans of Red Bull were sold in 171 countries around the world.

¹⁴ Red Bull was jointly founded by Dietrich Mateschitz and Thai businessman Chaleo Yoovidhya in 1987. Today, Mateschitz is faced with two great challenges: the matter of succession, owing to the fact that the company depends on him too much, and the matter of the product's potential negative health effects.

His vision, creativity and way of thinking significantly affected global business. Before he started this business, the energy drink industry was a minor and negligible one, with very low market demands. Mateschitz de facto created a need for this type of product. In time, he became the personification of the business he runs. Over the course of his term of office, he has challenged entrenched views of business, avoiding bureaucracy and administrative systems whenever he could. Basing a brilliant marketing concept on an association with extreme sports (which he himself prefers), he has created a completely new market niche, with loyal consumers of his product growing in numbers incredibly quickly from one year to the next. The recent business expansion into popular sports, such as football, has opened-up completely new challenges and additionally strengthened the corporate brand.

Red Bull greatly depends on Mateschitz and his leadership. It will be interesting to observe how the succession problem will be resolved in the future of the organisation, without sacrificing innovation, high level of success and reputation that the company enjoys at the global level.

Egocentric strategic leadership can be successful or unsuccessful, depending on the leader's capabilities and numerous contingency factors. It is riskier than other leadership configurations because the asymmetry of power results in no restrictions, authorisations or other filters being set in order to obstruct plans and actions that may have unwanted consequences and jeopardise the survival of the organisation.

Collective strategic leadership

Successful leaders should sooner or later achieve balance between the autocratic leadership style, autonomy in decision-making at lower hierarchical levels, and empowering employees. Secondly, they must be aware of the fact that a high level of centralisation of strategic decision-making is appropriate for entrepreneurship-focused organisations with simpler structures. A more turbulent environment and a horizontal business expansion (diversification) likewise decrease the potential and space for an individual to hold all the cards.

Interaction of powerful strategic leaders with members of the organisation occurs on two substantively different levels: (1) within a circle of only the closest associates, and (2) with other members of the organisation, through direct or indirect communication and different methods of exerting influence.

Leadership in the immediate organisational environment (*close leadership*) is based on established formal and informal relations between the leader and their first line of subordinates in the chain of command. Primary associates play the role of advisors and/or intermediaries who convey the leader's messages and intentions to remote parts of the organisation.

Strategic leaders also fulfil their role by bypassing the first layer of followers in the organisational hierarchy. Their audience are the "more remote" members of the organisation and they often have to address them. Such *distant leadership* (indirect leadership) requires the use of visions based on symbolism and ideology, high-quality narratives and convincing rhetoric (Hunt, 2004; Vera and Crossan, 2004; Waldman and Yammarino, 1999).

Both approaches should be wisely combined in order for the leader to have a significant influence at the smaller and larger

social distance within the organisation, taking into consideration all relevant factors that may affect the defined objectives, mode of operation, and performance of the organisation.

There are situations when greater environmental complexity creates problems due to greater demands for information (and consequently larger costs of information) and due to the need for a broader spectrum of knowledge on the part of the strategic leader. In large and complex organisations, the coordination demands and the need to coordinate increase proportionately to its size and complexity.

The “lone ranger” type of leader has a hard time coping with the challenges presented by such situations: the complexity of the issues, problems and possibilities increases exponentially as one moves from the bottom to the top of the organisational ladder (House and Aditya, 1997).

The enduring question is whether a single leader can even have the capacity to fully lead and manage all the elements involved in such situations.

It is not easy to find a large organisation relying fully on a single strategic leader. In most organisations, sooner or later, the function of strategic leadership gets divided among members with managerial authority. Strategic leadership emerges as a collective activity where important decisions are made and the future of the organisation monitored jointly.

Collective leadership is a consequence of horizontal and/or vertical distribution of roles which creates a tightly-knit or loosely connected group in charge of the strategic process. By including multiple members of the organisation in the tasks of defining objectives and making decisions, leadership becomes a collective act in which good cooperation, open communication, mutual trust and respect are prerequisites for success.

Collective strategic leadership encompasses a greater or smaller number of individuals who assume greater or lesser responsibility in managing the collective or the network. Responsibility and power of collective leadership can be symmetrical or asymmetrical, depending on the positions and sources of power accessible to individuals within the group that assumes leadership.

A group of persons assuming the tasks of strategic leadership is generally referred to as the *dominant coalition* (Cyert and March, 1963) or the *inner circle* (Thompson, 1967). It includes actors who share the power to make important decisions. Multiple dependencies derived from possession of or access to limited resources or emerging from specialisation of functions commonly result in the formation of a coalition in the upper echelons of the organisation.

Upper echelons theory

Organisations are reflections of their leaders (Hambrick and Mason, 1984), which means that the character of the organisation's direction and mode of operation lies in the domain of personalised strategic leadership, and organisational outcomes are directly influenced by the organisation's leaders' values and defined guidelines.

Upper echelons theory was developed to explain the role and actions of the managerial elite in complex organisations. It is based on the conceptual model proposed by Hambrick and Mason (1984), and it comprises two central propositions: (1) top managers act on the basis of their personalised interpretations of the strategic circumstances they face; (2) personalised interpretations are a function of their experiences, values and individualities. This theory adopted the basic principles of the

bounded rationality concept and the behavioural decision-making model (March and Simon, 1958; Simon, 1959; Cyert and March, 1963, and elsewhere).

At first, upper echelons theory focused on the individual (the executive), but over time it broadened its scope of attention to a smaller group of the most influential, top-tier managers (Top Management Team or TMT), building on the idea that this group of people has a crucial influence on organisational performance and outcomes (Hambrick, 2007; Hambrick and Finkelstein, 1987; Hambrick and Mason, 1984). This goes in favour of the argument that the joint effort of the *dominant coalition* of individuals in an organisation directs its results (Cyert and March, 1963).

In complex organisations, leadership is a shared activity involving multiple individuals, therefore it is crucial to consider the collective cognitions, capabilities, and interactions of the top management team (Hambrick, 2007: 334). Moreover, research indicates a higher degree of correlation between organisational outcomes and the behaviour of an entire TMT than just the CEO's (e.g., Hambrick, 2007; Finkelstein *et al*, 2009). However, this cannot be taken as a general rule; in situations with autocratic leadership or strong strategic leaders who have a clear vision and action plan, the role of other high-ranking managers is not crucial.

Decisions made by the TMT are a function of human and social capital of its members, as they depend on previous experiences and serve to shape their individual and collective cognition. The TMT's values and collectively created cognitions, as well as their mutual interaction, steer the strategic activities and consequently influence the organisation's performance (Hambrick and Mason, 1984; Finkelstein *et al*, 2009).

There are five important elements determining the TMT's actions. These are: (1) leadership (the way collective leadership styles

are manifested), (2) composition (group characteristics of team members: their values, experiences, cognitive characteristics and other), (3) structure (team size, role differentiation and relationships between members),¹⁵ (4) process (nature of interaction between members: how consensus is reached, their cognitive processes and sociopolitical relations), and (5) incentives (compensations and rewards for members) (Hambrick, 1994).

The upper echelons theory is based on the presumption of connection between the leader's and the TMT's values and cognitive landscape with the organisation's strategic choices. Knowledge, education, experience and other demographic characteristics of the managerial elite influence their cognitive models, values and personalities; indirectly, they also affect their interpretation of reality, the way they evaluate environmental factors, develop preferences and make strategic decisions.

Strategic action and organisational success directly depend on their orientation and personality traits. It can be said that strategies are the consequence of strategic leaders' cognition, or in other words, that their cognitive models have a crucial impact on their strategic choices and decisions (Finkelstein and Hambrick, 1996). This has been confirmed by certain studies (e.g., Tripsas and Gavetti, 2000; Hoolbrook *et al*, 2000; Acha, 2002; Kaplan *et al*, 2003) that provide an empirical proof of the hypothesis that strategic leaders' knowledge and perceptions shape strategic decisions and outcomes, including responses to environmental changes.

Apart from personal experience and other related factors, strategic leaders' cognitions are undoubtedly also the result of historical,

¹⁵ Finkelstein *et al* (2009) underline the importance of mutual dependence of roles in a top management team. They define it as a degree to which organisational performance depends on resource and information distribution.

cultural and institutional factors. Cognitive landscapes differ between cultures, institutional arrangements and historical circumstances. Research suggests that national culture has a strong impact on the leader's mindset (Geletkanycz, 1997), while their being exposed to several different cultures creates potential for existence of multiple cognitive systems (Hong and Chiu, 2001).

Two sets of characteristics found in top managers constitute key independent variables in the basic theoretical model.

First and foremost, these are psychological characteristics, including values, cognitive style and personality, and they are the characteristics that clearly contribute to the direction of the organisation's upper echelons' thinking and acting (Hambrick and Mason, 1984).

The second group comprises observable characteristics such as age, work and managerial experience, function background, time spent holding the function, level of education, being part of different social groups, and other elements; these appear as the basic characteristics of the top management team. Dependent variables in research models are different organisational performance and success and, to a lesser extent, organisational leaders' strategic choices and behaviour.

Values, cognition and other strategic leaders' psychological factors are not easily measurable variables and, consequently, research relies on more accessible data and constructs related with previous experience or demographic characteristics. Many advocates of the upper echelons theory argue that the basic, easily observable and measurable characteristics can be taken as valid, but that they are nevertheless always insufficiently precise or complete proxy variables of top managers' cognitive frames.

For instance, function background significantly shapes the cognitive perspective and knowledge base of an organisational leader

(Hambrick and Mason, 1984). If the leader is experienced in finance or operations, it is safe to assume that they will be defensive when placed at the position of a leader of the organisation; on the other hand, where the leader has experience in marketing or in R&D, a forward-looking approach is more likely. Besides that, leaders are more likely to make riskier, bolder decisions if they are young, at the beginning of their tenure, or if they are newcomers arriving from other organisations.

In short, this kind of use of proxy variables of observable leadership characteristics allows us to test the assumptions about the emergence of characteristics of an activity or degree of indicators related with strategic choices and organisational performance in connection with the leader's personality, cognitive model or style.

Observable experience-related characteristics may, however, obscure an explanation, because they often point to an ambiguous connection with psychological factors and fail to provide an in-depth insight into the reasons behind and connections between the observed relationships. In other words, research into how certain data, such as age, tenure, formal education and function background (and other manifest factors) correlate with organisational performance usually raises more questions than it plausibly answers.

Several important constructs have been developed within that theory, of which two have prediction potential: the managerial discretion concept (Hambrick and Finkelstein, 1987) and the concept of executive job demands (Hambrick *et al*, 2005).

Over time, the upper echelons theory began to be perceived by researchers as the strategic leadership theory, with focus on strategic and symbolic activities that take place on the top of the organisational ladder (Finkelstein and Hambrick 1996; Hambrick *et al*, 2001).

Strategic shared leadership

Large corporations are as a rule managed by management teams. The larger and more complex an organisation, the greater the need to include a larger number of people in leadership and management tasks. For example, Walmart, Sinopec, Royal Dutch Shell and China National Petroleum, four of the largest companies by revenue in 2018, all have management teams at the organisation top, which collectively manage the operations of their respective corporations.¹⁶

The board of directors of Alphabet, the parent company which manages the world's largest search engine, Google, comprises, in addition to the founders Larry Page and Sergey Brin and CEO Sundar Pichai, eight more members who jointly manage all strategic and business operations.

Based on recent research by the Crowe network, the Swedish industrial giants Atlas Copco and Volvo have the best strategic leadership in Europe.¹⁷ Atlas Copco has a nearly 150-year-long tradition of successful operation at the global level. Its board of directors is made up of 13 members, while its top management team is made up of 9 members. Volvo, which is owned by the Zhejiang Geely Holding Group, also has a board of directors consisting of 13 members, and a management team of 12 persons.

Strategic leadership in such companies is positioned in the upper echelon of the organisation, which assumes activities and tasks

¹⁶ Apart from horizontal distribution, large companies are also characterised by vertical distribution of strategic leadership.

¹⁷ In 2018, Crowe published the annual index of the top organisations in terms of leadership (Fortune 2000 list of the largest companies), which was calculated based on the assessment of effects of growth, diversity, boldness and innovation in the companies over a five-year period. Available at: <https://www.consultancy.uk/news/17744/the-50-global-companies-with-the-best-leadership-team> (accessed 11 August 2019)

of establishing the direction, development and programming of strategy, market positioning, coordination of all activities and processes, maintaining and improving organisational culture, and establishing comprehensive control mechanisms. This implies collective action in designing objectives, creating a common vision and ideology, attracting human resources, and creating mental models and encouraging social construction of reality from the perspective selected by the head people in the organisation.

One of the constructs that can be used to describe horizontally distributed leadership is the category of *strategic shared leadership*. It includes relations within the dominant coalition, initiated and implemented by the head of the organisation or by a smaller group of strategic leaders within the organisation. Pitelis and Wagner (2019: 234) define it as *leadership of the firm, involving the purposeful sharing of strategic decisions, and the process of making and taking these, between the dominant coalition that is initiated and implemented by a focal strategic leader or a small group of strategic leaders such as the CEO and Chair of the Board*.

“Sharing” in this category pertains to careful coordination and directing of the team by one focal leader acting as *primus inter pares*. In addition to that, this can lead to partial depersonalisation of strategic leadership. It is *de-coupled from any one person, and can survive the absence of any one individual* (Pitelis and Wagner, 2019: 236).

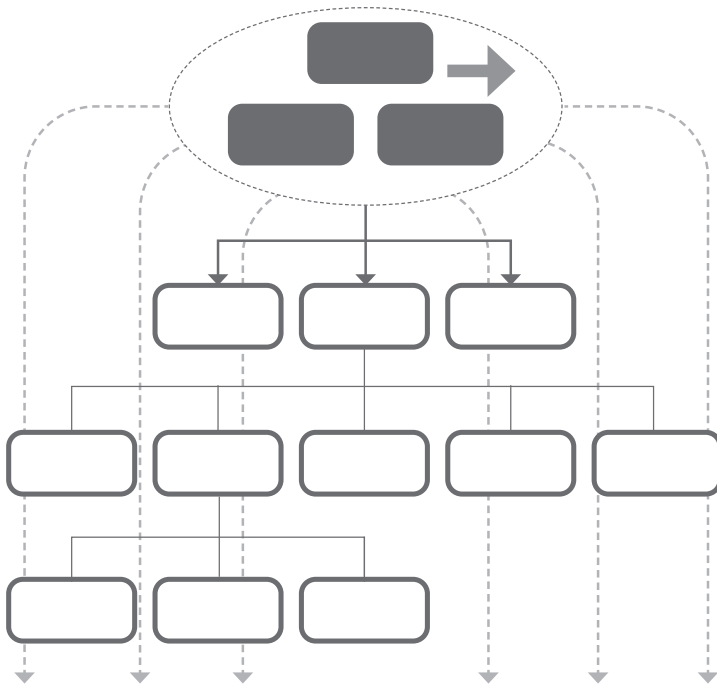


FIGURE 6. Horizontally Distributed Strategic Leadership

Top managers are rarely a homogeneous group. Most gain their position through long-term functional specialisation, during which they acquire specific patterns of thinking and acting. It is natural for them to have diverse, often diverging interests and objectives, risk appetites and approaches to decision-making.

Positions of members in the upper echelons are almost never equal and balanced. Asymmetry of power is natural in such situations: it is never equally distributed nor are the influences of members equal within the organisation and outside it. Some members have greater formal authority, others have greater informal influence, while others again have better access to information and greater managerial or functional expertise. However, they act as a team:

strategic leadership is a process by means of which they jointly manage and share responsibility.

Egocentric strategic leadership can grow into horizontally distributed strategic leadership by following the development and growth of the organisation. Microsoft is known for Bill Gates and his innovative strategic moves from the founding of the company to the moment when he withdrew from the leadership position. Today, it is managed by a group of excellent managers led by CEO Satya Nadella; a group that, according to certain sources, employees see as a very mindful, trustworthy one, and one that makes decisions that will benefit everyone involved.¹⁸

The level of effectiveness of the top management team's work is directly related to knowledge, skills and managerial abilities of its members. Good cooperation between members likewise has a positive effect on the performances of the team and helps build *collective strategic cognition* (Kriger and Zhovtobryukh, 2013: 415).

Furthermore, strategic leadership function can be dispersed if leadership roles are divided among persons who hold different positions in the hierarchical ladder. This is a step away from the widespread view of strategic leadership as a function belonging to an individual or the upper echelons of an organisation, located at the top of the organisation pyramid.

¹⁸ For more details, see: <https://www.businessinsider.com/comparably-companies-with-best-leadership-teams-in-the-us-2019-6#4-microsoft-22> (accessed 30 June 2020)

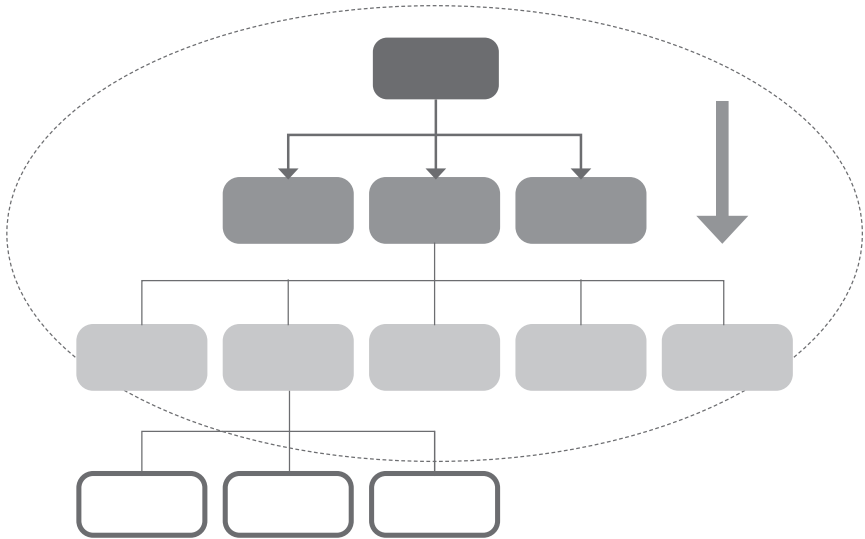


FIGURE 7. Vertically Distributed Strategic Leadership

In the broader sense, it can reflect the division of labour and responsibilities; preventing mistakes that may occur due to limited information and insufficient capabilities of an individual or a small group of managers; utilising the capacities of a greater number of persons within the organisation and strengthening the perception of interdependence within the collective.

In the narrower sense, it arises as a consequence of organisational settings or decisions of the managerial elite aimed at empowering organisational actors at lower hierarchical levels in the leadership and management processes (divisionally and functionally) and at ensuring organisational adaptability and required speed of reaction to changes of market and other contextual conditions.

Vertically distributed strategic leadership is found in very complex and diversified organisations which interact in a variable and unpredictable environment. Decentralisation follows the

organisation's horizontal expansion into various activities and into various markets. Delegation of strategic decision-making power to lower-level managers and creating an adaptable, market-oriented organisational structure seems like an appropriate choice in such situations.

Effective management of complex business systems requires that responsibility for some of the strategic decisions be delegated to a part of the middle management, as well as that a clear division of labour be established between such middle managers and the upper echelons. This is an organisational decentralisation which is not comprehensive and which includes a limited number of actors. Its result is the establishment of a coalition of top and middle managers, which becomes the holder of the strategic leadership function.

There are numerous examples of highly diversified organisations in which strategic leadership is vertically distributed. Among others, these include General Electric, Johnson & Johnson, 3M, Siemens, Bayer, BASF, Hitachi, Toshiba, Sanyo Electric and Honeywell.

Vertical distribution of strategic leadership can be observed in most global business systems. For example, the multinational pharmaceutical company Novartis, whose products are available in 155 countries around the world, has two basic divisions, which include a large number of business units in around 50 locations: (1) Innovative Medicines, comprising the strategic business units Novartis Pharmaceuticals and Novartis Oncology, which sell innovative patented medicines intended to enhance health outcomes to the benefit of both patients and healthcare professionals, and (2) Sandoz, global leader in generic pharmaceuticals and biosimilars, as well as a pioneer in novel approaches to helping people around the world access high-quality medicines. The complexity of operations and the

related challenges, as well as broad market distribution, affect the structure of strategic leadership as a collective activity of top management and managers of strategic business units of Novartis.

Managers at middle hierarchical levels in such companies have considerable organisational power and great decision-making discretion. There is a clear division of labour and a direct hierarchical relationship between the upper echelons and the heads of strategic business units, which is usually mirrored in the implementation of supervisory mechanisms, the basis of which are planning and performance-monitoring systems. However, both of these organisational layers are actors of strategic leadership: they actively participate in the dynamic adaptation of the organisation to forces and changes in the environment.

5. Tasks and abilities of strategic leaders

Leadership triangle

Approaches based on leaders' traits assume that some leaders possess certain qualities, characteristics and attributes that make them more efficient than others (Bryman, 1986; Stogdill, 1948, 1974). Leaders are born rather than created, and the success of leadership is explained by the possession of special traits that distinguish leaders from "ordinary" people. Or, as the great writer Goethe wrote: *A great person attracts great people and knows how to hold them together.*

This school of thought is called *the great man theory* or, more often, *the trait theory*, with an emphasis on identifying the people who are destined to assume leader positions at all levels in the society, and exploring the important traits and attributes that successful leaders possess or should possess (examples include Kirkpatrick and Locke, 1991; Zaccaro *et al*, 2004; Zaccaro, 2007; Malakyan, 2015).

Talent is the key aspect of leadership. As the renowned management author Peter F. Drucker stressed in *The Practice Management* in 1954: *Leadership is of the utmost importance. Indeed there is no substitute for it (...) But leadership cannot be created or promoted. It cannot be taught or learned (p. 156).*

Stogdill (1974) identifies ten key leadership traits: (1) drive for responsibility and task completion, (2) vigour and persistence in pursuit of goals, (3) risk taking and originality in problem solving, (4) drive to exercise initiative in social situations, (5) self-confidence and sense of personal identity, (6) willingness to accept consequences of decision and action, (7) readiness to absorb interpersonal stress, (8) willingness to tolerate frustration and delay, (9) ability to influence other people's behaviour, and (10) capacity to structure social interaction systems to the purpose at hand.

In Northouse's opinion (2010: 19-21), the best leaders have the following five most important traits: (1) intellectual capabilities, a combination of verbal, perceptual, and reasoning capabilities, (2) self-confidence, reflected in self-respect, self-assuredness, and strong conviction that one has the capacity to attain goals, (3) determination in action, (4) integrity, including honesty and the trust one inspires, and (5) sociability, or the inclination to seek and build social relationships in which everyone will feel comfortable.

It is obvious there is no universally accepted list of leader traits.

Unlike the trait-based approaches, which differentiate between individuals based on their innate traits, skill-based approaches assume that leadership can be learned and perfected over time.

Katz (1955) argues that leaders need technical and interpersonal skills, as well as the skill of abstract thinking. Similarly, Mumford *et al* (2000) underline three important capabilities that leaders can improve: the skills that allow them to creatively solve new and challenging problems, the skills of social judgment (the ability to understand people and social systems), the knowledge that allows analytic and synthetic thinking, and the development of strategies of appropriate action in complex situations. The

outcome of leadership (how well the leader performed their task) is a direct result of these skills.

The leadership skills that are required differ depending on the size and type of the collective, the environment and the situation, the level of hierarchy, and a number of other factors. For example, leaders at the strategic level of large organisations need well-developed strategic thinking skills and the ability to understand the big picture, as well as the skill of networking and building relationships with a number of interest groups in and outside of the organisation, whereas the leaders of smaller units in an organisation need sufficient technical knowledge to act adequately within the given framework, the ability to solve current operating problems, and adeptness at social relations that exist within smaller groups.

Over time, people can perfect their leadership skills and make considerable headway in developing and utilising their leadership potentials. Leadership grows into a discipline that can be learned through experience and lifelong pursuit of new knowledge. Rather than a trait possessed by “a select few” who happened to have been born with distinctive attributes, leadership is a set of skills that are used in working with people, decision-making, and performing collective tasks. Anyone who wants to learn and is persistent enough in their ambitions can hone and bolster their leadership capabilities over time.

In the words of the great US President John F. Kennedy, *leadership and learning are indispensable to each other*.¹⁹ This perspective emphasises that leaders can be made through experience, learning and determined self-work.

¹⁹ In the remarks prepared for delivery at the Trade Mart in Dallas, TX, November 22, 1963 [undelivered]

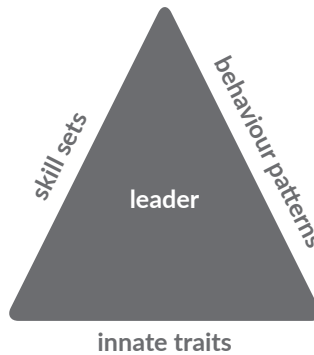


FIGURE 8. “The Leadership Triangle” – Leader’s Perspective

Moreover, observing leaders in different situations can help us understand leadership, which is recognised in the set of visible and comparable activities undertaken by leaders in relation to (1) the members of the collective and (2) the task at hand. Instead of analysing innate traits and skills that can be further developed, the focus is on answering the question what the leaders *actually* do when interacting with the members of the collective.

A number of theoretical conceptualisations touch upon this subject, including, inter alia, McGregor’s X and Y theories (1960), the influential dichotomy of autocratic and democratic leadership, Blake and Mouton’s (1964, 1985)²⁰ leadership grid and Mintzberg’s managerial roles (1973).

Value-based leadership theories are similar to the above-mentioned behavioural models. They are based on identifying a particular way of leading, or leadership style, which comprises collective values, behaviour types, and the form of interaction

²⁰ The original name of the Blake–Mouton model is “managerial grid.” The model was designed to explain how managers help attain the organisation’s goals through two crucial dimensions: concern for results, and concern for people.

between the leader and the followers. The conceptualisations of transactional and transformational leadership are widespread (Burns, 1978; Bass, 1990), and so are charismatic leadership (House, 1976; Howell and Avolio, 1993; Zaleznik, 2009), authentic leadership (Gardner *et al*, 2005; Shamir and Eilam, 2005) and servant leadership models (Greenleaf, 1970; Greenleaf and Spears, 2002; Bennis, 2002; Blanchard and Hodges, 2003).

The presented models point to patterns that are used to recognise specific characteristics of leadership depending on assumed values, different task characteristics, and types of interpersonal relations. These patterns are usually referred to as “leadership styles”: simplified representations and descriptions of leaders’ actions that usually include conflicting behaviour attributes to highlight the available leadership modes.

Strategic leadership and “ordinary” leadership differ in scope and content. Strategic leadership combines strategy and organisational action, helps to align the organisation with its environment, and integrate and guide the collective towards achieving the defined objectives.

Attempts at answering the question “what constitutes strategic leadership” are mostly connected with identifying the tasks performed and jobs held by persons at the managerial top of the organisation.

Researchers have attempted to isolate rounded-off units of their work, systematically present aspects that are characteristic, and try to find common traits that they share irrespective of the type and character of the organisation.

Strategic leadership practices

There is a great number of conceptualisations of components of strategic leadership. Among the most influential ones is the conceptualisation offered by Ireland and Hitt, who define strategic leadership as a personal determinant and a capacity found in the individual holding the top position in an organisation. According to them, strategic leadership can be interpreted as *a person's abilities to anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a visible future for the organization* (Ireland and Hitt, 1999: 43).

The authors have identified six key practices of strategic leadership. These are: (1) determining the strategic intent of the organisation, (2) exploiting and maintaining core competencies, (3) developing human capital, (4) building and maintaining an effective organisational culture, (5) emphasising ethical practices in organisational culture, and (6) implementing balanced organisational control.

The determining of strategic intent of the organisation, according to Ireland and Hitt (1999), is a key and distinguishing element of strategic leadership. Shaping a clear vision for the organisation in a way that incorporates the impacts of present and future environment factors in the planned action is the primary task or, as Lear (2002) pointed out, the *primary mission of strategic leadership*. The authors highlighted the importance of upper echelons in the company when it comes to creating purpose and general guidelines that the organisation is to follow, as well as communicating the vision inside the organisation and outside it. It is a perspective that, in our opinion, is based on a non-critical assumption that shaping of vision is the task of only the CEO (or a team of top managers), who possess the managerial discretion that allows it.

Exploiting and maintaining of core competencies of an organisation is based on the strategic leaders' ability to explore and recognise the distinguishing determinants that can ensure the organisation's survival advantage in relation to other entities. Core competencies are *bundles* of knowledge, skills and technologies acquired through organisational learning within the company, particularly about how to coordinate different production-related knowledge, harmonise core technologies, organise work and deliver value to markets (Prahalad and Hamel, 1990: 68). They can be defined as something that the organisation does *exceptionally well* in comparison with its competitors. As a complex and integrated set of complementary technologies, skills and knowledge, they excel through organisational processes and ensure superior coordination of business activities and use of available resources. They are critical for organisational survival because they are the source and foundation of defensible competitive advantage (Post, 1997: 733), so the role of strategic leadership in managing core competencies is a major one.

Human capital development describes an orientation to members of the organisation by investing in their knowledge and developing individual competencies and abilities. Ireland and Hitt (1999: 50) underlined: *Strategic leaders are those who view organizational citizens as a critical resource on which many core competencies are built and through which competitive advantages are exploited successfully*. Hence, they need to attract and keep on board the best available talents and continually invest in their education in order to further strengthen their skills and abilities (Hitt *et al*, 2010).

Building and maintaining an effective organisational culture is an important component of strategic leadership, considering that culture provides a context in which strategies are created and implemented and comprises a complex collection of ideologies,

symbols and essential values that are shared within the organisation. It is connected with the mode of action and processes of organisational innovation and changes necessary in order for the organisation to adapt to variable environmental factors. It is intended to motivate members and organisational performance, and it is to support planned change. Strategic leadership needs to create space for improvement and adaptation of organisational culture to selected strategic options and directions of action.

Putting emphasis on ethical practices in organisational culture refers to the leader's influence on beliefs, behaviour and decisions made in the organisation. Ethical action is connected with trust and credibility of the organisation among key constituents. It has been underlined that ethical practices serve as a *moral filter* in the creation and assessment of potential courses of action, that strategic leaders need to act with honesty, trust, and integrity (Ireland and Hitt, 1999: 51), and that their conduct reflects in the actions and performance of all other members of the organisation. It has also been highlighted that there are challenges that leaders face in (1) defining normative values that guide the organisation, and (2) reconciling cost-effectiveness with doing what is morally correct.

Implementation of balanced organisational control is a component reliant on procedures used by leaders to envisage, design, maintain or change organisational activities and to oversee the achievement of strategic objectives that emerged as an element of the shaped vision. The authors underline two types of control relevant for heads of organisations: (1) strategic control, which requires exchange of information with key actors in the collective and for which they need to have in-depth knowledge of the dynamics and the conditions of the organisation's alignment with its environment, and (2) financial control, which is to ensure adequate monitoring of performance based on key performance

indicators and other elements relevant for the organisation's activities.

Other authors have a similar approach to presenting the tasks and activities of strategic leadership.

House and Aditya (1997: 445), for instance, emphasize that the task of strategic leaders involves: (1) making strategic decisions about products and markets, (2) selecting key managers, (3) allocating resources based on key organisational components, (4) defining objectives and strategy, (5) providing guidance for the organisation, including by taking into consideration its scope of activity, (6) conceptualisation and implementation of organisational design and main infrastructural components such as remuneration, information and oversight systems, (7) representation of the organisation in relations with financial institutions, the government, employee and client representatives, and (8) negotiation with key constituents in order to ensure legitimacy and access to resources.

A number of authors have tried to conceptualise the tasks of strategic leadership by identifying the characteristics of practices of recognisable and influential leaders who have proved themselves as successful in their work.

Locke (2002), for example, isolated a group of clear institutional guidelines based on the leadership of Jack Welch during his term of office at General Electric, which can be used by strategic leaders as a guide to action. The advice was as follows: (1) show integrity, (2) hate bureaucracy, (3) be open to new ideas, regardless of the course, (4) pursue high quality, low cost, and speed, (5) have self-confidence, (6) have a clear, reality-based vision, (7) have a global focus, (8) use stretch goals and differential rewards, (9) view change as an opportunity, not as a threat, and finally, (10) possess energy and *energize* others.

Aptitudes of strategic leaders

Strategic leaders bring together complex roles and tasks of leadership and strategic management.

Hambrick (1989) isolated four dimensions characteristic of strategic leaders: (1) they are responsible for understanding the environment and connecting the organisation with it, (2) indefiniteness, ambiguousness, complexity and overflow of information are part of their day-to-day work, (3) their job is a multifunctional one, and (4) they have to rely on others to get things done.

This kind of leadership needs to play a role in predicting the future, creating value for stakeholders, using the technology, and encouraging the members of the organisation in their common action (Hinterhuber and Friedrich, 2002).

There are three types of capabilities that strategic leaders should possess. These are: (1) conceptual capacity, which leaders should possess in situations of cognitive complexity (organisation's internal and external ambience, as well as unstructured or ill-defined problems), (2) behavioural complexity, which is an ability to enact different and sometimes opposing roles, (3) proper acceptance of social complexity, especially in situations when actions and significant changes are proposed (Bass, 2007; Zaccaro, 1996). As these authors highlighted, strategic leaders are *boundary spanners* that connect actors in networks existing within the organisation and outside it, including competing and cooperating groups and individuals, different functions and processes relevant for collective action, and alike.²¹

²¹ The term "boundary spanners" was coined by renowned scholar Tushman (1977). With the exception of closed systems, all systems involve a transference across their boundaries and this process is facilitated by boundary spanners.

Unlike “ordinary” managers, leaders tolerate chaos and lack of structure; they accept risks and are willing to postpone the resolving of important issues in order to develop new perspectives and approaches that may completely change organisational conduct.

It is a widespread belief that strategic leaders ought to possess the ability to question the world beyond known boundaries as well as the ability to construct reality in order to encourage, lead and implement organisational change. They are determined by their capacity to create great force and to sift out the important from the unimportant elements of all reality.

Similarly, some authors emphasise that strategic leaders have to have the capacity of creating vision, being an example, and generating added value for the organisation and key stakeholders (Hinterhuber and Friedrich, 2002; Ireland and Hitt, 1999).

In order to achieve this, they need to develop the capacity of strategic thinking (which involves deductive and inductive reasoning, critical and logical thinking) and of thinking in terms of time (from the past toward the future). They also need to think flexibly, be imaginative and creative, and have the capacity to test hypotheses about reality (Goldman, 2012: 27; Liedtka 1998).

An important skill found in leaders is their ability of *catalysing commitment* in their members, as well as organising resources and developing personal strengths that are essential for long-term success (Collins, 2001). Apart from technical knowledge, they need to possess cognitive ability and emotional intelligence that facilitates their work with others and helps in leading change (Goleman, 1998: 36).

Strategic leaders also need to create a context for development of organisational abilities and communication of core values to members of organisation so that they may become a committed and engaged part of the collective (Boal & Hooijberg, 2000).

Abraham Zeleznik claimed that leaders need to create ideas, be inventive and different, know how to attract and motivate followers; a personal and active approach to objectives is their trait, and so is the creation of moods, invocation of imagery and voicing of expectations in order to successfully influence others. They have more in common with artists, scientists and other creative thinkers than with classic managers. The influence of a successful leader, as Zeleznik (1992: 17) believes, *changes the way people think about what is desirable, possible, and necessary*. Leaders encourage emotions and commitment, they develop the identification of members on multiple levels (with them, with the vision and with the organisation) and create loyalty, which is indispensable when it comes to achieving excellent results.

Some efficient leaders, like Jack Welch for instance, emphasise the importance of *simplicity* in delivering the message and in acting, and point out that simplicity is a trait of insightful and capable individuals (Lowe, 1988). Simplification ensures that important content is recognised in the leader-followers relation, thus enabling focus, which is essential for success in performing tasks.

Cognitive simplification is inevitable if there is a strong need to control: it is easier to send simple, clear messages than to communicate in too much detail, by presenting complex arguments.

The attractiveness of simple messages helps to accept influence more easily (Taylor, 2006: 288). English-born writer Michael Korda wrote: *Great leaders are almost always great simplifiers, who can cut through argument, debate, and doubt to offer a solution everybody can understand*.

Briefly put, successful leaders create guidelines and integrate the collective, they give purpose and instil meanings in organisational

life, contextualise learning, take calculated risks and make a difference through their decision-making and action.

The best among them shape the future and radically change the understanding of organisational existence by imbuing it with new identities, and stretching the boundaries of value creation to an unimaginable scale.

At the same time, they need to have the capability to recognise and understand their own moods, emotions and impulses, as well as their impacts on other individuals and on the collective (self-awareness).²² They are capable of estimating their own strengths and weaknesses: this involves making a realistic self-assessment and setting goals in the context of complexity of multiple relationships within the collective and the environment. They are aware of their limitations, self-confident and honest to themselves and others.

Finally, their quality should be the ability to control themselves, or in other words, they need to be able to control and redirect obstructive impulses and temperament. As Goleman (1998) emphasised, self-regulation is a tendency to suspend judgement in order to think before acting. Strategic leaders should not be the prisoners of their own emotions and they need to radiate confidence, trust and fairness.

²² Self-awareness and self-regulation, together with other elements of emotional intelligence (motivation, empathy, and social skills) are important for balanced behaviour of strategic leaders, and comprise their original competency (Goleman, 1998).

Top managers as strategic leaders

Considering that the top positions in organisational pyramids are occupied by CEOs, chairmen of the board and other board members, it is interesting to take a closer look at their main traits.

According to a research of consultancy company Heidrick & Struggles conducted in 2019 on a sample of 906 leaders from 16 developed countries, an average CEO is 56 years old. He has held his office for six years, which means that he was 50 when he assumed the leadership position. Three quarters of the survey participants (76%) had had previous experience working in a team of top managers, and 39% of them were leading managers on their previous positions as well. Only 5% of the formal leadership positions are held by women (the highest percentage is found in Norway – 16%), and the data is no better when it comes to newly appointed female CEOs either: there are only 9% of women.²³

The following question arises: are all those who hold top managerial positions in organisations actually strategic leaders? We are not alone in thinking that the answer does not have to be affirmative (e.g., Goffee and Jonas, 2000).

There are numerous, formally appointed heads of organisations that lack even the basic traits of leaders and are incapable of dealing with complex issues and challenges in the organisation and its environment. They can be great professionals and experts, as well as experienced, good managers, but this does not give them any guarantee that they will be good strategic leaders.

²³ Analysis was made based on a sample of CEOs of the listed companies from 16 countries: Australia, Belgium, China, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, and USA. The obtained data reflect the situation as at 9 September 2019: https://heidrick.com/Knowledge-Center/Publication/Route_to_the_Top_2019

In short, there is no equivalence between top managers and strategic leaders. All strategic leaders are in most cases (but not always) top managers, but not all top managers are (and do not necessarily have to be) strategic leaders.

There are many managers who lack leadership traits and do not take on the roles that leaders should play; they are focused on their managerial function and they are more or less successful in doing precisely that. Achieving great results, having strong ambition and the skill of quick problem solving is important, but it does not complement the set of traits and skills that leaders have. On the other hand, leaders need not even be managers at all: some of them never assume the full array of roles and assignments that constitute a managerial job position.

Managers, true to their nature, strive to an organisational structure that is based on order and supervision, they avoid uncertainty and risk, and they always attempt to establish order in chaotic and unpredictable situations, regardless of the fact that this may sometimes be harmful for the organisation. As highlighted by Zeleznik (2005: 19) in a retrospective commentary of his influential article written in 1992, they *seek order and control and are almost compulsively addicted to disposing of problems even before they understand their potential significance*.

We might add that managers need to be instrumentally rational and, to use the vocabulary of Max Weber, reliant on *formal rationality* when it comes to means and ends (in German: *Zweckrationalitat*), which is directly connected with the basic definition of managers.²⁴ There is no doubt that managers play an

²⁴ There are four types of rationality that can be identified in Weber's opus: practical, theoretical, substantive, and formal rationality, and they are based on the fourfold typology of social action: affectual (based on affect), traditional ("because it has always been done that way"), value-rational (in consideration of ideological, philosophical and religious values), and means-end rational

important role in the Weberian “disenchantment” of the world (in German: *Entzauberung*)²⁵ or in other words, in the creation of a modernist ambience where performativeness is placed on a social pedestal. Nevertheless, they are not always world-changing leaders.

Results of a study conducted in 2015 by consultancy company PriceWaterhouseCoopers on a sample of 6 thousand leaders of large companies supports this view. Only 8% of the subjects possessed traits that can be attributed to strategic leaders, those capable of leading and managing organisational transformations. Similar results were obtained in a research conducted ten years earlier (at which occasion the analysed population was found to comprise 7% of strategic leaders).

Strategic leaders have the capacity, according to PwC’s researches, to challenge the predominant view of the world without cynicism and to deal with tensions and paradoxes. They see the big picture but also the “narrow” one; they successfully change direction of action if the present one turns out to be wrong; they combine formal authority with integration and encouraging of togetherness, all the while acting with deep humility and respect of others. An interesting piece of information is the fact that there are more female strategic leaders (10%) than male ones (7%). The number of strategic leaders increases with the subject’s age, with most leaders

action (Kalberg 1980). Substantive rationality (value-based, *Wertrationalität*) requires coherence between economic behaviour and values, whereas formal rationality (instrumental, *Zweckrationalität*) requires coherence between means and ends (Boldizzoni, 2011).

²⁵ Max Weber emphasizes that the fate of our time is characterized by rationalization, intellectualization and, above all, the “disenchantment of the world”. To Weber, disenchantment (in German: *Entzauberung*), literally *demagification*, is an important concept closely connected with the process of rationalization and modernization of Western societies (e.g. Weber, 2006).

being found among subjects older than 45 years of age (Leitch *et al*, 2016).²⁶

The conclusion is clear: those that possess the highest authority and the largest responsibility in an organisation are top managers, but not all of them are capable of being strategic leaders at the same time.

More cautious advocates of the *strategic leadership theory* (commonly known as the *upper echelons theory*) take this fact into account. The use of the attractively coined term “strategic leadership” in the description of managerial structures on the top of an organisation (and in the name of the theory) can be understood in two ways, and it can result in leadership attributes being seen as a necessary component of organisational heads. This is why some authors believe that other, less “laden” words should be used for the purposes of the theory, words like “headship” or “executiveship”, which hint to the manager’s top position without causing any confusion language-wise or content-wise, as they believe the term “leadership” does (Finkelstein *et al*, 2009).

Moreover, this kind of approach narrows the examination of strategic leadership by focusing it on traits and roles of managerial heads, which is in contrast to our conceptualisation of strategic leadership as a feature of an organisation that can appear in a myriad of different manifestations, with the embodiment of a powerful and inspiring individual at the top of the hierarchical pyramid being only one of the possibilities.

²⁶ Methodology used in PwC’s research was developed by David Rooke and William Torbert. It involved a series of open-ended questions aimed at identifying leadership preferences and other important attributes that indicate to elements of strategic leadership.

6. Integrity, authenticity, and sense of balance

Qualities of strategic leaders

Strategic leadership demands the best from the best: a myriad of innate and acquired capabilities and skills are needed in order to properly manage complex collectivities.

One can identify the basic qualities of strategic leaders depending on two related perspectives: traits that are connected with one's personality and manner of behaving ("internal world") and traits that demonstrate the ability to perceive and interact with the present and future environment ("external world").

The central quality of strategic leaders is integrity; without it, the remaining elements of leadership cannot be built. The main internal qualities that determine a leader are decisiveness and balance, whereas the inventive capacity of creating a future environment (imaginativeness) and developing relationships with members of the collective and other individuals (sociability) represent the qualities that are the pillars of the leader's external world.²⁷

²⁷ There are numerous approaches to identifying the characteristics that strategic leaders should have. For example, Hinterhuber and Friedrich (2002) noted that good strategic leadership requires credibility, resourcefulness, courage, trust, self-confidence, sense-giving and social contribution. Others,

Firstly, unconditional consistency and ethical conduct are two basic pillars that form the integrity of strategic leaders, and the most important consequences are reliability, trust and credibility perceived by organisational actors. Leaders with integrity rely on moral principles, reliability and fairness in their day-to-day actions. A leader's fairness is achieved in their relationship with others and it is the mirror of their integrity.

Honesty, integrity, observance of principles and infallibility of a leader create trust and respect by others, strengthen credibility and form a desirable ambience conducive to achieving of common goals. The task of the strategic leader is to build an environment in which integrity will be the foundation of conduct of all members of the organisation.

Renowned leadership author Brigette Hyacinth (2017) highlighted that *integrity is everything*; in other words, that the leader's ability to influence others is primarily based on trust and integrity.²⁸ A similar conclusion has been reached by Professor David M. Long, who, based on results of extensive research, found integrity to be the main determinant of successful leadership, together with benevolence and leadership capacity.²⁹

Secondly, decisiveness is the imperative of strategic leadership. How can you follow someone who is incapable of making decisions? People may accept the leader's values and vision, but

for instance Hosmer (1982), believe that leader qualities can be observed through two highly developed abilities: (1) capacity for strategy development, and (2) potential to influence followers.

²⁸ Integrity is Everything!, <https://www.linkedin.com/pulse/integrity-everything-brigette-hyacinth/> (accessed 29 June 2020)

²⁹ Results of research conducted by consultancy company Robert Half Management Resources show that both leaders and employees see integrity as the most important characteristic of organisational heads. The sample included over 1000 office workers and more than 2200 CFOs. See: <https://execed.economist.com/blog/industry-trends/why-integrity-remains-one-top-leadership-attributes>

they will only follow such leader if they recognise perseverance and resoluteness in the implementation of defined objectives.

Decisive leaders are daring and persistent in their intent; they are capable of taking risk in order to face the challenges and get to grips with opportunities that might bring added value or minimise losses. They have to be bold in their endeavours and must not delay or avoid the making and implementation of decisions without good reason or rational explanation.

The main element of decisiveness is the leader's faith in him/herself. Great achievements are based on self-confidence and the potential to transpose that emotion into the collective. Without self-confidence there can be no ambitious objectives, risk-taking or determination by strategic leaders to directly approach problem-solving and important decision-making.

A strategic leader's confidence is directly affected by their experience, wish for self-realisation and for proving themselves, as well as by the level of power they possess and the need for more power (Mowday, 1979: 712).

Self-confident strategic leaders accept uncertain and ambiguous environmental elements and are good at dealing with the challenges they bring. They are open and ready for change, and they are not reluctant to take risks and enter unknown and unexplored terrain. As Steve Jobs once said: *The people who are crazy enough to think they can change the world are the ones who do.*

Thirdly, prominent strategic leaders are imaginative. To be more precise, the best ones among them are resourceful, creative and playful, full of unusual and interesting ideas; they see what others cannot see and are willing to paint reality in surprising colours. They create, as the great Pessoa (2001) wrote, *...that moment of the imagination we call reality* (pg. 198); they shape our future and inspire present and future generations.

Logical thinking and information interpreted through existing paradigms cannot explain the leaps of imagination that bring new perspectives on reality or construct a completely new reality. Insightfulness and imaginativeness are found in the best strategic leaders: departure from logical, consistent and non-contradictory thinking can be an important step in the finding of new paths and spaces where the organisation can exist in the long run.

Fourthly, harmoniousness emerges through balanced thinking and acting regardless of the conditions and complexity found in the environment or the degree of demandingness of the problems and challenges the leader is faced with.

Balanced action is based on wisdom, moderation and humility of the strategic leader, who needs to ensure that every member of the collective duly receives what belongs to them based on their roles and duties, and to provide consistent leadership of the organisation in the process.

Finally, sociability is the art of connecting with others in different social constellations. A strategic leader needs to possess a triad of abilities: (1) bringing people together and integrating the collective, (2) motivating those that they lead, and (3) social networking and social capital construction. At the same time, the leader needs to possess the capacity to guide and integrate the collective in a common purpose.

A high level of social capital is an important element of the capabilities of the best strategic leaders because they use it as a valuable resource in the structure of complex social relations, which can have a significant impact on the efficacy of their work and of the organisation they lead.

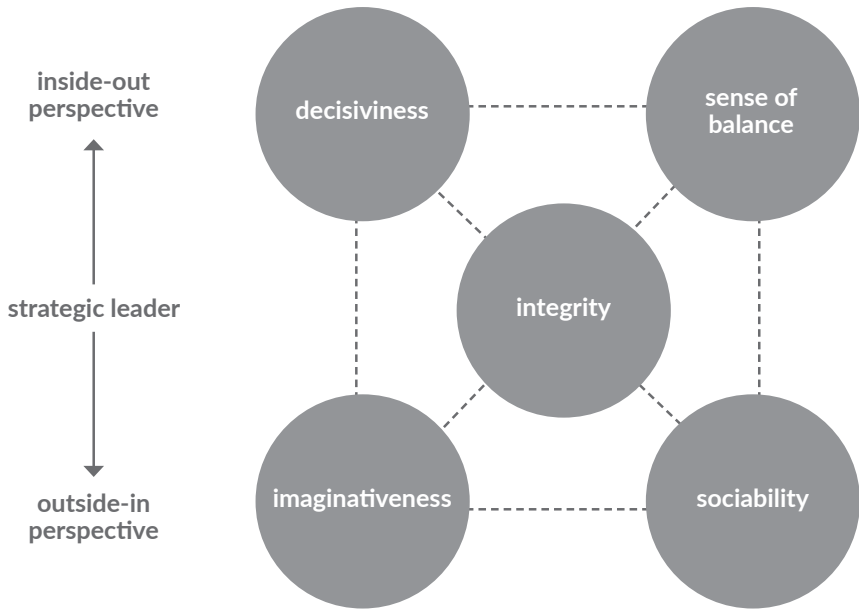


FIGURE 9. Five Qualities of First-class Strategic Leaders

Integrity

Having integrity (Latin: *integritas*) means being true to oneself, being consistent in action and not straying from one's own principles and values. Integrity also plays a role in the context of an individual's ethical dimension, their moral correctness, trustworthiness, honesty and resistance to vice.

Integrity implies an individual's completeness and well-roundedness, unconditional unfalteringness, firmness in belief, and personal infallibility in situations that bring temptation, pressures, challenges or threats. It could be defined as the *perceived degree of congruence between the values expressed by words and those*

expressed through action (Simons, 1999:39, as cited in Worden, 2003), or more simply put, as “*consistency between word and deed*” (Worden, 2002:33), where consistency means application of the same basic principles to different problems, situations and personal relations that the leader is faced with. Integrity can also be perceived as lack of unethical behaviour, or in other words, moral firmness in a leader (Badaracco and Ellsworth, 1990: 29).³⁰

Integrity is always *personal integrity*, a quality that keeps a person firm in their beliefs, regardless of the pressures coming from the environment or from other individuals (Gea, 2016: 361). A person with integrity refuses to compromise when faced with problems, inconvenience or temptation (Paine, 2005: 248).

Integrity is not just one of many desirable characteristics; instead, it is the monolithic cornerstone of successful leaders' personality. It is believed that it is a crucial category when it comes to understanding leadership (Badaracco and Ellsworth, 1989) and an important attribute of strategic leaders (Kouzes and Posner, 2002).

It implies a deep commitment to doing the right thing for the right reasons, no matter the circumstances (Hopkin, 2012). It cannot be observed beyond the moral framework, just like moral relativism cannot be an appropriate basis for examining the integrity of strategic leaders. Universal ethical principles need to be the substance of integrity, and not some constructed set of commonly agreed principles or values the nature of which might even be questionable. For instance, honesty is at the core of any personal integrity and there is no relativist position that might bring that into question.

³⁰ In organisational science, as Palanski and Yammarino (2007) claim, there are not many theoretical approaches or empirical studies dealing with integrity, nor is there any clear, universally accepted definition of integrity.

Observance of moral and ethical principles does not imply merely the following of existing rules of conduct but rather a deep understanding and an honest, unquestioning acceptance of core values as the basis for a person's actions.

People who were at the strategic apex of Enron, once one of the most innovative and promising US corporations, are examples of leaders who lacked integrity. The success of this corporation was rooted in elaborate frauds, lies and breach of legal and moral principles; the greed of those leaders was immense, and their corporate management catastrophic; all that resulted in numerous people and organisations defrauded, the national economy shaken and trust in the capital market broken. Lack of integrity in the leaders - Lay, Skilling, Fastow, and others - started an avalanche that ended in the corporation's collapse and massive losses for the society.

Bebek (2005: 26) explained that credibility vis-à-vis the environment (collective, other individuals) is only attainable if the leader possesses self-credibility. It is only possible when there is no difference between promises made to others and promises made to oneself: believing in a leader is possible only if the leader believes in him/herself.

Definition of leadership based on classic ontology implies the existence of a collective and followers ("the others") and certain expected achievements ("outcomes") that give sense and reason for that process. A leader needs to possess the capacity of self-understanding, which often involves being "at war with one's self", considering that perfect harmony between one's self and the aspirations arising from collective action is impossible to achieve. These inner wars often cause the leader to re-evaluate accepted fundamental values, especially in situations where the interest of the collective is in conflict with the interests of individual actors. The leader also cannot take for granted the

famous *golden rule of conduct*, whether in its negative version (“Don’t do to others what you don’t want done to you” or in the affirmative one (“Do to others as you would have them do to you”)) (Kirkeby, 2008: 16).

An example of a leader with strong integrity was Nelson Mandela. The speech he held in 1963, facing charges of treason and possible death penalty, resounded worldwide. In the trial, he made the following arguments: *During my lifetime I have dedicated myself to this struggle of the African people. I have fought against white domination, and I have fought against black domination. I have cherished the ideal of a democratic and free society in which all persons live together in harmony and with equal opportunities.* At this point in the speech, he made a pause, and then looked at the judge and said: *It is an ideal which I hope to live for and to achieve.* Finally, he concluded: *But if needs be, it is an ideal for which I am prepared to die.* (Sampson 1999: 192, as cited in Pillay, 2014: 34).

Having integrity is not equivalent to being infallible. The ability to recognise, accept and rectify one’s own errors is an important part of the best leaders’ character.

People without integrity are inconstant and dubious. As Marcus Aurelius emphasised two thousand years ago: *Never value anything as profitable that compels you to break your promise, to lose your self-respect, to hate any man, to suspect, to curse, to act the hypocrite, to desire anything that needs walls and curtains* (2001: 34), and especially: *Do not be whirled about, but in every movement have respect to justice, and on the occasion of every impression maintain the faculty of comprehension or understanding* (2001: 45).

Top quality when it comes to leadership undoubtedly lies in integrity. The famous US general and president Dwight D. Eisenhower said: *The supreme quality for leadership is unquestionably*

*integrity. Without it, no real success is possible, no matter whether it is on a section gang, a football field, in an army, or in an office.*³¹

Leaders are recognised by their views and beliefs that are inseparably interwoven around the narrative, the action patterns and the symbolic activities that mirror integrity. Any action that departs from that creates reservedness, confusion, suspicion, insecurity and distrust in the collective; it often results in reduced harmoniousness and the dilution of the bonding elements of the organisation; the commitment of members and their focus on fulfilment of the vision becomes threatened.

Warren Buffett said that we need people who possess three qualities: intelligence, energy and integrity. However, if people don't have integrity, intelligence and energy become completely irrelevant.³²

Enactment of integrity, as emphasised by Worden (2003: 36), results in *construction of new meanings in a larger picture involving values and purposes that enhance the relational life of the whole*. The leader's integrity is the driving force of positive organisational culture in which ethics and responsibility emerge as the strongholds of organisational existence. On the other hand, leadership without integrity destroys the collective from within and weakens its externalised image and integration in the environment.

The leader's integrity is the binding element of the collective's shared aspirations. It provides a sense of certainty in the followers in terms of believing that the set principles will not be broken,

³¹ Cited from: Williams, T., Why Integrity Remains One of the Top Leadership Attributes, <https://execed.economist.com/blog/industry-trends/why-integrity-remains-one-top-leadership-attributes> (accessed 29 June 2020)

³² Cited from: Integrity, the cornerstone of leadership, https://www.people-mattersglobal.com/blog/leadership/leadership-integrity-20756?utm_source=peoplematters&utm_medium=interstitial&utm_campaign=learnings-of-the-day, (accessed 29 June 2020)

it decreases their vulnerability in challenging situations and strengthens the group. The leader's integrity mirrors reliability, credibility and prudence; it acts as a support for the followers, it encourages and inspires them.

A good example of strengthening of integrity is *The Four Way Test*, designed and affirmed by Rotarian Herbert J. Taylor, who in 1932 took over the management of a company called *Club Aluminium Products*, which was on the verge of complete collapse, practically about to go bankrupt.

His recovery plan began with a change of ethical climate: he wished to instil the right values in everyone in the company. He wrote down a framework for conduct in the form of four questions, and it was obligatory in the sense that it was to be used to think each activity through. The goal was to develop guidelines that will ensure fair and proper treatment for everyone, in any situation, without exceptions. This is considered to have been the move that helped successful recovery of the company and its emergence from crisis.

In 1943, *Rotary International* adopted *The Four Way Test* as a guideline to be used by all Rotarians in order to determine whether certain action is ethical or not. With respect to the things we think, say or do, the following four questions need to be answered: (1) Is it the truth?, (2) Is it fair to all concerned?, (3) Will it build goodwill and better friendships?, and (4) Will it be beneficial to all concerned? Herbert J. Taylor was a successful Rotary International President in Rotarian year 1954-55.

Mahatma Gandhi, Václav Havel, Martin Luther King and Angela Merkel are some examples of political leaders that boasted unquestionable and recognisable integrity. In the business world, strong integrity is often associated with Bill Gates (Microsoft), Howard Schultz (Starbucks), and Anne Mulcahy (Xerox), among others.

Importance of authenticity

Strategic leaders need to be authentic in order to be a true inspiration for members of the collective.

Being authentic means being true to one's self, original and free of any falsehood, without the need for validation from others.³³ Authentic individuals are genuine, they are open in their preferences and beliefs, always consistent and true to themselves, without any reservations or hypocrisy in terms of how they present themselves to others. They behave completely in congruence with their inner self.

Authentic leadership was first mentioned two decades ago in scientific and professional literature. It can be defined as *a process that draws from both positive psychological capacities and a highly developed organizational context, which results in both greater self-awareness and self-regulated positive behaviors on the part of leaders and associates, fostering positive self-development* (Luthans and Avolio, 2003: 243).

The need for the upper echelons of modern-day organisations and institutions to have integrity, be honest about who they are, and act in line with the values that are based on a universal morale, was what started the development of this interesting construct (Avolio *et al*, 2004; Cameron *et al*, 2003; Cooper and Nelson, 2006; Luthans, 2002; Luthans and Avolio, 2003).

Authentic leaders possess a deep awareness of how they think and behave; others perceive them as aware of their own values, moral perspectives and knowledge, as much as of the values, moral perspectives and knowledge of others; they are attuned to

³³ Authenticity has its origins in the Greek language (*Greek*: αυθεντικός *authentikós*), which means genuine, valid, credible and original.

the context in which they operate; they are self-confident, full of hope, optimistic, resilient, and morally strong (Avolio *et al*, 2004).

Honesty is the prerequisite for authentic leadership, together with recognition and communication of one's own strengths and weaknesses (George, 2003). Authentic leaders do not have the need to pretend to be something that they are not. Illusion is not their strategy, and they avoid any masquerading or pretending in their relationships with others, trying to use a rhetoric of truth to open up space for collective understanding.

Leading by example is an important norm in authentic leadership. Model behaviour inspires others and creates a stimulating ambience in the collective. Authenticity promotes relationships of trust between the leader and the followers (Gardner *et al*, 2005).

Walumbwa *et al* (2008) listed four dimensions of authentic leadership: (1) self-awareness, (2) relational transparency (3) internalised moral perspective, and (4) balanced processing, which involves evaluation of important information before making a decision.³⁴

Self-awareness is greater if the leader seeks feedback on how to improve their relationships with others and is able to accurately describe how others perceive their competence.

Relational transparency exists if the leader accurately communicates the meaning of their action and is willing to admit to mistakes when they have been made.

³⁴ Other authors underline that authentic self-regulation processes involve internalised regulation, balanced processing of information, relational transparency, and authentic behaviour (Gardner *et al*, 2005). This is similar to the views of Ilies *et al*, (2006) who included unbiased processing, authentic behaviour/action, and authentic relational orientation in the authentic leadership model.

An internalised moral perspective characterises a leader who demonstrates beliefs that are consistent with actions, one who makes decisions in accordance with their fundamental beliefs.

Balanced processing is recognised in situations when the leader looks for different perspectives that challenge the leader's entrenched position, and carefully examines different views before making their own conclusions.

Leader authenticity creates, in and of itself, a potential to influence the followers, and helps develop transformational leadership based on ethical principles. It is a prerequisite for stronger bonding of members and *eo ipso* an important factor in collective integration. Authentic leadership can thus be observed as a "root construct" underlying both transformational and ethical leadership (Avolio and Gardner, 2005).

Sense of balance

Sense of balance helps strategic leaders achieve their own and collective intentions. It is based on wisdom, moderation and humility, and it is associated with justice and integrity in terms of moral correctness in one's own and in organisational action.

Firstly, wisdom is a virtue found in strategic leaders who have experience and knowledge, who can extract that which is important, and who have a good ability of drawing conclusions. Wise leaders have an in-depth perception and potential for seeing the bigger picture, they are capable of seeing the proverbial wood by actually looking at the trees; they are analytical and synthetical at the same time.

They can recognise the true role and place that the organisation plays in its environment, take note of the critical connections with

other entities, and get an idea of the totality of relations based on observed or researched behavioural patterns or perceived clues of reality.

All wise leaders are smart, but not all smart leaders are wise. It was the great Egyptian writer Naguib Mahfouz who said: *You can tell whether a man is clever by his answers. You can tell whether a man is wise by his questions.*³⁵

Wisdom is acquired through experience: it gradually emerges from understanding past successes and mistakes, comparing and understanding the behaviour of others, and increasing responsibility to one's self and to the collective. Experience is important for wisdom, but it is not a guarantee of becoming wise. Famous playwright Bernard Shaw emphasised that *men are wise in proportion, not to their experience, but to their capacity for experience.*³⁶ Leaders who lack wisdom see a world of scarcity and are intolerant of diversity (Bebek 2005: 35). Their decisiveness turns to rashness, and self-confidence becomes farcical.

Besides that, strategic leaders need to also possess the virtues of humility, moderation and fairness, and refrain from arrogance, selfishness and excessive pride.

Humility is the opposite of arrogance and narcissistic aberration, which may produce dysfunctional effects. Humility is not a hurdle for self-confidence but rather it is an important trait that allows the leaders actions to be assessed seriously, by recognising the leader's own limitations. It helps the leader to better understand his/her position and appreciate others, especially those they are supposed to lead and who, together with the leader, comprise the collective.

³⁵ Naguib Mahfouz, quoted in: Michael J. Gelb (1996)

³⁶ Shaw, *Maxims for Revolutionists* (1903)

Strategic leaders need to know themselves well and not overestimate their own abilities; they have to respect their co-workers and partners, and ask for advice or help without hesitation; they should also resist boasting and know how to share credit for accomplishment and success.³⁷ Their openness and acknowledgement of the contribution of others encourages better mutual understanding, creates a culture of dialogue and reduces organisational tension. Wisdom is based on true humility.

Renowned Kellogg Professor Harry Jansen Kraemer, Jr. noted: *[L]eadership is a delicate balance of true self confidence and genuine humility.* As he further noted, one has to motivate and challenge team members in a respectful way and “*not driven by the need to ‘be right’, but rather to ‘do the right thing’.*”³⁸

Furthermore, moderation is an ideal of excellence of character, which is based on the ancient Greek concept of *sophrosyne* (Ancient Greek: σωφροσύνη), more often referred to in this context as temperance. *Sophrosyne* is one of four cardinal virtues (together with prudence, fortitude, and justice) which were recognised by Plato and subsequently further developed by Cicero, Thomas Aquinas, and others.

Moderation stimulates the mind and enables prudence, self-control, internal and external balance, and it strengthens other qualities that the leader has or may have. When they possess this virtue, leaders will not cross the defined boundaries of common sense in order to meet the needs or fulfil the goals of individuals or of the collective, including the leader’s own goals as well. Any

³⁷ An interesting article on leadership and humility was published by Jim Collins (2001). He placed the combination of professional will and personal humility at the highest level of leadership (“Level 5 leadership”).

³⁸ Theory: A delicate balance of self-confidence and humility defines true leaders, <https://www.kellogg.northwestern.edu/kwo/spr06/departments/theory.htm>, (accessed 29 June 2020).

kind of excessiveness, especially greed and avarice, destroy the relations within the collective. Self-controlled, moderate leaders are more likely to succeed in harmonising intra-organisational conduct with more efficacy and less effort than those who lack those virtues.³⁹

Finally, strategic leaders need to have a proper relationship with others: they have to be fair so that their integrity may be given full substance. Philosopher John B. Rawls (1971) highlighted that justice is *the first virtue of social institutions, as truth is of systems of thought*, and that what is right and desirable (as opposed to utilitarianism) is that which is just (as cited in Berdica, 2013).

Plato claimed that the only idea superordinate to the concept of justice or righteousness (Ancient Greek: δικαιοσυνη - dikaiosyne) is the concept of goodness. He, just like Aristotle, saw justice as the highest (the “perfect”) virtue.

Thomas Aquinas explained: *Justice is a constant and perpetual will to render to each his or her due*. This will is both individual and collective: it can be accepted as the predominant rule of conduct and the backbone of mutual adjustment and organisational harmonisation.

³⁹ Some authors believe harmoniousness to be at the core of leadership. Bebek (2005), for example, emphasised that integrative leadership is based on four objective types of harmony (spiritual, strategic, mental and operational).

7. Imaginativeness, decisiveness, and sociability

Imaginativeness

Strategic leadership involves the processes of creative thinking, vision-making and innovation. It necessarily requires a step away from conventional thinking and an ability to see beyond the boundaries, beyond the horizon.

A successful strategy is mostly imagination and an exploration process: visionary inventiveness of creative individuals turned into organisational action. The best strategic leaders are almost inconceivable without imaginativeness.

In modern-day world, structure, consistency and certainty rarely accompany strategic action. Strategy is often shaped in new, relatively unknown and underdefined conditions, in contexts that involve poorly structured elements and a high degree of uncertainty.

The world of disruption has irreversibly gripped us in its embrace, bringing with it new rules of conduct and ways of interacting in the environment. Creative and innovative solutions, new business and resource combinations, original business models, *re-drawing of the lines* in the definition of activities, identifying of new market

niches – are becoming more important than rational and logical approach to strategy.

Vision gives purpose of action and it can be viewed as a rationale of the organisation, but also as a foundation for building commitment and inspiring stronger engagement of the organisation's members. A clear, stimulating, and plausible vision shows that there are no conflicts within the organisation or any great doubts when it comes to questions such as "Where are we heading?" or "What do we want to become in the future?" It is the starting point of the process of strategic thinking and helps guide the organisation in the desired direction.

Logical consistency and analytical intensity cannot substitute creativity and inventiveness, regardless of the type of organisational activity. Strategy has to be different, distinct, and singular. *Imagination is more important than knowledge*, pointed out Albert Einstein, emphasising the need to imagine and try to see the things that surround us differently.⁴⁰

Vision needs to inspire the creation of clusters of attractive meanings and expectations for actors, by setting (relatively hard to reach) challenges to be overcome in the creation of a desired future and strengthening of organisational integrity. It should be strongly impressed upon the members in order to create commitment and increase motivation in them; moreover, flexibility and openness are also required, as are attractiveness and even magnetism; in short, it has to be at the heart of organisational action.

Despite the fact that it should be challenging and ambitious, vision must not be the point of setting off on a journey to the

⁴⁰ Said in an interview with George Sylvester Viereck *What Life Means to Einstein* (in *The Saturday Evening Post* (1929))

unreachable and imaginary; it has to focus on a future that is sufficiently distant but at the same time achievable through planning and acting in the present, and coherent enough to show an overall, comprehensive picture of an attainable future.

Creative thinking is an ingredient without which there can be no talk of superior strategy. Creative and innovative solutions, new business and resource combinations, original business models, redrawing of the lines when defining activities, identifying new market niches and entrepreneurial “destruction” of the rules of the game - are all becoming increasingly important and in fact irreplaceable in the new circumstances emerging as a result of revolutionary industrial and market developments that are changing the world around us from the bottom up. In such conditions, strategy has to be different, distinct and singular.

Imaginativeness and ingenuity change the world. As David Harrison (2019) stressed: *a leader’s imagination needs to lead them and their team far into the future, where the start line is as yet undefined and the nature of the race unclear. Their vision should be no less compelling than the runner on that start line, but it must be powerful enough to get them and their team not just to one start line, but to a whole series of start lines.*⁴¹

Mintzberg (1994: 77) noted: *If strategy is meant to outsmart the competitors, or simply to deposit the organization in a secure niche, then it is a creative phenomenon that depends more on redrawing lines than on respecting them.* And the role of strategic leaders is just that: to create a world of new possibilities.

Imaginativeness is what separates Elon Musk from others in everything he does these days. He pushes the boundaries and opens

⁴¹ <https://www.linkedin.com/pulse/power-imagination-leadership-david-harrison/> (accessed 30 June 2020)

up areas of thought and action that are completely new in human history. Apart from the globally known, visionary projects, such as electric vehicle company Tesla Inc. or aerospace manufacturer SpaceX, Musk is also engaged in numerous other creative activities, including (among other things) construction of a very-high-speed rail transportation system that would transport passengers at almost hypersonic speed, expansion of the SolarCity company, the largest US solar energy services company, or establishment of Neuralink, a neurotechnology company focused on developing brain-computer interface models.

Imaginativeness is the foundation of those leaders' success.

Playfulness of the mind helps create new worlds; ingenuity helps open closed doors. *Imagination disposes of everything; it creates beauty, justice, and happiness, which are everything in this world,* said the great Blaise Pascal.

The best leaders have the potential to see things outside existing frames, they are capable of recognising patterns of reality in unusual connections and to stir waves in the stagnant waters of ordinariness and familiarity. Their world is a stage where challenges and radical changes are played out, and inventiveness and curiosity are the fuel that they cannot work without.

Decisiveness

Decisiveness is the ability to make clear and timely decisions based on the data and information available at the time when a decision is really needed. Being bold and making important and hard decisions without hesitation is an important quality of strategic leaders. Decisiveness includes being daring and having faith in oneself.

Strategic leaders need to make decisions with confidence and courage, take steps and actions necessary to implement those decisions, and prudently include others in order to increase the success of the leadership process.

In addition to that, they need to wish and know just how to seize the opportunity at the moment when it appears. In the book *History of Rome*, sometimes referred to as *Ab Urbe Condita* (XXII. 51), Livy described how, in a conversation with Hannibal immediately following the Battle of Cannae, cavalry commander Maharbal urged an immediate march on the city of Rome. Hannibal answered that he needed to think about it first. At that occasion, Maharbal's famous reply was: *You, Hannibal, know how to gain a victory; you do not know how to use it.* As Livy concluded, the delay allowed to happen on that day was what eventually saved Rome.

An archetypical example of decisiveness is portrayed in the Greek myth of the Gordian knot, a knot tied in a way that nobody could unravel it in the usual fashion. This was eventually achieved decades later by Alexander the Great, who cut the knot with his sword and, in doing so, fulfilled the prophecy that whoever unravelled the knot would become the ruler of the world.⁴²

Decisiveness in the decision-making process means willingness to face an uncertain environment based on an assessment of situational factors in conditions that prevent complete rationality. On the other hand, indecisiveness is often the result of a leader's wish to be "certain". Some of them think that they can find certainty in a world full of uncertainty and turbulence; they wish

⁴² According to this well-known myth, Gordias, the founder of the Phrygian dynasty and of the city Gordium, made a large knot on an ox-cart he dedicated to Zeus. An oracle then declared that any man who could unravel it was destined to become ruler of the world. The enigma was solved by Alexander the Great, who, after first attempting to untangle it in the usual manner and having found it to be impossible, simply sliced the knot in half with his sword.

to know what *will* happen, and not what *could* happen. Their usual way of dealing with uncertainty is to avoid it, which is not good because it leads to indecisiveness.

Situational complexity often implies contextual intricacy and inability to isolate clear solutions and options; existence of a multitude of various, uncertain outcomes and consequences. Great pressure to make the right decision can cause stress and anxiety and encourage indecisiveness (Chen *et al*, 2018). The worst version of a leader's conduct is dormancy or inertia. As former US President Theodore Roosevelt pointed out: *In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing.*

You can never have all the information; the decision-making situation changes with the passage of time, and your resources are not limitless. Delay in decision-making is rarely a good option. Decisiveness implies the leader's active engagement with the challenges and action towards achieving the defined objectives within the available time and space. *Audacet fortuna iuvat*, as the old Latin proverb says.

A good example in this context would be Danish anthropologist, author and journalist Peter Freuchen, one of the first explorers of the Arctic, who on several occasions displayed incredible resolve and determination, which even saved his life once, in an almost hopeless situation.

Peter Freuchen devoted most of his life to studying the Inuit culture. The first of his three wives was an Inuit woman, who died of the flue in 1921. Because she had not been baptised, priests refused to bury her in the local cemetery, so Freuchen rolled up his sleeves and dug a grave for her himself - with his bare hands. Then, on one of his expeditions to the polar circle, his dogsled got caught in an avalanche. He spent days trapped in a hole in

the ice, kilometres away from base camp. Outside a blizzard was raging and the food rations, as well as the oxygen supply in his icy burrow were rapidly getting depleted. When the storm subsided somewhat, Freuchen used his own frozen faeces to fashion a tool that he used to dig his way out, losing consciousness several times in the process. When he finally got out, he could not stand on his feet because he had sustained severe frostbite to his toes. He crawled for almost five kilometres and, seeing the outline of the base camp, cried out to them in sheer happiness, believing himself to be saved. But that was not the case. There was nobody there who could give him the medical assistance he urgently required. His toes had become gangrenous, which was tantamount to a death sentence at the time. *I don't intend to die like this, not after everything I've been through!*, he yelled, and grabbed a knife and cut off his own toes. Doctors amputated his whole leg eventually, but it was a small price to pay for staying alive.⁴³

Decisiveness is not equivalent to rashness but to timeliness: strategic leaders need to weigh the situation carefully and make decisions without undue delay. To hesitate for too long is not good; this is a malady that prevents the fulfilment of leadership potential.

It is important to understand that decisiveness has nothing to do with the subject-matter: it is found in leaders who are capable of realising their ideas and plans within the time frame they have set themselves. Regardless of what your position may be about the politics of former US president Donald Trump, one of his qualities is decisiveness in the implementation of his protectionist efforts to strengthen the American economy and restrict global free trade,

⁴³ Source: Kapural, L, Peter Freuchen: Hrabrost i odlučnost koje graniče s ludilom, <https://povijest.hr/jesteliznali/peter-freuchen-hrabrost-i-odlucnost-koje-granice-s-ludilom/>, (accessed 20 October 2019)

which, as he sees it, has a negative impact on the fulfilment of potentials of his own country. On the other hand, he showed stark lack of decisiveness in the context of response to the COVID-19 pandemic, pushing his country into the largest crisis since World War II.

It should be noted, though, that excessive decisiveness can lead to imprudent risk-taking, gambling and headlong plunging into uncertainty. Consequently, it should be analysed together with another trait inherent in the “inner world” of a strategic leader - balance.

A study conducted in 2014 on a sample of 6,500 workers showed that decisiveness is one of top three traits that help leaders build their own credibility (the other two were open communication and personal presence) (Benston, 2018).⁴⁴

An important prerequisite for decisiveness is self-assurance.

Self-assurance or self-confidence is described as a feeling of trusting one’s own abilities, competencies and skills, accompanied by self-esteem and the belief that one can achieve what has been planned, in the best possible way; that one can *make a difference* (Northouse, 2007: 20). This is a relation that the leader has with him/herself, a look in the mirror, a feeling of being sure of oneself and trusting one’s own abilities.

It is created in a complex internal process of judgement and self-assurance of a leader associated with past successes or failures, taking into account the perceived and expected reactions of others, in which process expectations of future outcomes of their activities are created (Axelrod, 2017). It emerges through

⁴⁴ Decisiveness. Why it’s so important for leadership credibility, <https://www.linkedin.com/pulse/decisiveness-why-its-so-important-leadership-jane-benston/>, (accessed 29 June 2020).

overcoming internal conflicts and developing a positive attitude according to one's own abilities, intents and skills. Oprah Winfrey, Margaret Thatcher and Barack Obama are good examples of self-confident and successful individuals with high leadership potentials.

There are two aspects or types of self-confidence: (1) general self-confidence, which is a stable personality trait that develops in early childhood, and (2) specific self-confidence, which is a changing mental and emotional state associated with a specific task or situation (Axelrod, 2017). Self-confidence in a specific situation depends on both of these aspects: general confidence which stems from personality and personal history is connected with the leader's faith in themselves with regard to a specific task, problem, decision or situation. Specific self-confidence can be developed and lost, strengthened and weakened; it can be the result of good experiences or learning, used opportunities or personality.

Having a good self-image means perceiving a relatively small discrepancy between the real and the ideal self. Self-confident leaders have no issues with themselves, their self-confidence radiates through the organisation as a kind of motivational trigger and glue: the leaders' influence on followers directly depends on the way leaders see themselves.

Self-confidence triggers self-motivation in strategic leaders, which in turn triggers achievement and challenges, creativity and learning, and fulfilment of ambitious goals with energy and perseverance. We see it in the form of extraordinary passion for one's work which cannot be explained by money or status, and which goes far beyond those things. First-class leaders wish to achieve much more than is expected: they wish to motivate and encourage others to follow their ambitions. Optimism and commitment to the organisation additionally encourages self-motivation (Goleman, 1998).

As it is so important, leaders need to work on raising the level of their self-confidence. In other words, self-confidence strengthens credibility, and credibility strengthens trust within the organisation; combined, they increase the leader's capacity to influence the thoughts, emotions and behaviours of the followers (Axelrod, 2017). On top of that, it provides the leader with emotional stability and encourages him/her to communicate inside and outside of the organisation. Those that find self-confidence to be the foundation upon which strategic leadership should be built are not wrong (Dao, 2008).

Self-confidence can in its extreme form turn to *narcissism*, a characteristic that can develop into a personality disorder if left unchecked. We recognise narcissism as a behavioural pattern that deviates from standard social norms and expectations, and it is related with believing in one's own specialness, having a feeling of special importance, expecting others to submit to one's wishes and intentions without second-guessing them, and an excessive need to be admired. Narcissistic individuals are emotionally isolated and distrustful; even the perception of threat can spur their anger.

Narcissism is often accompanied by conceitedness and arrogance, lack of empathy and an inability to recognise emotions and needs of others, as well as opportunistic behaviour and exploitation of one's co-workers. *The Difference between God and Larry Ellison is that God doesn't think He is Larry Ellison*, was famously said by an Oracle employee (Maccoby, 2000).

Overconfidence can sometimes lead to insolence, which can diminish the level of collective inclusion in common action. It is even possible for strategic leaders to possess some elements of narcissism and insolence, but at the same time show humbleness in leadership and be productive in their activities. Productive narcissists can be excellent leaders, such as Jack Welch and George Soros, for example,

and they can become experts in their fields, true innovators, willing to take radical steps and significant risks. They are critical about everything and continually question reality. They are independent and not easily impressed. Some of them are inaccessible and isolated from the collective, others strive to fame and power, and most of them prefer to be appreciated rather than loved.

Research suggests that narcissist tendencies lead to bolder visions, but are harder to accept inside organisations (Galvin *et al*, 2010).⁴⁵

Ambidexterity

These two opposites are important when it comes to understanding strategic leadership, as is the tension implied by the concept of ambidexterity.

Ambidexterity (in English: ambidextrous; in Latin: ambidexter), in its literal meaning, refers to the ability to use both the right and left hand equally well. Ambidextrous organizations are capable of successfully managing its operations in current conditions, while at the same time developing the capacity to adapt to changed circumstances that the future will bring.

Organisational ambidexterity is associated with balancing exploration and exploitation: organisations with ambidextrous characteristics perform those processes simultaneously.

Exploration in organisations involves the processes of exploring, behaviour-varying, discovering, innovating, being flexible, risk-taking, and various forms of experimenting.

⁴⁵ For example, research shows that narcissism in a chief executive officer has a positive correlation with dynamism of corporative strategy, number and size of merges, and performance fluctuations of their organizations (Chatterjee and Hambrick, 2007).

Exploitation, on the other hand, comprises the processes of decision-making, process refinement, selection, efficiency, and implementation (March, 1991). It involves a contrast between incremental and discontinuous innovation activities that require completely different organisational and cultural arrangements in order to be implemented.

Strategic leaders have to balance between these two completely opposite meta-processes in order for the organisation to strengthen its creativity and successfully adapt to the present and future environment.

Contextual organisational ambidexterity is particularly challenging for strategic leaders because of the inherent discrepancy between and different organisational settings needed for exploration and exploitation (Gupta *et al*, 2006). Specifically, contextual ambidexterity presupposes exploration and exploitation happening at same time, unlike structural ambidexterity, which conceptualises cyclic periods of exploration and exploitation appearing one after another.

Contextual ambidexterity is the archetypal organisational paradox that ambitious leaders have to cope with, requiring from them, in addition to social networking and integrating, the development and implementation of comprehensive mobilisation, integration and coordination activities (Jansen *et al*, 2009).

Rosing *et al* (2011) suggested a different definition of ambidextrous leadership: they define it as a special characteristic or rather the ability of leaders to encourage explorative and exploitative action on the part of followers by increasing or decreasing variances in their behaviour, and to flexibly shift between those two forms of behaviour.

Their task is to reconcile the contradictions and adequately manage the organisational paradoxes in order for leadership to create added value.

Sociability

Sociability is of extreme importance to leaders of large collectives, who need to invest in and develop relationships with others in order to build their own social capital and improve their competencies.

Sociability and social capital potential depend on empathy and social skills that the strategic leader possesses.

Empathy is an ability to understand others, their emotions and the way they think. The art of social interaction is connected with the ability to understand the emotional reactions of others and find a way to channel them towards common goals. The best leaders know how to create, attract, and keep on board talents and experts, and to properly use teams in solving complex problems.

Sensitivity to people's needs, good understanding of cultural and ethnic differences, and conscious inclusion of emotions of others in the decision-making process, is what makes leaders successful (Goleman, 1998). In this sense, empathy does not mean pleasing everyone; instead, it leads to harmonious balancing of interests and needs of others with a view of integrating their efforts in a collective action managed by the leader.

Developed social skills are of vital importance for the strategic leader to succeed in fulfilling the defined goals. Ability to persuade and inspire others and build a strong connection inside the collective can help manage change and implement strategy.

There are two essential social skills of a strategic leader: ability to bring together and motivate others (to integrate the collective), and the ability of social networking and building of social capital. They need to successfully engage members in a common purpose, and raise the level of their identification and commitment in order to increase the degree of cohesion in the collective.

Firstly, integration of the collective directly depends on the strategic leader's ability to transpose vision and other narratives to organisational reality.

Credibility and good narration create eager and loyal followers, strengthen camaraderie and erase the boundaries between entities, resulting in the leader's narrative becoming a shared expression of common organisational aspirations. It is a capacity to communicate important stories to followers: to create a context in which they will accept the leader's vision and narratives as their own. A leader has to possess sufficient social skills and self-faith in order to inspire loyalty and enthusiasm in others.

This kind of leader becomes an emanation of the collective — “he” (or “she”) becomes “we”, and the collective in turn becomes an extension of the leader (“we” is manifested through “he” or “she”).

This is strongly related to *charismatic leadership*, which is based on inspiring and winning over followers so that they may unreservedly accept the leader's vision and set of values (Murphy and Ensher, 2008; Smith *et al*, 2004; Carter and Greer, 2013). A leader's decisive guidance, clear vision and recognisable values encourage and strengthen their charisma. Nobody can be fascinated and influenced by a leader in whom they do not believe.

Charisma (Ancient Greek: *χάρισμα*, meaning «favour» or «gift of grace») is an innate or acquired ability to attract and inspire devotion in others, which may result in exerting strong influence on individuals so attracted and inspired. It can be defined as a gift or power to lead or affirm one's authority, or as a person's ability to inspire loyalty or enthusiasm (Taylor, 2006: 288). A gift of this kind is not commonly found or easily attained. It is manifested as a personal identification of followers with their leader and as a wish to imitate the leader (Crossan *et al*, 2008). Charisma

is the result of the leader's personality, creativity, imagination, professionalism and heroism, their life path and experience, their power of rhetoric and spiritual power, and of other qualities that can inspire affective commitment to their person or intentions.

Charismatic leaders, as pointed out by Max Weber, have something special about them: certain extraordinary qualities, some abilities and/or attributes of a hero that magnetically attract followers as long as they believe in that which forms the core of the leader's charisma (Weber, 1976: 192).⁴⁶ Followers are convinced that charismatic leaders have special powers and exceptional qualities that are not attainable by an average person.

A charismatic leader is a God-given role-model, an integrative force, and the centre of the collective.⁴⁷ No one is charismatic in and of themselves. As Lipp (1985: 204-206) underlined, followers ascribe certain qualities to the leader, effectively *co-attributing* to the leader that which constitutes charisma (according to Blažević, 2003).

Secondly, apart from the ability to attract members of the collective and inspire them to follow, strategic leaders need to be skilful and adept in managing relationships and building social networks.

Excellent networking and the ability to create social cohesion is one of the most important qualities of managerial heads.

⁴⁶ The concept of charisma was elaborated in great detail by Max Weber, who presented a broad palette of charismatic beliefs and practices, from leaders of the earliest hunting parties, to religious leaders, artists, judges, kings, politicians and military commanders, <http://www.enciklopedija.hr/natuknica.aspx?ID=30523> (accessed 26 June 2020).

⁴⁷ Some research indicates that, in variable or uncertain environments, charismatic leaders are more successful than those that lack charisma. In stable environments, no difference in performance has been observed between the two groups of leaders (Waldman *et al*, 2001).

Formal and informal social networks facilitate access to information, resources and available possibilities, and provide for more possible versions of strategic decisions. They are a prerequisite for building social capital and strengthening the position of strategic leaders in the organisation and society.

8. Strategic leadership networks

Network-based perspective

Leadership is *ipso facto* a type of social network characterised by processes of exerting influence that connect members of that network (Carter *et al*, 2015).

There are numerous intertwining formal and informal social networks that surround strategic leaders. They participate in the construction of the leader's reality: they facilitate access to information, resources and available options, and expand the decision-making space.

Formal networks are the result of contractually established or otherwise imposed lateral and/or hierarchical relationships, which are mostly based on certain imposed rules regarding the division of labour and activities, and on chains of formal authority and responsibility.

Informal networks are created voluntarily (without anything being imposed): the relationship between the leader and other participants involves the creation of cognitive relations (based on knowledge and information), and/or affective relations which involve some form of emotional connection (McAllister, 1995; Chua *et al*, 2008)

First and foremost, the social network creates room for the leader's and other actors' action, which is guided (to a great extent) by their shared interpretations of events and activities. Ties between members provide access to information in the process of discovering meaning and interpreting reality in circumstances that are not entirely clear (Weick, 1998).

Acceptance and adoption of a network-based perspective is a necessity for leaders: it is the prerequisite which, if missing, makes it impossible to make the right moves and make sense of the world beyond the boundaries of the network of close associates. As Balkundi and Kilduff (2006: 434) claim: *Leadership requires the management of social relationships. Starting with the cognitions in the mind of the leader concerning the patterns of relationships in the ego network, the organizational network, and the interorganizational network, social ties are formed and maintained, initiatives are launched or avoided, and through these actions and interactions, the work of the leader is accomplished.*

Networking and creation of social connections are some of the distinctive traits found in the best of leaders.

It is beyond contestation that a strategic leader is a true *homo dictyous* (network man), who has to contemplate the world around him by keeping in mind the characteristics and dynamics of social networks to which he belongs. Christakis and Fowler (2011: 211–212) coined this very appropriate term (from Latin “homo” meaning man, and Greek “dicty” meaning network), to refer to a perspective that distances man from the pure selfishness inherent in Mill's *homo oeconomicus* model, and moves him toward selflessness, owing to the need to take into consideration the needs and welfare of all those around him.

Leaders have to be able to understand the existence, nature and structure of important ties within their social networks: not only

those close to them and surrounding them, but also those that are remote from them, as well as ties between other relevant actors in the ambience in which their leadership is manifested.

The method and quality of networking with others and the structural determinants of their social networks define strategic leaders' relational and resource success. Their efficiency depends on the capacity to utilise and improve their relative positions in intra-organisational and inter-organisational social networks. Networks of relationships and connections facilitate access to and creation of important resources, thus helping increase the leader's efficiency and effectiveness (Burt, 1992, 1997; Burt *et al*, 2000).

Layers of a strategic leader's networking

Strategic leaders need to get involved in important social networks and delve into their essence in order to better influence others and achieve their intentions and goals. If they are well-connected, they are more likely to have greater power in the network. Good position in the network can guarantee that they will need to invest less effort in getting people on board with the direction and patterns of action that they advocate.

Different layers of networking can be identified among the upper echelons of an organisation.

The inner circle is the network that the leader builds and maintains with actors with whom they are directly connected, in terms of physical presence. These are people with whom the leader directly communicates, interacts and exchanges ideas and information. In most cases these will be the leader's closest associates: a senior management team, a layer of managers with whom the

leader communicates directly, various consultants, supervisors, major external partners, and friends. The inner circle is mostly characterised by strong ties.

The leader, alone or together with a handful of top managers, holds the central position and instruments of power in the inner circle. All other members of the collective are situated at the periphery of the social network.

A strategic leader can have either a small or a large inner circle. A large number of members of the inner circle increases the level of social capital if ties between members are based on positive emotions, exchange of knowledge and experiences, and expected synergy effects deriving from networking. On the other hand, a larger inner circle can cause certain negative effects as well.

Networking within the organisation involves not only the leader's direct ties but also indirect ones within the boundaries of the organisation.

Most actors in the network do not have direct access to the strategic leader, nor does the leader have such access to them. Relationships with members of the collective who are outside the inner circle are manifested twofold: via intermediaries who usually assume managerial roles in middle or lower management, or through direct impersonal communication via written messages or speeches intended to create an emotional connectedness and a feeling of togetherness. This encourages collective alignment and creates space for understanding and identifying with others, which facilitates the process of exerting influence in the leader-followers network.

Inspiring visions and spirited narratives reach organisational members the easiest if they are communicated via developed communicational paths within the organisation. The more developed those networks are, the greater the success in

transferring and communicating important information within the collective. On the other hand, developed social networks provide the possibility of including more members in the processes of creating and shaping strategy, as well as obtaining important feedback before they are turned into organisational action.

In this context, one has to take into account the three degrees of influence rule (Christakis and Fowler, 2011: 34). Everything a leader (or any other actor in a network) says or does affects the closest associates in the inner circle (first degree), the contacts of those closest associates (second degree) and contacts of the closest associates' contacts (third degree). Beyond that network horizon of three degrees, the influence gradually disperses and weakens, and insights into behaviour, feelings and information transferred via the social network diminish. The opposite applies as well: the leader is under relative influence of the closest three layers of the social network; beyond that, it is hard to expect any influence on the leader.

If, for instance, a strategic leader has twenty close associates in his/her inner circle, who each have twenty associates or contacts of their own in their part of the network, who in turn have about twenty associates or contacts of theirs - this means that the leader's influence reaches as many as 8000 people. Christakis and Fowler (2011: 34) underlined: *If we are connected to everyone else by six degrees and we can influence them up to three degrees, then one way to think about ourselves is that each of us can reach about halfway to everyone else on the planet.*

A good example of validity of the three degrees of influence rule is evident in the method of operation of Rotary International. The President of Rotary International communicates directly with more than 500 district governors through letters and presentations at conferences, with the aim of transmitting the slogans and key messages that are intended to unify and inspire

the membership. Each of the governors transfers and interprets the information received to other presidents of Rotary clubs in their districts (a single district may comprise between 50 and 120 clubs: there are more than 33 thousand clubs worldwide). In the third degree, the club presidents are responsible for transferring and interpreting the information received to members of clubs in their own districts (between 20 and several hundred members per club). Through these degrees of influence, key messages reach more than 1,200,000 Rotarians.

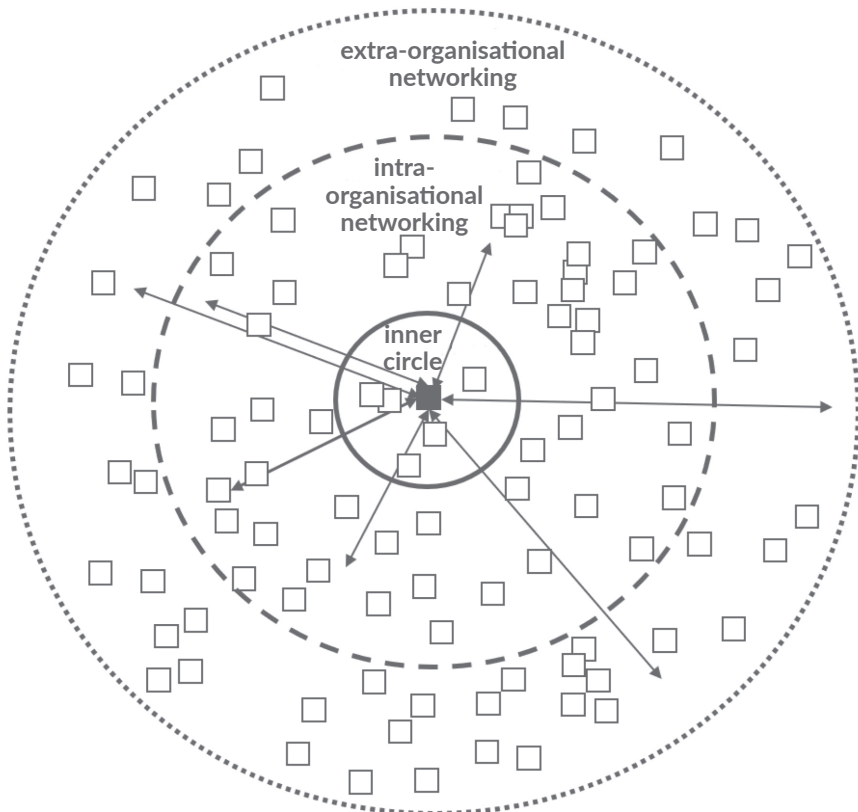


FIGURE 10. Layers of a Strategic Leader's Networking

Furthermore, networking beyond organisational boundaries is crucial considering the role strategic leadership plays in aligning the organisation with its present and future environment. External networks that leaders have with important environmental actors affect their actions. Belonging to professional and interest groups strengthens the leader's network connections and increases their social capital.

The more social networks the leader participates in, the better their position in those networks and the greater the likelihood that they will be able to acquire the network resources beneficial for the organisation.

We find logical the presumption that there is great chance that the leader will be precisely the person who occupies the best position in the network and easier access to other influential networks.

One should add, however, that networks are not stable and change almost on daily basis. Ties change or disappear, some actors disconnect, and centrality shifts. Moreover, in the overall social ambience, networks continually lose and gain importance depending on their relative position with respect to other networks, organisations, institutional arrangements and the society as a whole. Strategic leaders have to consider those phenomena, considering that decreased importance of some networks or the severing of ties with important actors in networks can diminish their social relevance and sometimes even threaten their positional survival.

Organisations are influenced by social networks created by the leader's external connections; networks enable them to acquire resources and information from their environment. Lateral connecting beyond the organisational boundaries helps to build their social capital.

We can list examples of connecting between members of boards of directors in several different companies.

External networking can be strengthened by board interlocks (interlocking directorates), which represent a unique mechanism of connecting of top management and organisations themselves.

A *direct interlock* is the case when one or more directors of one company is also a member of the board of directors of the other company. The organisations are directly connected because one person acts as a board member in both companies at the same time.

An *indirect interlock* is the case when directors of two (or more) different companies serve as members of the board of a third company. The two organisations are in this case connected via those board members who both sit on the board of a third company.

The network of connections based on interlocking directorates can be an important source of external social capital (Hillman and Dalziel, 2003). External social capital represents the board of director's external connections to other companies. Directors use board interlocks as a means of analysing the environment in order to access timely and relevant information (Useem, 1982), which is considered to be reliable because it has been obtained first-hand through personal connections with other members of the business community (Carpenter and Westphal, 2001).

Mešin (2013) noted the results of a research according to which board interlocks expose leaders to various leadership and management styles, different managerial techniques, but also innovations, which means that they can be a valuable source of knowledge and experience (e.g., Haunschild, 1993; Young *et al*, 2001).

Modes of strategic leaders' networking

Networks into which leaders are included can be observed from one other perspective. Hoppe and Reinelt (2010) proposed an interesting taxonomy with four different possibilities of strategic leaders' networking.

The first type is referred to as *peer leadership networks*, where leaders share the same or similar identities, interests and affinities and give one another reliable information and advice in a safe ambience protecting them from aberrant behaviour or adverse consequences. Sincere relationships enable openness and development in discovering and exchanging important knowledge, advice and information, without any uncomfortable queries that could be raised within their own primary organisations and threaten their integrity or power based on position. In other words, these are voluntary alliances or networks that expand knowledge and broaden influence. Examples of this type of network could be associations of general, financial or project managers, members of boards of directors or supervisory boards, and other.

The second type are *organisational leadership networks*, where leadership is about "getting things done" (establishing directions, bringing people together, and building commitment), which implies the opening of new possibilities, focusing of collective attention, integrating and mobilizing resources, and inspiring others within the collective (LeMay and Ellis, 2007, as cited in: Hoppe and Reinelt, 2010: 607). According to the authors, these are informal networks of leaders (beyond the lines of formal authority and responsibility) that help raise the level of innovation, efficiency, and productivity. This type of network usually involves lateral connections between heads of organisational units in their communication and exchange of ideas and information. Recently

we have seen the popularity of so-called “tribal leadership” in the organisational structures of companies. This is a version of organisational leadership network that can raise the level of corporate innovativeness and help develop organisational agility.

The third type are referred to as *field-policy leadership networks*. In these networks, one attempts to influence the ways problems arise and to identify approaches, standards and methods that can help solve those problems. The objective is to mobilise the members of the network to act together to make their shared vision a reality. The logic behind networking lies in development and implementation of innovative solutions to complex problems and members’ active participation in key policy-related decisions.

The fourth type are *collective leadership networks* and they rely on self-organising members who share a common goal and who are capable of acting quickly and solving problems in a complex and turbulent environment within the network. Hoppe and Reinelt (2010) emphasise that collective leadership emerges from adaptable collective action of a group of leaders, directing the collective to achieving the common goal tacitly or openly agreed upon among the actors.

Finally, one should also point out the massive impact of the Internet when it comes to development and spreading of social networking in the virtual world, which also has a significant impact on leaders’ networking.

The scale of virtual social networks, the number of individuals they can reach, and increasing number of ties that could exist between them, is beyond anything anyone could ever have dreamed of. There is also the increased volume of information shared and the broadening of the scope of collective action (just think about some self-emerging social movements that reached global impact by connecting over the Internet, such as the *Black*

Lives Matter movement, which reached global proportions after a policeman used unjustified excessive force resulting in the suffocation of African American George Floyd in the USA in the summer of 2020).⁴⁸

In such situations, leadership normally emerges through capillary action, so to speak, without coordination from a single place: it is the result of dynamics of network structures, the strength of the ties and motions that expand horizons and give sense to collective action in mutual interaction of a large number of actors occurring primarily online.

Networks of strategic leaders

Apart from distribution of strategic leadership with a formally established structure, leadership may also appear depending on the types of tasks and challenges that are defined or spontaneously emerge in the group or collective and that are not directly linked to hierarchy.

Dispersion of strategic leadership is sometimes accompanied by alternating leadership roles, and sometimes by very vague boundaries between those who are leaders and those who should follow leaders. In an organisation of this type, there are multiple strategic leaders who perform tasks concerning strategic direction, bringing people together and building commitment of the staff.

Including a larger number of actors into strategic leadership processes is found in organisations which have the characteristics

⁴⁸ See more about the *Black Lives Matter* movement at <https://blacklivesmatter.com/> (accessed 30 June 2020).

of an adhocracy, or which are based on strong mutual connection between the members due to an inspiring organisational mission, and/or which function successfully without a strictly established chain of command.

In such organisations, the organisational structure is not the key stage on which leadership roles are played. Strategic leadership does not depend on relations connected with positions of power, administrative systems or any other established rigid structural relationships that are based on the chain of formal authority and responsibility. Strategic leadership model emerges from fulfilling the basic purpose and vision and replaces the undisputed and strict hierarchical leadership with a network of leaders who act across the entire organisation (Bower, 1997).

Networks are created by connecting individuals in all organisational directions: vertically, horizontally and externally. They have a finite number of nodes and several links of varying qualities, valences and values. Influences of different individuals are exchanged within the network, depending on the tasks and situations the organisation is facing.

Networks of strategic leaders commonly appear when organisations exhibit an organic structure, selective decentralisation, high level of horizontal specialisation of tasks, and strong reliance on experts and specialists. Instead of standardisation and formal authority, the main coordination mechanism is mutual adjustment (Mintzberg, 1983: 254).

Consultancy companies and law firms develop and expand based on networks of leaders that are created based on meritocratic principles and strict selection of members. Partnership and seniority systems help identify and select leaders with a relatively significant ability to influence the organisation's modes of interaction with the environment. Movie and production companies function in a

similar way; they are collectives organised around projects which include equal members.

Strategic leadership does not have direct locus in an individual or an alliance of a small number of leaders; it mirrors the process in which creative and innovative leaders emerge and assume power with a high level of decision-making discretion.

Organisations adaptively respond to challenges requiring the engagement of a network of persons assuming leadership roles in the organisation. This form can expand beyond the boundaries of the organisation and grow into a decentralised leadership network far removed from hierarchy, with cooperative relationships with leaders and other important environmental factors.

In addition to the above, a decentralised leadership network can arise regardless of organisational extension – whether as a realised idea, project or spontaneous entity – by connecting persons with leadership skills and other competencies who interact and assume leadership depending on the problem, area or capability.

Finally, the existence of a network of leaders does not mean the absence of leaders with a formal organisational position at the top of the hierarchy. Their role greatly differs from the classic leadership role, but it is not to be ignored (Hernandez *et al*, 2011). Formal leaders should primarily motivate and guide network members to realise their leadership potential. Their task comes down to encouraging, creating and maintaining networks of leaders, developing the capabilities of collective leadership and processes of achieving agreement on the common vision (Balkundi and Kilduff, 2005; Friedrich *et al*, 2011).

They are coaches, mentors and teachers who create an appropriate ambience in which others act. They differ greatly from egocentric leaders who assume great power and who are – in and of themselves – the centre of key organisation activities.

We find that the phrase “formal leader,” which is used by most other authors, is unsuitable, as it does not denote the specificity of the role. The power of formal leaders primarily arises from the potential to create a suitable context in which the network of organisational leaders will function successfully.

Non-profit global organisations show the development of networks of leaders, which emerge as crucial elements in their existence.

The chain of formal authority and direct supervision are not the dominant coordination mechanisms in such organisations, considering their purpose and reasons why new members join. Members alternate at formal leadership positions in order to prevent organisational leaders from entrenching in their positions. Strategic intent unites and inspires members, while standardisation of rules of conduct and the desired output help achieve organisational coherence and harmony. Strategic leadership emerges and is dispersed across the entire organisation in networks of large numbers of leaders who, regardless of formal relationships, take initiative, encourage change, create and manage activities and programs within the community.

Good examples include Lions and Kiwanis, global humanitarian organisations with numerous members working in several thousand clubs around the world. The basis for their successful operation is a network of leaders at all levels who cooperate in charity projects at local and global levels. Leadership appears in the alternating form: terms of office last for one year and members are encouraged to assume leadership roles. Special attention is given to educating members regarding leadership in order to create leaders capable of shaping the future of the organisation and the community they belong to.

Organisations and social movements such as Medecins Sans Frontiers (Doctors Without Borders), Action Against Hunger,

CARE, numerous movements fighting for rights of vulnerable groups and minorities, etc., likewise lean on networks of leaders.

Moreover, networks of business and political leaders are also established with a view of influencing social developments. For example, the World Economic Forum has the ambition to bring together the world elite, as it engages the foremost political, business, cultural and other leaders of society to shape global, regional and industry agendas. Similarly, Future Leaders Network brings together the next generation of political, economic and social leaders in Great Britain, aiming to enable all young people to deliver positive impact in the world, by offering young people from all backgrounds access to meaningful, purposeful and practical opportunities to develop their leadership skills so as to realise their full potential.

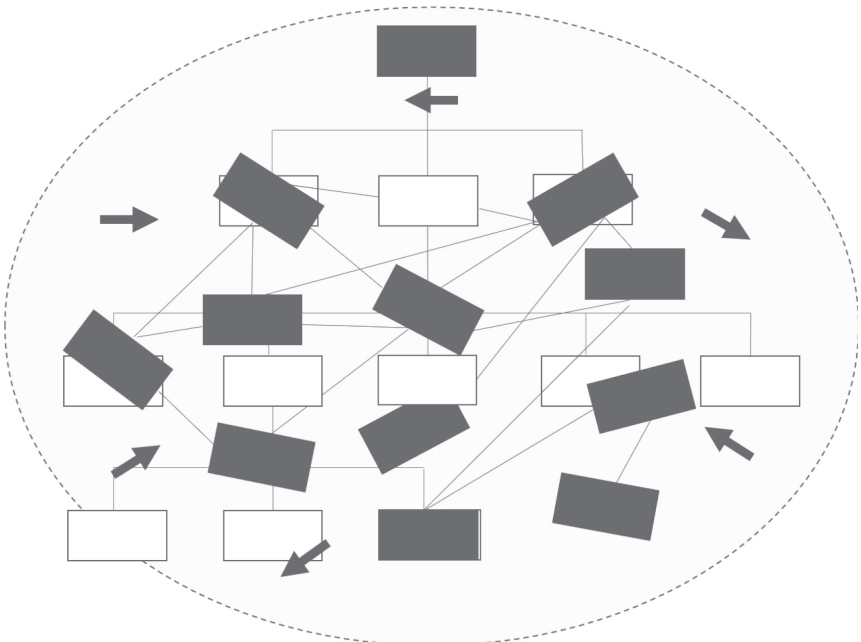


FIGURE 11. Networks of Strategic Leaders

Social capital and network relationship management

Social capital is strategic leaders' most important asset. It can be defined as the sum of existing and potential resources that are incorporated in, available in, or resulting from a network of relationships that an individual or social unit has (Nahapiet and Ghoshal, 1998). It indicates the value of relations that the leader can create and maintain with other actors within the organisation and beyond it.⁴⁹

Social capital truly is capital because it can be used and mobilised, transformed into other forms of capital, and relied on in order to improve efficiency. It requires maintenance and continual effort; unlike other types of capital, it increases as it is utilised, through greater attention being paid to maintaining relationships between people (Adler and Kwon, 2002).

It is observed based on the concept of *social similarity*, as well as on the basis of the individual's personal social network and belonging to associations and groups relevant for achieving social influence (Belliveau *et al*, 1996). It is formed in social networks, through reciprocity norms, helping one another and developing trust (Putnam, 2003: 2), and it is determined by the density and the overlapping of different horizontal networks of cooperation beyond the circle of primary groups (Šalaj, 2003).

It is connected with important resources that are comprised in relationships between people and that can significantly increase the efficiency of their action. It emerges from formal and informal social connections, establishing of relationships of trust, and

⁴⁹ The concept of social capital was originally elaborated by Robert Putnam in his influential paper *Bowling Alone: The Collapse and Revival of American Community*, written in 1995 and published as a book of the same name in 2000.

norms applying to collective action (Liu and Besser, 2003). Selflessness is the prerequisite for successful social bonding.

Social capital is manifested by having a secret network of more or less institutionalised relationships through mutual exchange of information and knowledge and/or mutual recognition, or in other words, through the ongoing obligations arising out of a sense of gratitude, respect and friendship or from institutionally guaranteed rights arising from belonging to a family, a company, a class or a school (Bourdieu, 1985). The network of relationships creates *a valuable resource for the implementation of social relations, enabling its members collective ownership of capital, which entitles them to attain credit, in various conceptions of the word* (Bourdieu, 1985: 249, as cited in Slišković, 2014: 45). Bourdieu observes social capital first and foremost as an instrument of domination of privileged groups in a society.

Everything that can be mobilised through the network for the purpose of creating value, just like the network itself when it serves this function, represents a constituent of social capital (Burt, 1992, 2000). A key characteristic of social capital is its dependence on the relationship: if, for example, an actor was to withdraw from a dyadic relationship with another actor, their social capital disappears as well (Brass and Krackhardt, 1999: 180).

Putnam (2008) differentiates between two types of social capital: bridging capital and bonding capital. *Bridging social capital* is about bringing people from different social segments closer together, and it is based on reciprocity and information sharing, whereas *bonding social capital* strengthens homogeneity and solidarity and increases loyalty in a close-knit group or network fragment.

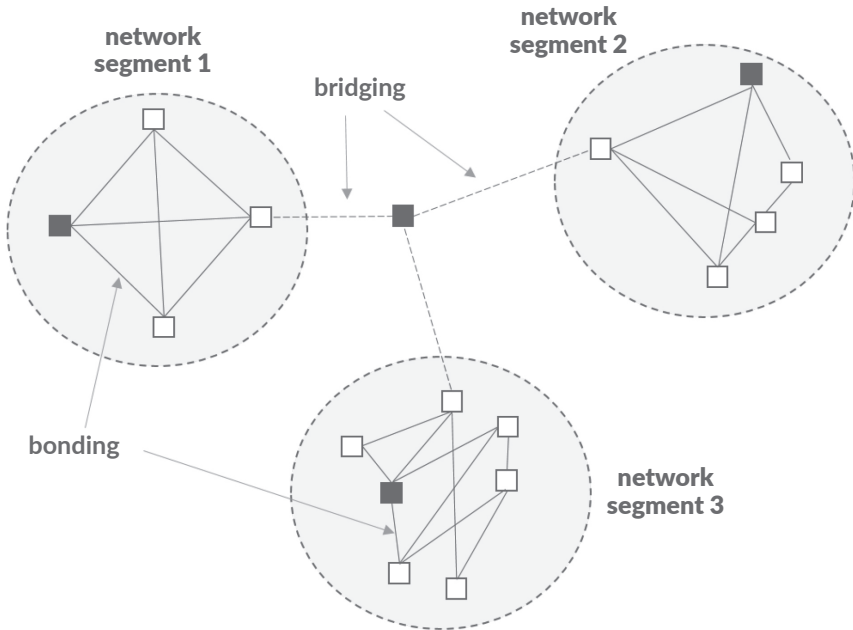


FIGURE 12. Sources of Bridging and Bonding Social Capital
(adapted from Hoppe and Reinelt, 2010: 602)

Figure 12. shows a network comprising three segments. There are four leaders (represented by black squares) with different positions in the construction of social capital. Three leaders each belong in intertwining, well-connected clusters⁵⁰ and their natural role is the development of bonding social capital which grows on strong ties and encouraging of cooperation and support among members. The fourth leader can use his/her position to build bridging social capital, considering that the clusters which are close to the leader in the network are mutually unconnected; this means that the leader connects

⁵⁰ Hoppe and Reinelt (2010) defined clusters as a local area in the network characterised by high density and relatively few ties to other clusters.

them via the leader's own ties, acting as the *tertius iungens* or "the third who joins."⁵¹

Social capital has a structural, relational and cognitive dimension (Nahapiet and Ghoshal, 1998). Dimensions represent conceptual simplifications serving to facilitate understanding of this complex construct. In practice, manifestation of social capital involves complex inter-relationships and partial overlapping between dimensions.

The *structural dimension* pertains to the characteristics of the social system and relationship network as a whole. It describes the impersonal configuration of relationships between people and/or organisational units. It involves roles, rules and procedures, and other configurational elements. It is a *tangible* component of social capital.

It is recognised by the characteristics of social networking: what a person's connections to others are like and how strong they are, and with how many other people they have contact. Structure indicates the value of the network. Specifically, networks differ by character, appropriateness and basic characteristics (e.g., density and heterogeneity); as such, they can (to a lesser or greater degree) facilitate exchange and ensure access to actors who have special types of competencies, they can reduce transactional costs and increase the likelihood of common action to the benefit of everyone involved (e.g., Andrews, 2010; Ansari *et al*, 2012; Davenport and Daellenbach, 2011).

⁵¹ Obstfeld (2005) introduced the concept of *tertius iungens*, i.e., a person that connects unconnected people in collective action, as a concept completely opposite to that of Simmel (1908), *tertius gaudens* ("the rejoicing third" or "the third who benefits"), referring to a party that finds the best position between competing parties with the aim of gaining personal benefit. *Tertius iungens* designates the behavioural orientation to connecting people in a social network by introducing unconnected individuals or enabling a completely new coordination between the already connected persons.

The *relational component* reflects the type of relationships that have developed between individuals over the course of the history of their relations (Granovetter, 1992) and that affect their behaviour. The nature and quality of relationships comprises the relational component of social capital. The following factors are important: trust, norms, sanctions, obligations, expectations, and identification between the actors involved. Relationships such as those of respect and friendship enhance, while distrust and confrontation reduce social capital.

Putnam (2003: 183) underlined the correlation between trust and cooperation in human relationships: *The higher the degree of trust within a community, the greater the likelihood of cooperation. And cooperation in turn reinforces trust.* Social capital increases in proportion to the increase in the intensity of trust and cooperation, spilling over to remote actors via indirect ties in social networks.

In creating relational social capital, another element that is important - besides the foregoing - is *connectivity*, or in other words, readiness to put the defined collective objectives before one's own (Lazarova and Taylor, 2009).

The cognitive dimension pertains to characteristics of social capital that enable presentation, interpretation and creation of systems of meaning between people. It is important because of the effect of creating a common language, a shared identity, the use of metaphors and narratives within the organisation (Nahapiet and Ghoshal, 1998; Slišković, 2014), which all builds the foundation for communication between participants. In addition to that, cognitive social capital is also evident in the culture and it is expressed through common goals and visions shared by members of a collective (Inkpen and Tsang, 2005).

Social capital is the foothold of strategic leadership.

Strategic leaders have to be aware of the complex social networks that surround them. They must understand the characteristics

and structures of their networks, ways to create and appropriate new value in them, and methods with which to strengthen key ties with their associates and other members of the network (for example, through respect, trust, exchange of information, and exerting influence).

It is important that they are aware of the simultaneous existence of formal and informal networks. If, for example, they fail to perceive and understand informal organisational networks, a negative climate will be created and numerous problems could arise as a result (Krackhardt and Hanson, 1993). Conversely, excellent understanding of informal networks can, in and of itself, be the basis for their additional power and advantage over others in their environment (Krackhardt, 1990).

Moreover, they need to make appropriate decisions with respect to the networks, which will enhance their efficiency. It is important to have the ability to understand structural determinants, as well as the ways one has to influence and improve their relative position within the intra-organisational and inter-organisational social networks (e.g., Anand and Conger, 2007; Bartol and Zhang, 2007; Balkundi and Kilduff, 2006; Cullen-Lester *et al*, 2017).

A strategic leader's social capital is highly dependent on existing ties and actors embedded in the network. Withdrawal of important actors from the network has a direct impact on reduction of social capital (Brass and Krackhardt, 1999). Apart from that, members' moving up the organisational ladder, lateral shifting within the organisation, or leaving the organisation are events that require special attention when it comes to network relationships.

Leaders have to make sure to develop appropriate strategies for building and utilising relationships within networks, but also to provide certain elasticity when networks get torn or become irrelevant. In this context, Ibarra and Hunter (2007) highlighted

the need for developing operational, personal and strategic networks which leaders have to be build or become members of.

Balkundi and Kilduff (2006: 423-424) underlined that being an efficient leader in the collective means being aware of: (1) key relationships between actors in the collective; (2) the extent to which those relationship involve embedded ties including kinship and friendship; (3) the extent to which social entrepreneurs extract value from their own personal networks in order to facilitate (or threaten) the achievement of organisational objectives; and (4) the extent to which the social structure of the collective involves cleavages between different factions.

Centrality in the network is one of the key characteristics of social capital. Achieving the central position in the network is a necessary prerequisite for leadership. This is based on two possible strategies: (1) connecting with other actors who hold the central position via strong ties, and (2) creating connections between other, mutually unconnected actors by using weak ties (Brass and Krackhardt, 1999).

The strong ties strategy secures the central position in the network for the leader, by connecting them with close and trusted associates who have many direct ties of their own; this way leaders indirectly acquire good access to remote sections of the network.

The weak ties strategy helps bridge network gaps and connects fragments of the social network by bridging structural holes; it helps in the acquiring of non-redundant information and new ideas that can support organisational management. The importance of this strategy is all the greater in an ambience characterised by quickly-occurring technological changes, virtualisation of every segment of social life, and increased overall uncertainty in the environment.

Both strategies have to be implemented simultaneously in order to maximise their effects.

Not all networks are good, nor is networking always useful in and of itself. Some leaders rely on poorly structured networks, which reduces the efficiency of their work. Cross and Thomas (2011) noted that strategic leaders should carefully manage their networks and build them in a way that ensures access to all kinds of information and expertise, good-quality feedback on their own actions, as well as to powerful individuals and persons who assist them and give them a sense of purpose.

Actual and assumable resources contained in and derived from social networks are the substance of a strategic leader's social capital, but they are not sufficient as such. Building new and improving existing social networks is a constant imperative, just like careful management of complex network relationships.

Cross and Prusak (2002) underlined the usefulness of social network analysis in helping managers understand informal networks in organisations and make smart investments in the development of their network structures. Anand and Conger (2007) proposed four strategies that leaders can use to modify their networks: (1) seeking connections with other, informal leaders, (2) actively managing social connections, (3) interacting with others in friendly exchange, and (4) meeting people with complementary skills that could benefit from mutual cooperation.

In summary, a leader's keen observations of social movements and structures of their social connections influence the success of their action (Balkundi and Kilduff, 2006), and the multiple networks they build within the organisation and outside it facilitates access to important information, knowledge, influence, and opportunities, and also mitigate risks (Tipurić, 2011).

The main question is how to determine the proportion that relying on hierarchy (formal authority chain) should bear to using social networks in implementing organisational change

as the central element of strategic leadership. The answer to this question depends on the situation and the characteristics of the organisation, but we know that creating networks and managing network relationships is inevitable. The most successful strategic leaders make significant investments in social networks: they improve existing networks, strengthen their own position in them, and develop new network structures that can be beneficial for them in the performance of their primary task.

9. Modelling strategic leadership

The comprehensive model of strategic leadership

Kriger and Zhovtobryukh (2013) presented an interesting approach to the analysis of different types of strategic leadership, developing a typology based on two key situational characteristics: internal complexity and environmental turbulence.

Firstly, internal complexity is a distinct organisational characteristic that indicates the level of intricacy and complexity of structural and process elements. It can be defined as the level of information and coordination required in order for strategic leadership to be sufficiently effective within the given environment. It grows proportionately to the size of the organisation, scope of its operations and intensity of knowledge required for a collective action. There are simpler and more complex organisations: with a lower or greater interconnection of building blocks and various modes of interaction with the environment required to transform inputs into outputs.

Secondly, the situation beyond the boundaries of the organisation is characterised by lesser or greater uncertainty and environmental

turbulence. The organisational environment can be more or less turbulent, variable and predictable. It is at times possible to understand the structural determinants of the environment and their potential effects in the future; however, this is sometimes not possible at all due to turbulence, intensity and speed of change.

Leadership ambience can be generalised and simplified based on the above-listed dimensions: the first situation is one where there is a low level of internal complexity in an environment that is not overly variable and unpredictable; the second is a situation with low internal complexity accompanied by great turbulence beyond the boundaries of the organisation; the third has high internal complexity interwoven with a non-turbulent environment; and the fourth situation is characterised by high internal complexity accompanied by a high level of turbulence in the environment.

Kruger and Zhovtobryukh (2013) identified four generic configurations that are the most appropriate for each of the four situations of leadership ambience. They identified “stars,” “clans,” “teams” and “leadership networks” as manifestations that imply fundamentally different forms of strategic leadership.

Stars. Dominant strategic leaders emerge in a placid, non-turbulent environment where there are no internal challenges due to relative organisational simplicity. Leaders of this type are mainly characterised by a tendency to act as an autocrat when making strategic decisions, but not at all times. In certain situations, they may have the tendency to share power and control with others and they may adopt consultative and participative leadership styles. According to the authors, “star” leaders are most efficient in small and medium-sized organisations. It can be said that egocentric strategic leadership is in most cases identified with this configuration.

Clans. Conditions of a placid environment and high internal complexity yield a group of leaders who attempt to deal with internal challenges of an organisation. This is distributed and shared strategic leadership: from the top toward middle management levels in the organisational hierarchy. Clans are “*functionally, and often geographically, separated units of the firm whose members have a sense of kinship based on common background, functions, jargon, norms, values and/or culture*” (Kriger and Zhovtobryukh 2013: 413). There is a clear hierarchical structure with a unique chain of command, with the clan leader at the top. Strategic leadership is shared among all clan leaders, who generally constitute the top management team. The authors noted that clans mostly exist in organisations comprising strong foreign subsidiaries which have complex internal operations, but relatively weak centralised control from the central organisational unit.

Teams. This configuration is generally established in conditions of lower internal complexity in a turbulent environment. It is characterised by horizontal distribution of the function of strategic leadership at the organisational top between different functional and geographical units. The authors also refer to “collective leadership” in this context, which was a term used by Friedrich *et al* (2011). Dynamic changes in the “leader–follower” roles in teams depend on the types of problems being solved; leadership position is assumed by those with the most knowledge and information.

Leadership networks. According to the authors, the leadership network configuration is most successful in the conditions of high internal complexity and turbulent competitive environment. Strategic leadership does not have a locus in an individual, but in a network of connected leaders which is created as a sort of dynamic cooperative system of interconnected and interdependent actors who influence each other and thus coordinate the tasks, objectives and vision of the organisation (Kriger and Zhovtobryukh, 2013: 418–9).

Kruger and Zhovtobryukh's typology is interesting primarily due to its departure from the *heroic* approach to leadership and its acceptance of strategic leadership as a process that does not have to be associated with an individual or a small group of persons at the top of the organisational pyramid. In addition to that, it emphasises the importance of coalitions, groups and networks in assuming crucial roles in defining organisational reality. It recognises the dynamism of strategic leadership and its connection with contextual variables. It underlines the fact that leadership is a complex, multi-level phenomenon that cannot be reduced to simplified relationships in the leader-follower dyad.

The typology shows and elaborates how the organisation's performance greatly depends on the ability to adapt the strategic leadership model to internal and external conditions and circumstances.

The above-explained configurations of strategic leadership demonstrate the types of individual and collective responses to the pressures of a competitive environment (Kruger and Zhovtobryukh, 2016: 57). The construct likewise involves a prediction of the evolution of the configuration of strategic leadership in response to changes in organisational complexity and variability in the environment.

In an example that follows the presentation of their typology, the authors explained how Ford Motor Co. developed from the "star" model, which existed at the time of Henry Ford, into the "clan" model, which marked 60 years of the company's history until the great oil crisis, during which time strategic leadership was redesigned in the form of a "leadership network" model.

They also gave the following examples: Apple's transition from the "star" model, which marked the early stage of the company's development, to the "team" model starting in 1985, and finally the "leadership network" model as of 2007; and Honda, which

was an example of the “star” model until the late 1980s (or in other words, during the time of Soichiro Honda at the helm), after which period strategic leadership consolidated into the form of a “leadership network”.

On the other hand, the presented typology is not fully comprehensive and does not leave enough room to consider all the important versions of strategic leadership configurations. It does not demonstrate some of the more important determinants of leadership, such as the phenomenon of leadership becoming a task for the entire collective to perform. In our view, it merely describes the configurations in which leadership can manifest itself or be identified in depending on two dimensions, without getting into an in-depth discussion regarding the reasons and causes why the presented configurations emerge.

Generic strategic leadership configurations

The dimensions in designing alternative generic configurations might be: (1) the relationship toward hierarchy and (2) the number of actors who assume the role and tasks of leadership.

Firstly, strategic leadership can follow a hierarchy, but it can also depart from it. A hierarchy can be understood as order based on superiority and inferiority in organisations, i.e., as a system for ranking individuals or groups based on their absolute or relative status. The main characteristic of a hierarchy is the existence of formal authority: individuals or groups at lower levels have to follow the orders of those at higher hierarchical levels.

In an organisational hierarchy, the chain of command is clearly visible and leading from the top to the bottom of the organisational pyramid. In most cases, concentration and distribution of power

within the organisation follows the hierarchical structure. At the organisation's apex, there is usually an individual or a group with the greatest authority and responsibility. Decision-making power can be held by the upper echelons of the organisation, or it may sometimes be decentralised toward the lower positions within the hierarchy.

Three situations relevant for configuration can be identified. These are: (1) positioning of strategic leadership at the top of an organisational hierarchy; (2) dispersion of strategic leadership roles and processes within the hierarchy; and (3) departure of strategic leadership away from the established hierarchy and hierarchical relationships.

Secondly, configuration of strategic leadership depends on the number of actors assuming the role of leader. Three situations may be considered: (1) where an individual is tasked with strategic leadership (single-actor leadership); (2) where several persons assume the role of strategic leaders, and (3) where strategic leadership is assumed by a number of persons connected through a network (multi-actor leadership).

By considering their determinants and dimensions, five generic configurations of strategic leadership can be identified: (1) egocentric strategic leadership; (2) horizontally distributed strategic leadership; (3) vertically distributed strategic leadership; (4) network of strategic leaders; and (5) the collective as strategic leader.

First four configurations were mentioned earlier in this book. The fifth generic configuration is completely different: members of a collective jointly assume the leadership role and there is no individual or group of leaders in charge, which is why it can be said that the collective *de facto* acts as a leader. The collective is recognised from the outside as a coherent leadership entity, while

internal group dynamics and processes of achieving agreement model different ways of internal coordination and dynamic interaction with the environment. Individuals' initiatives appear from time to time and are tested in the processes of group harmonisation and decision-making, such as the *direct democracy model*, i.e., the model of voting on all important aspects of the organisation. However, once it becomes "property" of the collective, the initiative acquires a collective attribute and ceases to be associated with its proponent (Tipurić, 2020).

There is an actual duality of strategic leadership. Any leadership has its own depersonalised substance which is the result of specificities of bureaucratic structures and characteristics of the environment and the organisation, and which is reflected in the limitations and available decision-making discretion; however, it is also undisputed that prominent individuals, with their traits, knowledge and leadership styles, affect the way strategic leadership is manifested.

The content and processes of strategic leadership include in most cases personalisation and mechanisms of administration and management.

Duality of strategic leadership can also be manifested in a completely different way: by distinguishing formal from emerging relationships within the organisation. This is where the contrast between the personal and the impersonal is manifested as a kind of structural paradox. Incidentally, there is an interesting idea about the coexistence of two leadership structures, an idea developed within the complexity theory that postulates the existence of two connected but distinctly separate leadership phenomena. These are (1) leadership based on administrative structures and formal positions, and (2) adaptive leadership, which is based on the dynamics of relationships and complex interactions in social networks. Adaptive leadership, as underpinned by the advocates

of that theory, plays a particularly important role in organisations where creation and dissemination of knowledge and information is a crucial determinant of their existence and development (Kriger and Zhovtobryukh, 2013; Uhl-Bien *et al*, 2007; Uhl-Bien and Marion, 2009).

Generic configurations rarely appear in their “pure” forms. Strategic leadership in an organisation is in most cases a combination of several settings and styles, which depends on many situational factors. Characteristics of a single configuration may be more dominant and identifiable, but this is not a rule.

As pointed out, egocentric strategic leadership denotes a situation in which the strong personality, ability and capacity of a single person fully direct organisational existence. Power is asymmetrically distributed across the organisation and decision-making is highly centralised. Leaders are identifiable in the environment as distinct symbols of the organisation. Egocentric leadership cannot be turned into organisational capacity or routine; it can be a distinct competency of the organisation, but relying solely on it is risky.

Sooner or later, egocentric leadership is transformed into distributed strategic leadership.

Limitations of cognitive, information and action-related nature, environmental complexity, as well as growth and expansion of the organisation, eventually require the organisation to distribute the function of strategic leadership among multiple persons with managerial authority in the organisation. Strategic leadership is thus established as a group or organisational characteristic.

Horizontally distributed and vertically distributed strategic leadership rely on formal positions in the organisation and on the chain of authority and responsibility, i.e., on the hierarchical structure of the organisation.

Horizontally distributed strategic leadership describes a coalition in the upper echelons, i.e., a top management team that jointly manages the strategic processes in an organisation.

Vertical strategic leadership mirrors the decentralisation of the strategic function and the delegation of important decisions to important middle managers.

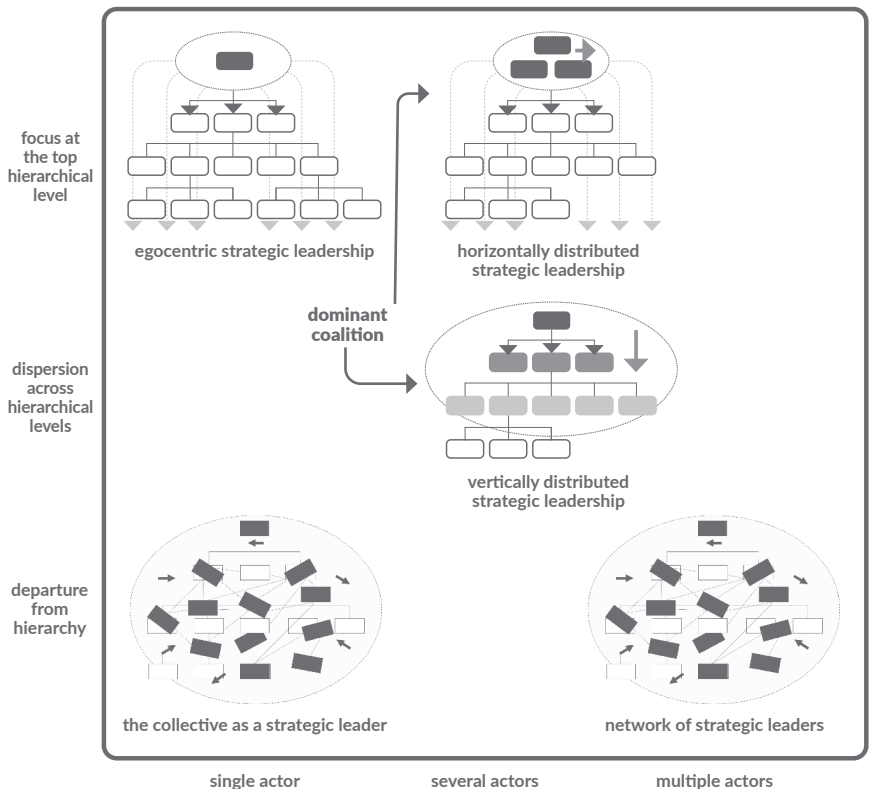


FIGURE 13. Generic Configurations of Strategic Leadership

Both configurations are based on the establishment of a *dominant coalition* that assumes a crucial role in leading the organisation.

At first glance, this is a good solution, but this is not always the case. Distribution of the leadership function decreases the costs of information in the long term, but it also increases the costs of negotiation and implementation (Kriger and Zhovtobryukh, 2013: 421). If there are multiple actors involved in strategic leadership activities, the number of situations in which it is necessary to deal with resolving potential disputes, coordinating, reaching an agreement and arranging all relevant aspects grows.

Furthermore, departure from hierarchy is characteristic to organisations where strategic leadership is not linked to formal power and where proactivity and adaptability are associated with initiative, innovation, creativity and quick decision-making, regardless of administrative rules.

Building a network of strategic leaders helps shape the strategic intent and achieve consistent strategic implementation. Moreover, a network of leaders can be a spontaneously-emerging or a designed organisational entity created with the aim of extending social influence and establishing agendas that may benefit both individuals and the society as a whole.

Finally, strategic leadership can be a collective matter in the true sense of the word. Joint action is embedded in organisational norms and can lead to complete depersonalisation of strategic leadership.

In such cases, the collective is both the object and the subject of leadership. Direction, connection and dedication of members are achieved through agreement, democratic decision-making and establishing settings in which the leadership process is broadly dispersed to all members, as is the case (for example) in smaller groups with symmetrical power or both small and large cooperatives with clearly defined rules that do not permit aberrations or concentration of position-based power.

Egocentric strategic leadership	personalised leadership	individual	concentrated leadership	stable leadership	extremely strong asymmetry of power
Horizontally distributed strategic leadership	personalised leadership	narrow dominant coalition	concentrated leadership	stable leadership	strong asymmetry of power
Vertically distributed strategic leadership	personalised leadership	broader dominant coalition	moderately dispersed leadership	stable leadership	strong asymmetry of power
Network of strategic leaders	personalised and/or de-personalised leadership	collective leadership in the network	dispersed leadership in the network	stable and interchanging leadership	balance of power
Collective as a strategic leader	depersonalised leadership	collective	completely dispersed leadership	stable and interchanging leadership	collective has the power

TABLE 1 Dimensions of Generic Configurations of Strategic Leadership

Four types of strategic leaders

Organisational leaders can be categorised into groups depending on two relevant theoretical constructs.

Primary, there are significant differences in the strategic-decision making space of organisational leaders. Some of them (or rather the choices they make) have a significant impact on the direction and outcomes of the organisation, whereas others lack this ability or are unable to noticeably influence the organisation’s existence.

By looking into the phenomenon in more detail, Hambrick and Finkelstein formulated the construct of *managerial discretion*, defining it based on the *latitude of action* available to the top managers (Hambrick and Finkelstein, 1987). The more directions of action available to them and the greater the freedom of choice

when it comes to choosing between these different directions, the greater the managerial discretion.

Discretion is an important concept that helps understand the types of influence and ways that strategic leaders can influence organisational outcomes (Finkelstein *et al*, 2009).

Great discretion implies that top managers are able to significantly impact the strategic behaviour of their organisations. When top managers lack great discretion, strategy emerges over time without their influence as the crucial factor (as postulated, for example, in the organisational ecology theory or the institutionalist approach to strategy).

This concept helps to understand the size of the space available for leaders in designing strategies and making important organisational decisions. The range of powers permitted to organisational leaders varies depending on a series of internal and external factors. Having little discretion means that one's possibilities will be limited, whereas greater discretion increases the potential for making independent choices and creating desired organisational changes; in other words, it strengthens the strategic leaders' potentials in designing and implementing strategies (Hambrick and Finkelstein, 1987).

Upper echelons theory underlines that organisational outcomes are directly connected with managerial discretion. The greater the discretion, the more the characteristics of organisational leaders will be evident in the strategy and organisational performance. If discretion is limited or barely present, the characteristics of all those occupying the formal positions in the hierarchy cannot be relevant and do not mean much in the context of organisational performance (Hambrick, 2007: 335).

Executive job demands represent another important category in the upper echelons' theory. They differ between individual

positions occupied by top managers and can be defined as the extent to which leaders perceive their jobs as challenging or hard (Hambrick *et al*, 2005: 473). The construct has been developed based on the transposition of the concept of *job demands* (borrowed from organisation science) into the specificities and contextual conditions applying to strategic leaders.

In some situations, strategic leaders do their job in very stable and not excessively demanding conditions, with a team of competent co-workers, while other times their job takes place in a complex and uncertain strategic ambience involving many challenging and hard-to-solve problems. This affects the way leaders approach their jobs and the way the ambience and strategic behaviour of the organisations they lead are created.

Executive job demands complement managerial discretion. Enjoying a great level of discretion in strategic decision-making usually means that leaders are also faced with great demands in their executive jobs. However, this is not necessarily so. There are many situations and examples that demonstrate the contrary. The two constructs are connected, but cannot be fully identified with one another.

Four groups of strategic leaders can be grouped based on the level of managerial discretion and executive job demands (Figure 14).

Firstly, environmental uncertainty, task difficulty, changes disturbing the usual way things are done, internal and external pressures, all make strategic leaders' jobs more difficult. If strategic leaders lack sufficient managerial space and freedom to act, they are faced with a serious problem. It is hard to be a leader with little power, especially in situations that require quick and efficient response, authority and strategic competence.

Helmsman-type leaders. Sometimes the industry itself, or a crisis situation, constellations of key corporate governance actors

or some other external or internal conditions allow for only a low level of discretion but which is nevertheless accompanied by high executive job demands; in this context, the position of the leader is comparable to being at the helm of a ship on rough seas, with the captain (another person) plotting the course and determining the route to safety. The helmsman-type leaders attempt to find the best possible solutions within the very limited decision-making space that is given to them.

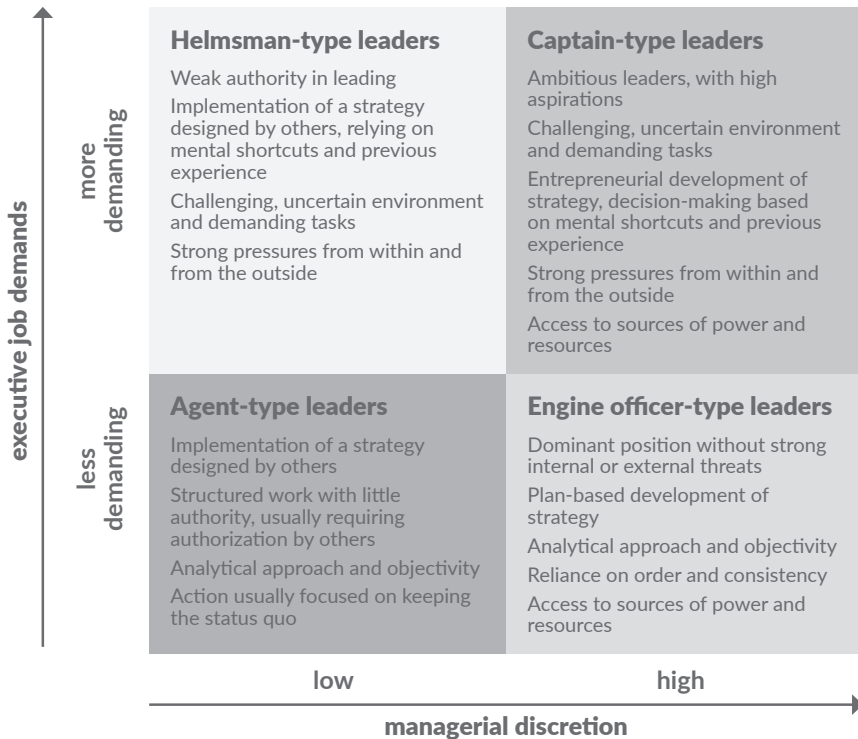


FIGURE 14. Four Types of Strategic Leaders

Moreover, leaders naturally aspire to expand discretion, so it is safe to expect that the more ambitious among them will try to

change jobs or redefine the context in which they are currently operating by expanding their decision-making space.

Captain-type leaders. A high level of discretion accompanied by sizeable executive job demands is the space of action of special types of leaders, those who are strong enough to cope with internal and external pressures, because they possess sufficient power and access to important resources. Their titanic position is the result of aspirations and entrepreneurial capacity for dealing with the challenges and overcoming obstacles. They are willing to accept risk and manage change, and the space of action that they have available makes it possible for them to act quickly and to make strategic adjustments without having to overcome any hurdles in the process. They are captains discovering new lands beyond the familiar horizons.

Engine officer-type leaders. Thirdly, if leaders have a broad field of action and great decision-making space, and they operate in not overly demanding conditions, they can focus their efforts on maintaining order in the organisation and on plan-based formulation of strategy. The power and resources they have at their disposal help them maintain their dominance. Their power is unquestionable and their managerial discretion gives them the possibility to choose directions of action unburdened by the pressures and challenges coming from within the organisation and from the environment. They are the engine officers operating a familiar and fully functional ship's engine, without any pressures or burdens coming from the outside.

Agent-type leaders. Finally, it is hard to assign the attribute "strategic" to the kind of managers who lack sufficient decision-making space and who are not faced with great challenges and threats in their job. Their position is formal and not too important; someone else is, whether covertly or manifestly, taking over the role that entails planning and implementing strategy, and making

and implementing major decisions. Such leaders are stripped of any real power: they lack the substantial characteristics and identity attributable to world-changing organisational leaders. They are actually agents - executive mediators who primarily serve as a communicational node for transmission of someone else's authority in the collective.

Postscript

If you have just finished reading this book, you are probably wondering why anyone ever tried to write separately about strategy and leadership. If you are one of those who skip to the end, before reading the main book, to look at the Postscript right after the Foreword, you will be asking that question soon. My take on this question is that you can talk about these two concepts separately, but at the price of losing the most valuable contribution(s) of this book: strategy and leadership for Professor Darko Tipurić are not two separate things that he brings together, strategic leadership is one concept.

If this was the first book that you have read from Tipurić, you need to know that *Mastering Strategic Leadership* is the third item in his trilogy of recent books on strategic leadership. The three books together, and most of all this third one, make a dramatic step forward in discussing the principles, process, and practice of strategic leadership. The book adopts a pluralistic approach, making it suitable for a variety of types of readers. It describes various conceptualisations, constructs, and models together with insights from the practice of strategic leadership based on multiple perspectives and a holistic view of organisations. If I believe that this approach is so appropriate, why there are not more books adopting a similar stance? For an answer you need to look at the author.

Tipurić is a seasoned management scholar and a top consultant, but he is also a philosopher. I see the signs of all the three identities in this book. As a scholar Tipurić brings the freshest ideas, concepts, models, and whatever scholars figured out about

strategic leadership. However, if this is all there was, it would be just another monograph that only academics buy, put it on their bookshelves, and only take them to read only when they need a reference. As a consultant, Tipurić speaks the language of the practitioners – this is the art of the scholar-consultant, to bring the greatest and most complex ideas of academia and contextualise it in the reality of leaders (business or otherwise) and deliver them in the language of praxis. Furthermore, Tipurić is also an experienced strategic leader himself, and thus the remarkable authenticity of the book: he talks about what he has already done as a leader and what he helped others do as a consultant. This is roughly what can be seen in the first five chapters of the book: it is real problems that are looked at, so any C-level practitioner will feel on a familiar ground, while any strategy or management academic will recognise the influential ideas of their discipline.

However, for me the greatest value of the book is delivered starting chapter 6, this is where Tipurić shows the reader his third identity, that of the philosopher. In this role, Tipurić understands our postmodern times, so he addresses power structures as much as morality and depicts multiple perspectives in which the idea of strategic leadership can be conceptualised. This is essential for practitioners, as they know for long time what academics are just starting to understand: there is no single right way. I would go so far that any book on strategic leadership today should be a philosophy book. With its postmodern stance, the book is extremely timely. Most business schools all over the world still teach strategy mainly based on the ideas of industrial management from the 1970s, with small tweaks. There is a dire need for new approaches, for new views, for new content. Let's finally arrive at the 21st century!

Topic-wise I would like to highlight a few ideas from the book – of course, this is simply my personal preference, these are the

reasons for which I wanted to read this book. Tipurić mentions that strategic leadership, as he views it, happens even when there is no strategic leader who explicitly fulfils this role. The greatest management thinkers started talking about this, including Peter Drucker, Henry Mintzberg, and Charles Handy. This is what is understood under communityship, a concept that the three gurus more or less simultaneously invented with only nuances of difference. This means that this is something we should pay attention to. When he talks about the Zeitgeist, Tipurić does not only mention technology, but also ethics, and I firmly believe, as I noted in my recent book on AI (Dörfler, 2022) that in the age of AI, ethics becomes the most significant problem as well as the dominant source of learning – even about AI. It is quintessential for strategic leadership, and this is why I believe a book on strategic leadership should be written by a philosopher. Tipurić talks about perceptions, discourses, and behavioural patterns rather than measurements, which is fully in line with my experience with strategic leaders. In the last few chapters Tipurić develops a few models, grounded in the characteristics of strategic leaders and their contexts. Based on these characteristics, Tipurić creates prototypical characters. This approach is particularly appealing, as it speaks to our intuitive understanding, and provides shortcut to comprehending the complexity of the real world without the need to analytically describe this complexity – which would be impossible anyway. I have used the same approach with a few colleagues recently to describe creative leadership, which brought us the best paper of 2021 in *Creativity & Innovation Management* award (Feuls *et al*, 2021). I believe that many readers find this approach work for them – all it requires is an open mind.

Musicians say: take something old, something new, and add a twist. Tipurić is true to himself when he takes the old philosophy, the new praxis of strategic leadership of the 21st century, and adds his own postmodern position. The philosophy of the book builds

a bridge between the deep thoughts of the finest scholars and the purposeful actions of practicing strategic leaders – and this is the very quality that puts this book into the top echelon of strategic leadership thinking and practice.

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The philosophy of the book builds a bridge between the deep thoughts of the finest scholars and the purposeful actions of practicing strategic leaders – and this is the very quality that puts this book into the top echelon of strategic leadership thinking and practice.

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University of Strathclyde

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