The Role of Leadership in Project-oriented Organizations

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Abstract: The future challenges of telecommunication companies are related to the convergence that will manifest itself as the merger of the Internet, mobile, fixed and television/video communications into one service package. The key of the project management discipline is a project manager—his/her skills, competencies, experience, and personality. Research shows that leadership is currently the most demanded competence at all levels of management including project management. As projects become more sophisticated and in many cases are related to organizational change the need for leadership is growing. Ability to meet the challenges and hardships, to allay uncertainty in the team becomes crucial to succeed in development projects. The role of a leader in a project is more than just effectively managing resources—human, financial and time, in order to achieve the goal. The leader has a clear vision, ability to bring out the best in people and inspire them to perform better than they knew they could. Project management based on leadership can ensure that energy is used to create value for the company and people take responsibility for bringing the team closer to the common goal. The aim of the paper is to justify the leadership change in the organization’s management approach as the main competence in project management.

Key words: leadership; project-oriented organizations; management; project management

JEL codes: M12, O32

1. Introduction

Studies show that only 20% of project success depends on the approaches to work management, while the remaining 80% on other roles of a project manager in a project (Reiter W., 2003), such as leadership, team management, organizing negotiations, problem-solving, among others.

The concept of leadership in academic writings has been known for a long time: the most significant studies date back to the 19th century. Leadership as an object of scientific study up to the modern day has become increasingly topical and has developed to have many research aspects (Bass M. B. & Riggio E. R., 2012). The leadership theory presents a vast variety of study objects—the leadership concepts refer to a range of fields of human activities, such as politics, pedagogy, psychology, science, entrepreneurship, etc. One of the scientific study fields is the influence of leadership on development of enterprises, and it has grown over time, along with technological development and with the need for new methods to achieve entrepreneurship goals. Leadership is interpreted as manifestation of power, the managerial status and social position, as well as the implicit impact on processes.
Under circumstances of increased globalization, technological development, and intensified competition, the creation and implementation of new ideas are crucial in development of a company, fostered by successful process management. As the external conditions change, a company must adapt and the past activities must be adjusted and rearranged, which, for its part, calls for making unaccustomed decisions. Lack of leadership in a company’s management ensures keeping the internal peace in the company and ignoring the external factors. In a long term, this type of management of a company can lead to its inability to adapt to the external environment.

Project management as a set of planning, performance, and control techniques is a way of organizing the necessary changes at a company. The project-oriented organization form has existed in Europe since 1960s. Such companies organize the internal processes, activities and everyday work in line with project planning methods, because it significantly reduces resource consumption. Ensuring that all of the company employees have the necessary knowledge and understanding of process planning, management, and control in project form is very important in increasing the value of a project-oriented enterprise. In such companies, managerial competence in project management is of major importance, along with the project managers’ knowledge, competencies, personal skills and qualities. Well-trained project managers and capable leaders are those, who guide a company towards achieving excellent results.

2. Theoretical Background

In the 21st century, the importance of leadership is increasing over the world, and that is determined by the expanding manifestations of globalization—investment flows, labor force movement, increasing consumption of goods and services, and changes in national economy structures. Business globalization also affects the requirements with regard to leaders’ skills. For example, in managing young, highly qualified employees, one has to take into consideration new methods with more intensive engagement of employees in decision-making processes (Saner R. & Yiu L., 2000). Maccoby believes that organizations today have to cope with particularly difficult circumstances, under which diversity is increasing, forcing to give up stereotypes and truly understand personality differences and ways of thinking and learning (Maccoby M., 2004).

2.1 Development of Leadership Theories, Leadership Definition

Historically, leadership study schools have evolved from analyzing an individual and his/her impact on processes to analyzing behavioral theory aspects (behavioral theories). Thus, for instance, the academics Müller and Turner distinguish the main stages of leadership theory development as the trait school thought, which developed during the 1930s (leaders’ personality, knowledge, charisma), followed by the behavior school during the 1940s (managerial style in achieving goals), the contingency school of the 1960s (the leader’s goal to be achieved and the problem situation), the visionary and charismatic school of the 1980s, and the competence school of the early 21st century (Müller R. & Turner R., 2010).

Criticism of the theoretical stances of the leader trait thought encouraged further development of theoretical cognitions about leadership. Therefore, effort was made to keep away from leaders’ traits and address behavioral analysis fostering achievement of results. Theoreticians of manager behavior also distinguish between change-oriented behaviors (based on promoting creativity, assuming risk) and passive leadership (based on the followers’ and subordinates’ self-initiative and potential to self-manage) (Derue S., Nahgrang J., Wellman N., Humphrey S., 2011).

Furthermore, Northouse also mentions that in the preceding studies of leadership theories and practice, it is
concluded that “there are almost as many different definitions of leadership as there are people who have tried to define it” (Northouse P., 2010). Upon considering a number of leadership definitions, it can be inferred that leadership is a process, whereby an individual influences a group of individuals to achieve common goals (Northouse P., 2010) and it is described by collaboration between leaders and members of a group, including sharing of leadership responsibility (Dubrin A., 2012). Kotter defines leadership as “development of vision and strategies, the alignment of relevant people behind those strategies, the empowerment of individuals to make the vision happen, despite obstacles” (Kotter P., 1999). Features and historical development of theoretical schools of leadership are analyzed in the next section.

2.2 Leadership-defining Approaches and Leadership Management Styles in Projects

The leader and his/her followers play an important role in the leadership process. The leader shapes a vision, gets engaged in achieving the common goals, and it is important for the leader to influence changes and achieve results (Kotter P., 1999). For the leader to manage a project successfully, he/she must have not merely skills and abilities, but also followers. Maccoby points out that, in trying to understand what leadership is, it is often forgotten that in the leadership equation, the leader’s followers are of the greatest importance. Maccoby considers a tendency of followers projecting the leader as an important person from the past (the mother, father, brother, or sister) (Maccoby M., 2004). The following approaches characterizing the leader have been described in writings:

(1) Trait approach—identification of such traits of a leader that distinguish him/her from the manager or followers (intelligence, self-confidence, sociability). The works by Tead, Stogdill, Lickert and Fiedler among others must be highlighted in the study of trait approach (Филонович С. Р., 2004);

(2) Skills approach—identification of the most significant skills of a leader. Katz points out three most important skills—technical, human, and conceptual (Belal A. Kaifi, Bahaudin G. Mujtaba, 2011), as well as problem-solving skills, knowledge, and decision-making (Michael D. Mumford, Stephen J. Zaccaro, Mary Shane Connelly, Michelle A. Marks, 2000);

(3) Style approach—in writings, autocratic, liberal, and democratic managerial styles are distinguished. Such academics as Lewin and McGregor must be highlighted in the style approach research. The aforementioned styles differ by the level of engaging the employees in decision-making, by information flows and type of communication.

(4) Situational approach—the models of personal traits of managers and the behavioral models could not explain the logical link between a manager’s behavior and effectiveness. Even though the manager's traits are an important success factor, the studies proved that management effectiveness is influenced by other factors as well. Namely, the work environment, information exchange, nature of group tasks, etc. Both trust and clearly defined tasks are important in the process of completing tasks (Chemers M., 2000).

(5) Psychodynamic approach (Northouse P., 2010)—leaders using this theory are those who understand:

- the followers’ attitudes, potential, behaviors, and expected responses to leadership;
- the level of maturity of followers and its impact on their responses to leadership actions;
- the desires and motivational keys of followers;
- the meaning and interpretation by followers of language, behavior, symbols, and situations;
- the proper balance of dependence and independence appropriate for a given group of followers;
- the proper psychological relationship between the leader and followers; of the psychodynamic interplay between the leader and followers and between and among leaders as well (Rubenstein H., 2008).

Leadership is regarded as the key to success not merely for a single project, but for entire business structures
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as well, moreover, it is also linked to failures in achieving business goals. Bass describes measuring of leaders’ effectiveness at a company using quantitative methods—taking into account net turnover dynamics, profit indicators, costs, and return on investment, and other similar indicators. Other indicators affecting achievement of a company’s goals and attributable to leader’s effectiveness are not less important, such as employees’ performance, quality of goods or services (number of customer complaints, changes in the customer loyalty indicators) (Bass M. B. & Riggio E. R., 2012), effective project management, performance of the project leader and work group. Likewise, the leader’s impact on a company’s development features also indirect effect—in shaping the employees’ attitude towards, opinion about, and understanding of processes occurring in the company, including—the project management process.

To ensure a targeted and continuous working process, people interact. Leadership management styles have been widely discussed in writings. For instance, in line with the situational leadership model “path-goal”, several types of management for achieving the necessary aim are distinguished. Thus, for instance, House and Mitchell have identified various management styles, such as supportive leader behavior, with which the goals are achieved through subordinate satisfaction, reducing the stress level, participate leader behaviour, with which goals are achieved by getting deeply involved in the team work and taking into account the opinions and suggestions of subordinates, achievement oriented behavior, with which achievement of goals is possible by setting high requirements for goals and expecting maximum investment in accomplishing them (House R. J., 1996). The writings describe 7 more management styles that leaders use in achieving the set goals:

- **Human Relations Leader** is based on team-work, human relations, high level of involvement in decision-making. This leader type manages the team assuming that all of the subordinates are honest and motivated and that supporting and engaging working environment ensures the employee satisfaction and productivity alike;

- **Democratic Leader** is based on a well-organized work with clear goals and responsibility. The team is managed assuming that most of the subordinates are honestly performing job duties, working with high dedication to achieve the set goals;

- **Laissez Faire Leader** assumes that people are unpredictable and not particularly controllable, therefore the manager’s task is to avoid interfering with the team work as much as possible;

- **Autocratic Leader** is based on exercising power and authority, hard work conditions in achieving goals. The leader’s behavior is built upon the belief that all people are lazy and irresponsible, therefore planning and decision-making is the leader’s competence with minimum involvement of the subordinates (Warrick D. D., 1981);

- **Charismatic Leader** is based on the belief that the leader’s behavior serves as an example for achieving common goals and tasks. This type of leader supports the team directly, creates working conditions, which encourage generation of ideas and participation in decision-making;

- **Transactional Leadership** is based on achieving goals by applying relevant stimuli or punishment, as well as ensuring well-grounded criticism or response;

- **Servant Leadership**, in which the leader in a way serves his/her followers and helps them grow and achieve the set goals. It is achieved by stimulating idea generation and taking the ideas into account in the decision-making process (Harper S., 2012);

- **Project-oriented leadership**, in which important leadership behavior elements contain planning (of resources, time, goal achieving strategy, etc.), communication, risk, and decision-making processes (Müller R., Miller R., Turner R., 2010).
To sum up the aforementioned, it can be concluded that no single management approach exists in leadership; various management styles have evolved over time. It was affected by the global development tendencies and by the need to respond to the demand of goods and services and to apply new approaches in organizing business processes and achieving common goals. The next section deals with the project-oriented approach to a company’s management and the role of leadership in it.

2.3 Project-oriented Organization and Leadership Competency in Projects

Thyssen describes the project-oriented management as a widespread manner of company organization. Along with its dissemination, the understanding of the management style has changed—project-oriented management has evolved from a mechanism solving individual tasks to a strategic concept of companies (Thyssen D. & Gessler M., 2012).

Compared with traditional management approach the major concepts common to “new” management approaches such as organization as competitive advantage, empowerment of employees, process-orientation, teamwork in flat organizations, continuous organizational change, customer-orientation and networking with clients and suppliers can be perceived as a “New Management Paradigm” (Figure 1) (Gareis R., Huemann M., 2000).

Changes influence also the organizational structure and decision-making processes. Thus, for instance, along with focusing on projects, human resource management and the management process are also undergoing change (possibilities and limits of managing)—the importance of training, use of incentives (non-monetary rewarding) is increasing (Huemann M., 2010). Project-oriented company managers need organizational, decision-making, and technical knowledge, as well as cost planning skills (Beldi A., Cheffi W., Prasanta K. Dey, 2010). Project-oriented organization in writings is defined as a company or parts of a company (divisions, business units, profit centers), which employ project management and program management approaches to carry out complex and rather unique business processes. Companies of this type have special strategies, structures, and culture of professional project and program management, as well as of project portfolio governance (Gareis R., 2005). The creation of unique products and processes in a form of a project is a difficult task. Maylor mentions that there is scant knowledge of managing such a complex endeavor (Maylor H., 2001). The leadership of the project, and its management, are considered the specific skills of managers (Galbreath J. & Rogers T., 1999). Project-oriented leadership is a systematic application of management understanding and skills during each stage of the project life cycle (Kloppenborg J. T., Shriberg A. & Venkatraman J., 2003). Toth defines project leadership as a term that describes
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good practice management related to the project environment (Toth P. A., 2011). Below are the most important leadership tasks in projects in each stage of the project life cycle:

- providing information;
- agreeing on goals and delegating tasks;
- controlling quality and references;
- solving conflicts;
- creating circumstances to motivate the participants for project organization;
- encouraging learning and further development of each individual and the team as a whole (Gareis R., 2005).

Project-oriented companies are characterized by work in groups relevant for the project duration (Samáková, J., Koltnerová K. & Rybanský R., 2012). According to project-oriented leadership theories, important leadership behavior elements include planning (of resources, time, strategy for achieving goals etc.), communication, risk, and decision-making processes (Müller R., Miller R., Turner R., 2010). Ahlemann argues that the management of projects should no longer focus solely on scheduling and resource management (Ahlemann F., 2009). IPMA “Project management national competence baselines v3.0.” describe leadership as a competency of project managers that is particularly important for achieving the project goals. Leadership is highlighted also as significant competency in situations, when problems arise in the project, changes are required, or uncertainty about further action emerges. Leadership is necessary for applying all of the project manager’s competences in a way that is clear and acceptable for the team to achieve the project goals (Website of the Latvian National Project Management Association). Project management is just as important as specific knowledge and a good leader knows how to address and organize a team, solve conflict situations, and promote achievement of goals.

Over time, the focus of a company’s activities on projects has increased across the globe in various fields, including the information technologies (IT) and telecommunication (T) sector. The following section looks at the challenges of the mobile telecommunication market to assess the aspects, which will directly affect the importance of leadership in successful growth of companies working in this sector.

3. Leadership and New Challenges of Mobile Telecommunications in Latvia

Development of the information and communications technologies (ICT) is one of the most significant triggers for the competitiveness of Latvian economy on a global scale. The ICT sector is an important part of the Latvian economy, constituting 3.6% of the value added share in the gross domestic product (Website of the Latvian Information and Communications Technology Association).

Mobile telecommunications is one of the most dynamically changing areas and its development can be divided into three major phases. During the first phase, the tasks of mobile telecommunication companies were linked to establishing a strong telecommunication network and ensuring infrastructure, as well as rendering the base services (voice, text messages) to consumers.

During the second phase, the development of telecommunication companies was based on improving the infrastructure and rendering broadband Internet services, as well as selling such end user devices, which would provide the client with the fastest and soundest Internet connection with maximum possible coverage. During this phase, smart phones spread rapidly.

The third development phase is linked to focusing more on the users’ needs and better understanding of those needs. Activity of telecommunication operations will not be based on offering even more powerful and
technologically improved devices, but rather on introducing such new services, which will ensure resources for future development and ever better end user experience.

The Latvian National Development Plan 2007-2013 includes development tasks of the ICT sector, information society, and e-government critically important for the state development, which will enable improving the national competitiveness to a considerable extent in a long-term and will affect the development of mobile telecommunications service providers in Latvia. For instance, promoting the possibilities of a broader use of such e-services as electronic document circulation and e-communication, e-signature and e-authentication (introduction of e-identification cards, ensuring electronic elections, etc.) (Latvian National Development plan 2007-2013).

The overall development tendencies clearly show that the modern telecommunication environment is described by flexibility and the need to adapt to the market conditions, where, in order to improve productivity and cut costs, the managers must promote collaboration between business units, as well as foster the use of new technologies and approaches (Komm A., 2011). Today, telecommunication companies are no longer talking about technological superiority, but rather thinking of the potential of providing higher added value services and solutions to the clients in a new, competitive way. Along with further development of electronics, miniaturization of devices will be increasingly fostered by the capacity of end user devices and interfaces are also becoming ever more user-friendly. Within five to seven years, it is expected that a fourth generation LTE (Long Term Evolution) telecommunication system will be created, which will allow employing mobile telecommunication networks and infrastructure for various industrial uses. Future challenges of telecommunication companies are related to convergence, which will manifest itself as blending of the Internet, mobile, land, and television communications, social networks and cloud-computing into a single set of services.

The added value generated by the telecommunication sector in Latvia in 2011 amounted to 213 million LVL (2% of the total added value created in the economy), 5.5 thousand employees were working in the sector (Central Statistical Bureau data). A similar share is seen also in the Baltic neighboring countries—Lithuania and Estonia, and on average in 27 European Union countries (Eurostat data). In 2011 in the European Union, the value added created by the telecommunication sector was 181 billion EUR, moreover three countries—Italy, France, and Spain—account for 35% of the total amount. Development of the telecommunication sector is affected not merely by the factors of demand, but also by the policy of the electronic communications sector, which in Latvia is implemented within the framework of the common European Union policy and it is dynamically developing. In the report of the sector prepared by the Ministry of Transport the Republic of Latvia, it is said that the consumers ever more frequently are asking for integrated electronic communications services, which fully answer their needs and guarantee business safety (Website of the Ministry of Transport).

Upon performing more elaborate analysis, it can be seen that in 2011 the mobile telecommunication market in Latvia reached a saturation of 102.94% (International Telecom Union data). Also the ARPU (Average Revenue per User) has been reducing gradually, as the service volume has been increasing. Currently, the attraction of new users to mobile telecommunication companies is possible only at the expense of competition or by investing in development. As the range of services becomes more diverse, the number of competitors is also growing, hence promoting the overall development of companies in the sector and the acquisition of new spheres. The key indicators characterizing the mobile telecommunication market of Latvia for the period from 2003 until 2013 are shown in Figure 2.
Having studied the development of the Latvian mobile telecommunication market participants, the authors conclude that currently, all of the biggest Latvian mobile communications operators are rearranging their business philosophy from offering specialized and narrow profile products to the changing clients’ needs and creating relevant products and services. The dynamic component of the sector is that it determines the need of new competencies in development of companies. Leadership is necessary to initiate change, introduce novelties, and develop new services. In writings, it has been pointed out that successful service provider companies ensure a better client service level (Cook S., 2011) and demonstrate the skill of better adapting solutions for the clients’ needs.

The ability of a telecommunications company to focus on the most important clients and vendors, keeping track of their development, and forming long-term relations with them, resulting in ensured growth and survival of the company, form the bedrock for gaining a significant competitive edge. It means that building relations is considered an important success factor of a company. Nowadays, a mobile telecommunications client can be described as demonstrating a high level of awareness and education, as well as having higher demands towards the expected service. Moreover, it must be taken into account that nowadays, the society can be active around the clock (24-hour society). The technological progress has facilitated an increased power of the client—with the aid of digital devices, the client can find out other clients’ opinion about a service in specialized online forums, as well as can compare costs and the price/quality ratio (Cook S., 2011).

The authors believe that the development of a new business on the market and improvement of user experience, by providing high added value services, is not an easy task and it influences a change in the management approaches of an organization. Among the most important factors affecting company operations are effective project management and development of the necessary competencies—new development conditions on the market imply transformation with regard to the employee skills, as well. It means that the human resource management requires a systemic approach, otherwise, there is a risk that the staff will refocus on low added value tasks (low-value tasks) (Isern J. & Komm A., 2011). Development of telecommunications companies is fostered also by its opening and innovation promotion, and hence—also by formation of skills needed for development. The role of project leaders in this process is to promote generation of new ideas, to care for the growth of each
individual and the overall team development. Some of the staff development directions having an important impact on the overall business development of a company are given below:

- Human resources as the business strategy—labor force planning is carried out so as to achieve that the company has staff that can ensure successful development of today and tomorrow alike;
- New generation talent organization (Isern J. & Komm A., 2011) and supportive culture (Deschapelles M., 2012)—talent management, based on company’s needs;
- Developing the necessary skills—identification of the special skills or groups of skills that are important from the viewpoint of company development. Upon identifying the necessary skills, they can be acquired in a training process;
- Driving Diversity—diversity of labour force allows choosing additional human resources, who enrich and promote the company’s development with their individual work (Isern J. & Komm A., 2011);
- Leadership—focusing on rapid growth, with relevant investments, seeking new challenges and increasing operational flexibility, assuming risks, and expanding goals. Tolerance and indulgence towards differing approaches, promotion of improvement and development of each individual and of the group as a whole, engaging employees in creating innovations;
- Organization culture—to integrate diverse talent, telecom companies must evolve toward more open, collaborative cultures that intrinsically value creative freedom, dissimilar perspectives, and far-reaching innovation as much as they have traditionally valued predictability and conformance to specifications (Deschapelles M., 2012).

The task of project management is to use resources as effectively as possible in implementing the company’s strategy, with a strong focus on the goal, and hence—focusing on the main tasks. Likewise, project management ensures transparency and facilitates control, as well as reduces the stress caused by the negative effect of uncertainty and change. The project-oriented approach makes it easier to overcome changes, because employee teams are united in achieving project goals. Only strong project leaders can engage employees in a way that they feel a part of achieving the project goals, by creating circumstances for free communication, effective conflict resolution, idea generation, and personal development.

Therefore, in companies with business development challenges, it is important to promote project-oriented leadership culture, by training, supporting, and engaging employees of various structural units in acquiring and implementing a uniform approach.

4. Conclusions

The initial analysis confirms that in the changing environment of Latvia, leadership is a critical competency in business development projects. The study of the role of leadership in a project-oriented organization is topical, because achievements and competitiveness of telecommunication companies take shape due to the effect of leadership.

Vast amount of research indicates that business entities today are faced with circumstances that are challenging more than ever, as diversity and uncertainty is growing; hence, promoting the need to alter thinking paradigms and beliefs to allow growth and full realization of business potential.

The new development conditions on the market imply transformation with regard the human resource management; thus, among the most important factors affecting a company are effective leadership-based project management and development of the necessary competencies to facilitate growth, expertise and engagement of the employees.
In conclusion, by summarizing the information about the challenges of the mobile telecommunication market, the authors conclude that only a project-oriented telecommunication company with marked leader competencies can hope for a successful breakthrough in the changing external environment and under harsh market competition circumstances.

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