

LEADERSHIP CAPITAL: CONCEPT AND ROLES

Jasser Al-Nasour¹, Najm A. Najm²

Received: 07.12.2019 Accepted: 10.01.2020

Abstract

This study seeks to identify the implications of leadership capital in modern companies, and creative leadership roles to meet the challenges of a competitive environment, and the diversity of styles of leaders who come from different environments. The concept of leadership capital is consistent with recent trends in the growing importance of tangible resources, human capital, and leadership intelligence making corporate leadership the most influential driver in making the difference in competitive advantage, market value of the company, and excellence from competitors. This study seeks to identify new roles for leadership as key components of leadership capital. These roles are: Effective influence on individuals to work according to the vision of leadership (the traditional role of leadership), leadership innovation (new principles and methods of leadership work), creating company's higher purpose (corporate citizenship that inspires employees and citizens alike), and finally the ability to excel benchmarking standards with the best competitors in the market.

Keywords: Leadership, leadership intelligence, capitalization, strategic leadership scale.
JEL Codes: M1

Introduction

In today's business environment, and where intense competition is the most serious challenge to corporate survival and growth, leadership is more important than ever. This competition under globalization has come from all environments in what is similar to the competition of all against all; this makes the sources of risk without limits and unpredictable, compared to any previous period. Although information and communication technology (ICT) has contributed to raising the levels of business intelligence, provided superior and rapid information on the developments of the market and competing companies, but this technology requires the strategic mind that can use

¹ Al Zaytoonah University of Jordan

² Al Zaytoonah University of Jordan, Faculty of Economics and Administrative Sciences, PhD,
email: najim_abood@yahoo.com

this information, and the superior capabilities of technology in order to make the most intelligent and capable decision to achieve business results, and outperform competitors. Therefore, companies are in search of the most outstanding leaders at different organizational levels in order to generate superior value from the use of financial, material and human resources. This is why leadership is today the most capable resource for technological advancement, efficient use of resources, effective response to competitive challenge, and better business results for the company. There is no doubt that leadership is not an extraordinary ability, and leaders are not a special breed of people capable of achieving what others, whatever they do, cannot bring. But at the same time, leadership is not a job description as we find in the job description system, nor an administrative center that can meet its requirements. It is important to emphasize that leadership is a unique combination of the leader's special abilities, and the conditions that provide a role for the leader and staff that strengthen the leader by being able to do new things, or achieve what has not been achieved in the past.

Many definitions of leadership have been provided by researchers and authors. The most frequent definition of leadership is the ability to influence employees to work voluntarily to achieve company goals (Hirigappa, 2009, pp.198-199). This key feature of leadership clearly indicates that leadership ensures motivation, guidance for all the company's resources to work consistently, and integrally to achieve the company's goals. However, the most influential factor in employees cannot be a single feature, but a product of a unique harmony of all factors affecting the company and its internal and external environment. That is why some speak of strategic leadership as a strategic force, and a key factor in achieving long-term success in a competitive environment (Hitt et al., 2010; Fulmer and Bleak, 2008; Hughes and Beatty, 2005), Building a sustainable company and contributing to a socially and environmentally responsible environment (Avery, 2005), building trust and commitment to culture and ethical principles in company decisions and practices (Hassan et al., 2013; Sarros et al., 2006; Bellingham, 2003).

With this increased emphasis on the role of leadership in achieving long-term success in the 21st century (Hitt et al., 2010) companies are becoming more interested in investing in leadership and development programs and developing new leaders to avoid any leadership vacuum. The concept of Leadership Capital is being introduced.

Leadership Capital

In today's knowledge economy and intangible assets, leadership is talked about as a component of human capital, which together with organizational capital and client capital represents the three components of intellectual capital (Bounfour, 2005,). This makes us talk in the context of our interest in leadership about the leadership capital, i.e., the treatment of leadership as if it has market value within the so-called leadership

capitalization. To illustrate this comparison, GE's leadership capital is three-dimensional: Storytelling, emphasis on future (Futuring), and unprecedented peak performance. In light of this, the characteristics of bad leadership can be defined as leadership that does not have a motivating story, but many frustrating and rare stories; the past is the recurring picture of the present and it's beyond the usual performance, and the usual performance is everything. The basic justifications for introducing this concept can be summarized in the following:

1. Leadership and market value: The market value of the company is influenced by the leadership that leads the company. Successful leaders when they move to another company increase the value of the company's shares in the market in a way that indicates a greater guarantee of success. This can be demonstrated by the magnitude of the salaries earned by leaders - Leader Gurus in companies, in recognition of their role in the company's success in the market. At the same time, the failure of this leadership (as in Enron) means the end of the company, no matter how great and large, in 1997 the company's market value is 50 billion. The leadership of this company was one of the main reasons after it created the so-called leadership by lies (Thomas, 2006, pp. 6-7).

2. Human Capital: Leadership is a component of human capital. In modern companies, knowledge assets are not technical assets, but also knowledge and expertise. The most important in these experiences, are the experiences of strategic leadership knowledge represented by knowledge strategists, and they are the scarcest category of knowledge individuals. Leaders are doing the right things and making a difference to make the company different.

3. Expected results of leadership capital: Effective leadership is the core of leadership capital. This means that this leadership has outstanding results not only in terms of achievements and superiority over competitors, but also in terms of budget, income and profit statements. The leadership capital, which is already a company asset, promises the expected positive outcomes, which are shown in table, 1.

<i>Table 1: Expected Positive Outcomes from Leadership Capital</i>		
Field		Expected Positive Outcomes
1.	Strategic vision	Effective leadership provides a clear vision that helps to focus the company's resources and achieve its superiority over competitiveness.
2.	The ability to influence	The essence of leadership is the ability to influence and motivate employees to work for the company's goals.
3.	Moral role models	Ethical leadership is a guarantee against the consequences of the most negative behaviour that harms the reputation of companies, their relationships with employees, and stakeholders outside the company.
4.	External relations	The success of leadership makes them trusted by financial institutions, government and the local community, all of which work to support the company's policies and plans with

		minimal tensions and external problems.
5.	Business results	Leadership is well aware that the last real success is to stay in the market firstly, and then grow and expand secondly. This requires that this be reflected in the company's accounts and balance sheet at the end of the year.
6.	Developing leadership for the future	Effective leadership is well aware that success can be limited not only to the leader's stay in the company, but also to the ability to achieve continuity of success and find guarantees through the preparation, and development of new leaders, future leaders.

4. Return on leadership: Effective leadership is one of the core resources in the company, and this resource has a return as well as financial and physical capital. In this context, Simons and Davila, (1998, p70) referred to the return on management.

5. Benchmarking in leadership: The competitive business environment has made everything in the company need to competitive benchmarking where leadership performance does not compare with achieving internal goals in the performance of the company, but the most important performance compared to market leaders and the best competitors. The leadership capital is the function of comparative performance with the best competitors who achieve the largest market share, greater market expansion, the highest return on investment and others.

In this context, leadership emerges as the most influential resource in vision, ability and competitive advantage. This makes leadership an important investment in companies that have long-term career paths and training programs to develop leadership in the company.

Leadership capitalization

The use of the term human capital has faced some objections, and Gary Becker, the 1992 Nobel Prize laureate, has indicated his reluctance to call his book 'Human Capital' because some believe that using the term means treating individuals like slaves or Machines. However, as Baker argues, the use of the term in economic analysis helps to understand a wide range of behaviours both in the West and in developing countries and in different cultures (Becker, 1993, pp. 16-7). In this context, the question that can be raised with the wide interest in intellectual capital and its components (human, organizational and client capital) is: Can leaders be capitalized? The answer is that contracts for hiring leaders (whether as executives or individual leaders in their field) reflect as much capitalization as corporate leaders.

Human capital is defined as the accumulated value of investments in such fields as training, education and staff experience. It tries to appreciate the accumulated value of workforce skills in order to transform them from individual ability and merit into collective value in the company. This is what is done with leadership with the

fundamental difference that well-known leaders have a wide reputation that is quickly reflected in the company's value in the market (through the rise in the value of the company's shares in the stock market). Again, how are the salaries of leaders determined by companies? A typical answer can be provided by any specialist Human Resource Management (HRM) book with a chapter on compensation. But what you did not say, and did not explain this stereotypical answer, is that the large and excessive compensation, that leaders receive from their companies, can only be explained by the leadership as a leadership capital, that enhances the company's competitiveness and market value, so the compensation provided to corporate leaders carries compensation for this factor which is not counted in the circumstances of ordinary individuals. This means that standardization of compensation (wages and bonuses) based on several factors is usually: education level, experience or years of service, working conditions, and responsibility (administrative, financial, inventory, etc.) are no longer sufficient with leaders with leadership capital.

All these factors are solid, tangible and identifiable. The question is what about the leadership qualifications and the intangible, the leaders as a message, vision and strategic thinking? What about the special experiences, and leadership relationships of the teamwork working in a spirit of community and cooperation? What about the loyalty that leaders make in workers in the shadow of business wars, especially the war of talent, a war of attracting and stealing outstanding individuals by rival companies?

For all this, we say that leadership capitalization cannot be dealt with through traditional payrolls, but there is a great value is the intangible leaders that they add to the value of the company once moved on and multiply with each leadership achievement in a way that cannot be explained only by considering the new type of capital is capital Leadership.

Tasks for the future

Companies with their leadership and great leadership can create a great company, just as bad leadership can lead to a bad company destined to fail and exit the market. The strong interest in leadership presents companies with new responsibilities and duties that can be defined as follows:

a. Creation of leadership programs: These programs are the program of attracting new leaders, continuous development of current leaders, and effective programs to evaluate leaders at different organizational levels, whether on the basis of historical comparison or benchmarking with the corresponding leaders in the competing companies leading the market.

b. Developing strategic leadership scale: This measure helps companies to assess the leadership ability to develop a sustainable company vision and keep the company effective in the market through important indicators in the forefront: the evolution of the

company's continuous vision, maintain the company's competitiveness in the market, effective organizational performance, increasing market share, comparing business results with the best competitiveness in the areas of: investments in new areas, innovation indicators, stakeholder relations, corporate ethical, social, and environmental reputation.

c. Leadership intelligence quotient: The leadership intelligence represents the ability of the leadership to take the initiative in penetrating new areas and presenting new creative solutions to the current problems, as well as the ability to motivate and inspire employees to develop the participation of workers in the development of these solutions in different areas of work.

d. Developing appropriate financial and accounting methods in order to calculate, measure and evaluate the leadership capital as one of the company's resources and one of its most important assets in developing its business and achieving business results in a competitive business environment. It cannot be accepted that the company's important resources such as human capital, customer, and leadership outside the financial and accounting accounts in the company.

Conclusion

Leadership capital can be considered as the most valuable and influential form of human capital, it represents the creative strategic capabilities of a pattern of leaders who make the difference in the identity of the company and its business results compared to the previous period or with the leading competitors in the market. Companies recognize the importance of leaders and their role in their success and failure. However, the recognition of leadership capital still requires a lot to be transformed into another type of capital along with physical, financial, psychological (Luthans et al.,2007), social (Halpern, 2005), intellectual and its three components. (structural, human and relational). Leading capital can be the new form of corporate capital development. In order to measure and evaluate the leading capital and to calculate the extent of its contribution to increase and improve the market value of the company, it is necessary to face the main obstacles that continue to hinder the introduction of leadership capital in the company's accounts and records outstanding ability in the leading companies in the market.

REFERENCES

- Avery, G. C. (2005). *Leadership for Sustainable Futures*, Cheltenham: Edward Elgar.
- Bellingham, R. (2003). *Ethical Leadership: Rebuilding Trust in Corporations*, Amherst: HRD Press Inc.
- Bounfour, A, (2005). Modeling Intangibles: Transaction Regimes Versus Community Regimes, In: Bounfour, A, and Edvinsson, L. (Eds). *Intellectual Capital for Communities: Nations*,

- Regions, and Cities*, pp3-18, Amsterdam: Elsevier Butterworth–Heinemann.
- Fulmer, R. M. and Bleak. J. L. (2008). *The leadership advantage*, New York: Amacom.
- Halpern, D. (2005): *Social Capital*, Cambridge: Polity Press
- Hassan, S. Mahsud, R. Yukl, G. and Prussia, G. E. (2013), "Ethical and empowering leadership and leader effectiveness", *Journal of Managerial Psychology*, 28(2), 133 – 146.
- Hirigappa, B. (2009). *Organizational Behavior*, New Age International Publishers, New Delhi.
- Hitt, M. A. Haynes, K. T. and Serpa, R. (2010). Strategic leadership for the 21st century, *Business Horizons*, 53, pp. 437-444.
- Hughes, R. L. and Beatty, K. C. (2005). *Becoming a Strategic Leader*, San Francisco: John Wiley & Sons, Inc.
- Luthans, F. Youssef, C. M. and Avolio, B. (2007): *Psychological Capital: Developing Human Competitive Edge*, Oxford: Oxford University Press.
- Sarros, J. C. Cooper, B. K. and Hartigan, A. M. (2006). Leadership and character, *Leadership & Organization Development Journal*, 27(8), 682-699.
- Simons, R. and Davila, A. (1998): How High Is Your Retune On Management, *HBR*, Vol(76), No.(1), Jan-Feb, pp70-80.
- Thomas, M. (2006): *Gurus on Leadership*, New York: Thorogood.