

## MODERN LEADERSHIP AND MANAGEMENT

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### **Abstract**

*The article analyzes and describes the main essential characteristics of the concepts of leadership and management. A comparative analysis of these two phenomena was made, clarifying the relationship, identity and differences between them. The object of the study is the process of managing interpersonal and professional relationships in the company and the focus is on the leaders and managers with their cognitive, professional and personal qualities.*

*Special attention is paid to innovation and crisis management in the context of the digital transformation of business models. The author's thesis is that the modern leader is not only an individual, but a resource and capital, an intangible asset and an extremely important key factor for achieving competitive advantage and achieving sustainable development.*

**Keywords:** leadership; management; management competencies; innovation and crisis management.

**JEL Codes:** M10, M21, O32

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### **Introduction**

For many authors management and leadership are two completely different phenomena in management theory. For other researchers these are two complementary specific styles of behavior. In practice, there are many examples of how you can be a manager without being recognized as a leader or vice versa. The combination of weak management and a strong claim to leadership leads to negatives and management inefficiency. Naturally, a winning combination is the combination of these two things or the phenomenon of leader and manager at the same time. If the differences between the two concepts are to be sought and formulated, we would justify the following statement: Leadership is informal, non-coercive influence, mainly affecting interpersonal relationships, while management is more concerned with professional relationships and company administration. This thesis is confirmed by other authors studying leadership and

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management. However, before getting to the specifics of the essence of these two concepts, defined in many different ways, it must be assumed that they are very strongly related to the efficiency and success of the company. In other words, successful leaders with their skills, although there is not a sufficient condition ensuring the company's competitiveness, are an important and necessary condition for it in the complex and mobile market environment. Every well-structured and successfully functioning company has its own strategy, traditions, goals and mission. The implementation of the above-mentioned things requires effective management and it is impossible without leadership, professional collegiality, good interpersonal relations and good management.

## **Results and Discussion**

Leadership can be considered as releasing the intellectual forces of the organization, which in turn creates intellectual capital (Karastoyanov, 2005).

According to Simeonov (2020), effective management is impossible without leadership, it is able to organize, unite and inspire a group of individuals for a common mission and goal, and the ability to develop leadership skills is a necessary condition for the success and competitiveness of individual companies (pp.127-142).

There is no generally accepted definition of the essence of leadership, although there are many authors interested in clarifying its essence. According to Drucker (1993), leadership is not eloquence and influence by creating friendships. It is an influence that promotes the potential of others and pushes them to self-improvement and fuller deployment of their professional skills. This influence induces a desire in others to fully reveal their capabilities and even exceed their own conception and expectations of them (pp.8-20). Drucker (1999) expands his vision of leadership by developing it further when he defines the characteristic personal qualities necessary for successful management - management by vision, by a personal example, with respect, trust and personal influence (pp.73-95).

In our opinion, any thesis and attempt to clarify the relationship and identity and/or differences between a leader and a manager can find its arguments and justification. However, it is obvious that the essential characteristics of the leader and leadership are related more to the sensory-emotional sphere and the psychological impact than to administration and management that are more characteristic of the manager. Al-Nasour and Najm emphasize that "leadership is not a job description as we find in the job description system, nor an administrative center that can meet its requirements" (Al-Nasour, Najm, 2020, p.121).

Cole (1988) defined leadership as "a dynamic process in a group, in which a person who stands at the head in a particular organizational context and for a particular time

influences other members of the group to commit themselves voluntarily to group tasks and goals" (p. 41). According to Filipova (2012), the specific personal qualities of an individual that prove to be effective in certain situations essentially represent managerial competencies and role (p.131). The leadership potential of crisis management was explored by Kirsanov. According to him, the socio-psychological characteristic of the personality is an important condition for the implementation of leadership and management and is an ability inherent in the individual regardless of the situational circumstances (Kirsanov, 2003). Examining the process of management and leadership as a subject-object relationship between "leader" and "followers", Filipova (2019) concludes that "the opportunities for developing the managerial competencies of the leader in the group or enterprise include the set of his managerial competencies, the ways of manifestation of leadership and the peculiarities of its perception by a given group, which determine the manager's ability to take the position of a leader and successfully use his leadership resources in the practice of management" (p.94). In her research the author pays serious attention to the "I-concept" of the manager, which is associated with his ideas about himself, his place and role in the social environment. She believes that the model for the development of management competencies should include cognitive and behavioral elements of the manager and the followers, considering the influence of the organizational-management and social-psychological conditions for the manifestation of leadership (Filipova, 2019, pp.104 -105).

According to Maxwell (1998), who studied the laws of leadership, despite their large number, the general conclusion can be drawn that it is in its deep essence "influence". Very often leadership is associated with informal influence that is not a function of administrative or other empowerment. The optimal option for successful management is when the natural, informal leadership position is characteristic and inherent to the manager and supervisor. Naturally, when the manager is not fully and sincerely recognized as a leader, the management style often diverges to authoritarianism, undemocratic, and from there to poor efficiency.

Leadership as a style of behavior and influence on interpersonal relations is also an object of interest by Kotter. Looking for answers to the question of what leaders actually do to implement important and leading changes, the author reaches the following general conclusion. A leader must be a visionary who sets the parameters and outlines the future, but at the same time he must be able to convince people, to make them believe in him in order to realize this vision, despite all the expected difficulties and unforeseen circumstances (Kotter, 1996, p.25; Kotter 2001, pp. 85-96).

Robert Blake and Jane Mouton's 1964 Management Grid is still accepted as the basic, classic model that conceptually describes and reflects possible leadership styles (Simpson, 2012, p.16).

Another group of theories holds that successful leadership is not only a function of style, behavior and personal qualities, but depends significantly on a number of situational factors. The main idea is that leadership style variability is necessary, that it cannot be constant and applicable everywhere and in all circumstances and situations. We fully share such a thesis, because it is obvious that when you are a successful team leader of seven people, for example, your leadership style is hardly fully applicable and adequate if you manage fifteen people. Another situation exists where other situational factors related to power, authority, responsibilities come into play and this requires an upgrade in management style. The decision-making style in a relatively calm company and market environment is unlikely to be appropriate in problematic and crisis situations. We will look at crisis management in more detail later. The model created by Fiedler (1967) is applicable to situations related to the power, authority of the leader and the force of circumstances, the nature of the relationship between the leader and the employee, and depending on the difficulty and structure of the work task. His model further develops those theories that are primarily related to the personality qualities of the leader and considers leadership effectiveness as a function of the aforementioned three situational variables. Fiedler (1967) studied 1,200 groups in which he compared people-oriented and task-oriented leadership. The studies of Opuni (1984) and Verkerk (1990) are also in this direction.

*Figure no. 1 Capability Determination Model*

	very favorable		Intermediate				very unfavorable	
Leader-Employee Relationships	good	good	good	good	Weak	weak	weak	weak
Structure of the task	high		low		high		Low	
Power of leadership position	strong	weak	strong	weak	strong	weak	strong	weak

Source: Opuni, K. (1984). The least preferred coworker (LPC) concept and the interpersonal construct validity of Fiedler's LPC Scale. Oklahoma.

<https://shareok.org/bitstream/handle/11244/5240/8418589.PDF?sequence=1&isAllowed=y>, p.5.

For the first three and the last eighth situation, managers with a task orientation are most effective. Human relations leaders are most effective in the fourth, fifth, and sixth situations. The seventh situation is equally suitable for both task-oriented managers and good leader-employee-oriented managers. The optimality of the first situation for any leader is obvious - a well-structured task, good relationships, serious job powers and maximum opportunities for influence. In this context, the eighth situation is the most unfavorable. Fiedler (1967) researched that in situations that are at both extremes (first and eighth) effective is that leadership which is task oriented. The third group of theories about leadership is related to the personal qualities of the leader, which are really a huge number. These theories were developed in the middle of the last century and were attempts to explain and characterize the phenomenon of leadership.

As for the semantic similarities and differences of leadership and management, we believe that considering them as two complementary systems and styles of behavior and work most accurately summarizes the existing opinions and theories (Avramov, 2003, pp.5-7; Avramov, 2006, pp.7-19).

Simeonov (2020) summarizes in the following way the specifics and peculiarities of management presented in the works of other authors, as follows: Management primarily concerns company policy, organizational structure and administrative procedures and it does not contain informal components.

Issues related to leadership and well-being in the workplace are explored by Kulova (2023) using European Social Survey data for ten European countries.

Leadership and subjective well-being in the workplace are specific and important phenomena that are a continuous process, adequate to the opportunities and company culture and traditions.

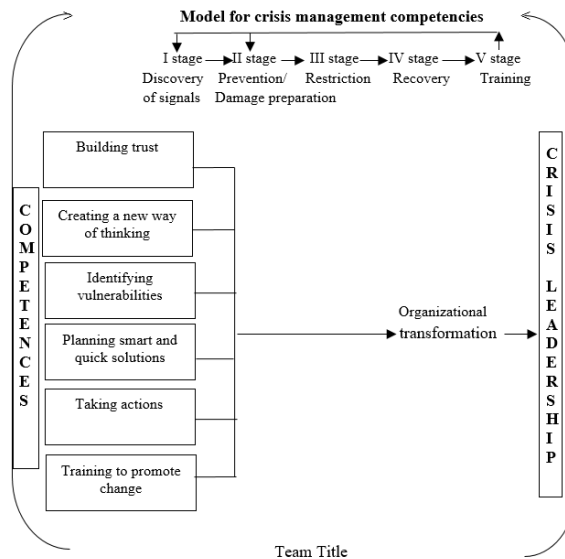
Depending on the danger it represents, the degree of influence on the company's activity, the nature and scale of the damage it can cause, the risk situation can be defined and classified in many ways. We will consider that the realization of the risk leads to a crisis situation without entering into a semantic analysis of the essence of the two concepts of risk and crisis, and their functional interdependence. In our opinion, in order to avoid and limit risk, the company must have a plan and, depending on the specifics of the company, choose the nature of its risk avoidance strategy. In some cases, the reduction (mitigation) strategy is applicable, where the goal is to reduce the probability of the risk materializing, to transform the risk through insurance, to make additional investments. According to Dimitrov (2012), risk and crisis management requires the organization to have a risk management plan as well as a risk avoidance plan. Furthermore, the two documents with prescribed implementation rules must be integrated. The author relates these plans mainly to risk analysis and assessment, which includes identification,

measurement and risk management, and procedures for monitoring, evaluation and actions (pp. 202-203).

In our opinion company strategies related to risk and crises may be different in terms of planning, emphasis and other specifics, but their philosophy, paradigm as a model of thinking should consider the current state of affairs in the company as a permanent problem situation. In the global information environment, changes are extremely fast and the dynamics in the market disequilibrium are so clearly expressed that any refusal to implement new ideas and solutions in a timely manner leads to a crisis situation for the organization. According to Tzvetkova (2020), risk management is part of the project management, and project managers can take the necessary measures to reduce the likelihood for the occurrence of unfavorable situations and the scope of the damage (p.174).

In one of their studies James & Wooten (2005) propose a crisis management skills and competencies model in which they consider the stages and describe the organizational dynamics. In another of their work related to risk management, Wooten & James (2008) provide an opinion on the relationship between the stages and the leadership competencies required for each of them.

Figure no. 2 A Model for Crisis Management Competencies

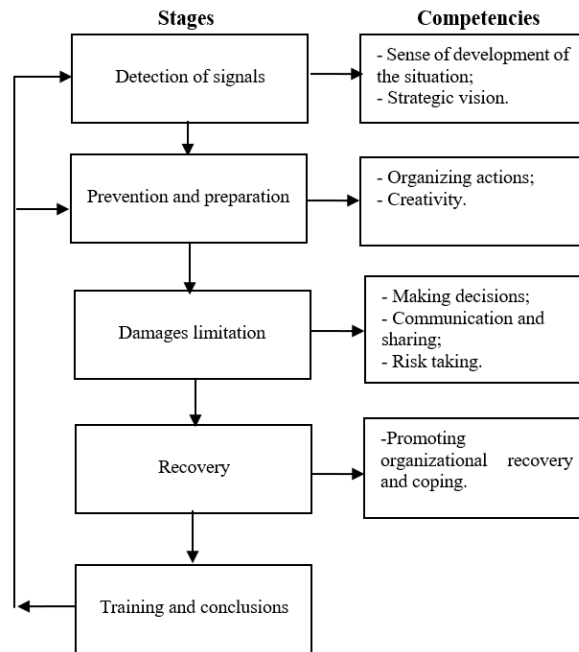


Source: Adapted by Yordanova, D. (2020). About the role and competencies of the crisis manager in business organizations. *Economic and Social Alternatives*, pp.134-144. doi:<https://doi.org/10.37075/ISA.2020.1.12>; James, E., & Wooten, L. P. (2005). Leadership as (un)usual: How to display competence in times of crisis. *Organizational Dynamics*, 34(2), pp. 141-152. doi:10.1016/j.orgdyn.2005.03.005

What we agree with in the applied model is the unidirectionality of the relation "competencies → leadership". In our opinion, the experience gained during crises can lead to organizational change and from there to upgrading or new competencies.

The relationship between leadership competencies and stages of crisis management is presented in Figure 3.

*Figure no. 3 Stages of the Crisis and Leadership Competencies*



*Source:* Adapted by Wooten, L. P., & James, E. H. (2008). Linking crisis management and leadership competencies: The role of human resource development. . *Advances in Developing Human Resources*, 10(3), p.353. doi:<https://doi.org/10.1177/1523422308316450>

We can summarize that there are many competencies that a crisis manager must possess. With their help, the manager must anticipate and implement changes in the structural-functional company organization and medium- and long-term goals and policies in order to prevent and minimize crisis situations. After all, he must have another very important quality - to be ready to take direct responsibility when it is necessary.

This mostly applies to the people implementing the company's innovation management. Modern management requires, in addition to basic knowledge in the field of economic sciences, also competences and skills to use and apply some specific tools from the field of probabilities and statistics, econometrics, modeling and decision-making in conflict situations. This will enable management to forecast and plan the company's

activities successfully and effectively. The manager must know the organization's strengths and weaknesses, its opportunities, as well as the risks of the external environment. In the era of global digitalization, the application of a system-scientific approach is preferable to the intuitive one. Personal qualities of the leader such as initiative, tact, flexibility and motivational skills are extremely important.

When examining issues related to modern management, two important characteristics of labor in modern conditions should be taken into account. These are the accelerated digitization associated with the implementation of the digital transformation and the hybrid work model as a combination of remote and office employment of the staff. Depending on the customers, the brand and the company specifics and culture, the ratio of the two forms of work in the hybrid model is different. A good balance must be found between them to ensure the effectiveness of the relationship between teamwork and the flexibility preferred by employees. In addition, we can mention the rapid and aggressive penetration of digital technologies into the internal company environment and communications with customers and partners. This almost imperatively requires a serious modification of the existing organization of work processes, as well as the building of new or improvement of the existing skills and competencies of the employees. This, in its essence, is a prerequisite for the development of human capital (Koleva-Stefanova, 2019, p.96).

The issues discussed above are also closely related to the increasingly imposed network organizational structure in many companies.

New digital technologies have enormous transformative potential on work processes and environments. Good management foresees not only modifications and improvement of existing processes in the work environment. It must define new goals and approaches to redesign the work architecture. However, the new requirements placed on employees in terms of their knowledge, skills and competencies must be tied to the inclusion, encouragement, motivation, commitment and attitudes of the human resource to participate in such a process transformation, which is part of the overall transformation of the business model. For a long time, the role of teachers and managers was no longer understood as someone who "re-transmits" knowledge. The manager (leader) must be a facilitator, instructor, coach, mentor, boss and at the same time "one of us". In our view, this means the following:

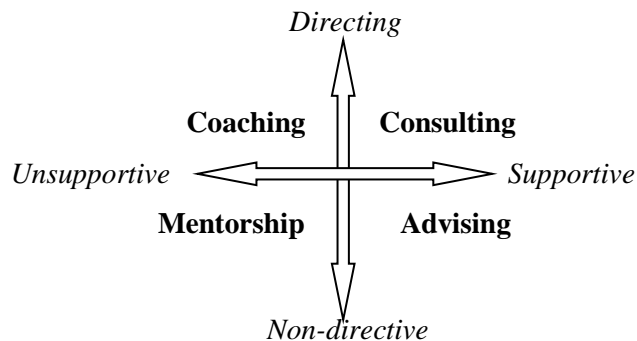
- To know how the people he works with think and learn;
- To understand what motivates staff and partners;
- To carry out good communication and filter the noise on the information routes;
- To determine the appropriate goals, stages for their implementation and priority;
- To show, direct and motivate;



- To deal with crisis situations and challenging behavior;
- To encourage and build confidence;
- To promote creative thinking;
- To control the quality;
- To be part of the team;
- To understand the role of education as a factor for competitiveness;
- To build and maintain an appropriate organizational culture;
- To forecast, plan and manage the change in the company;
- To act confidently.

For the manager's role as an instructor and coach, the foreign word coaching is increasingly used, which in its essence is a symbiosis of stimulation, instruction, showing and directing, and is different from leadership and teaching. The differences between coaching and other support models are explored by Bates (2022). According to him, the consultant will give you advice, the counselor will try to ease your worries and anxiety, the mentor will share his experience and knowledge. A coach will encourage you to achieve your goals (Bates, 2022).

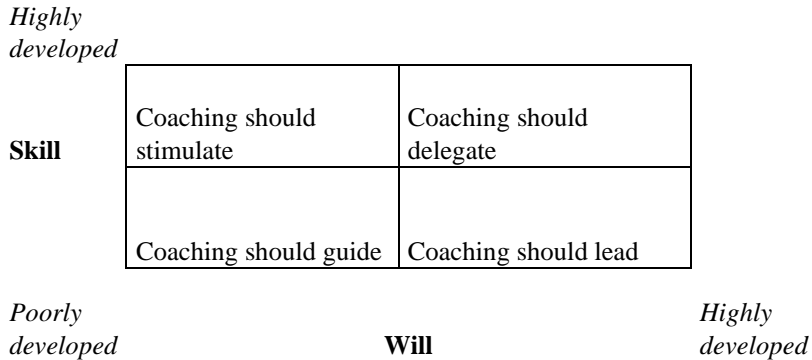
*Figure no. 4 The Differences between Coaching and other Ways and Models of Support*



Source: Bates, B. (2022). A little book about the big models in coaching. Publishing house "Hermes", p.21.

The commonality between the approaches described above is the search for a change in the behavior of the individual or the company. One of the tasks of coaching, as already specified, is to build. Landsberg (2003) believes that coaching, by asking questions, motivating and creating feedback, makes the individual with the will and the ability to believe and become ready to participate in solving a given problem. According to him, a successful coaching approach is related to the skill and will of the trainee (Landsberg, 2003), which can be illustrated as shown in Figure 5.

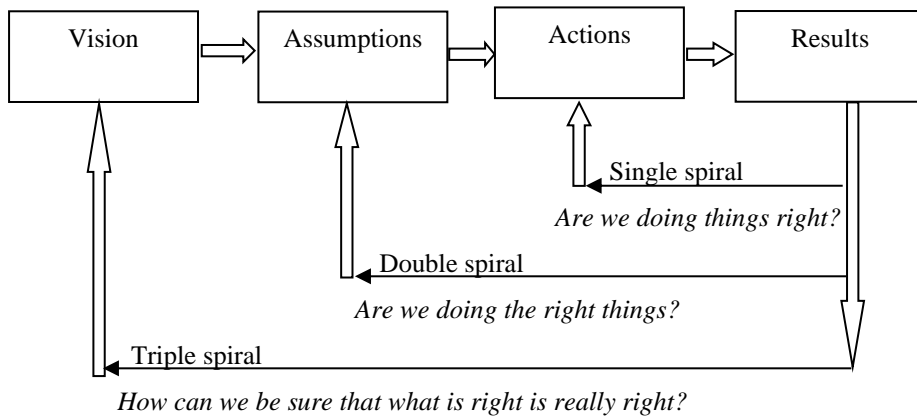
Figure no. 5 The successful Coaching Approach



Source: Landsberg, M. (2003). The Tao of Coaching. London: Profile Books, p.254

Argyris & Schon (1974) associated the successful and competitive company with the following three-level model of verification in the implementation of activities.

Figure no. 6 Three-tier verification Model



Source: Argyris, C., & Schon, D. (1974). Theory in practice: Increasing professional effectiveness. San Francisco: Jossey-Bass.

In the history of business, science and the social sphere, there are many examples of non-standard, at first glance intuitive, but serious and effective managerial innovative solutions. They are associated with managerial qualities such as sense, flair, momentary insight, chance, luck, resourcefulness, timely and quick decision-making and undertaking adequate innovative approaches and actions. Without underestimating the role of sense,

intuition and determination to act quickly on the part of the manager, we will qualify this as a favorable, positive confluence of circumstances and events, which for managers with a lot of experience and competences works in some cases. Taking risks and taking responsibility are characteristics of the modern manager. With global informatization and conditions of uncertainty, however, the qualities related to forecasting, the use of digital technologies for the purpose, statistical planning and the ability to share, modify and adapt other people's experience and practice will become increasingly important. In the field of ecology, environmental protection, forecasting of temperatures, precipitation, hail, drought and other disasters have long been in the archives, so there is a "historical" approach related to the analysis of data from recent years and decades in search of cyclical dependence and repeatability. Big data computing, cloud technologies and artificial intelligence with its many faces and manifestations provide enormous opportunities for forecasting in all social spheres. Self-learning in Machine Learning (ML) and Deep Learning (DL) enables an interactive process where models adapt to new changes in conditions and continuously improve their accuracy.

The use of such machine learning algorithms (ML and DL), the multilayer, i.e. spatially structured data of neural networks (ANN), the qualities and possibilities of virtual reality (VR/AR/MR), 3D printing, the cloud and high-speed 5G networks make consulting, forecasting and sharing foreign experience a key and unavoidable factor in modern management. It is a great advantage to be able to identify the risk at an early stage and in real time and to anticipate and take preventive measures and actions. Artificial intelligence can be said to make predictions based on evidence. In this case, it is not only about ecology, medicine or business, but about any other sphere of human life. Another important advantage of "digital forecasting and consulting" is the existence of a feedback relationship with the manager. It can monitor the progress of processes, their effect, defects and take corrective actions during the design and diffusion of the innovation activity. Not only the allocation of resources regardless of their nature is predicted, but also adequate strategic solutions related to the dynamics of market relations and the creation of new customer and partner policies and company culture are proposed. Apart from these optimistic and positive notes, one should not turn one's back on the skepticism related to the risks and dangers of the entry of artificial intelligence into human life. The use of artificial intelligence, however, so far has brought more opportunities and positives than significant negative consequences.

The use of a descriptive approach related to determining the qualities of the modern leader and manager has its grounds and benefits for theory and practice. Any comprehensive and in-depth literature review made on the subject will confirm the thesis that there are hundreds of characteristics of the modern successful manager. This will lead

to the natural and objective conclusion that a person can hardly possess and combine an essential part of this universe of qualities. Which, in turn, forces the conclusion that the modern manager must identify with the concept of teamwork and distribution of roles, tasks and responsibilities in the management process (especially in large enterprises and companies). The analyses and findings provide arguments to define modern management as a function of possessed qualities in the following key areas – economy, digitalization, social and corporate responsibility. The principles underlying the ESG concept (Environmental, Social and Governance) concern precisely these spheres, and competitiveness and good financial indicators depend on their efficiency, balance and harmony. It is an international, established, modern and applied standard of management effectiveness.

### **Conclusion**

The comparative analysis of a huge number of sources defines leadership and management as aspects and manifestations of both sides of the management process, related to relationships, personal and professional skills, on the one hand, and planning and administration of company activity, on the other hand. Leadership and management are not constant, but are a function of the following three variables - personal qualities, behavioral skills and situational conditions. No less important are cognitive competencies, professional experience and skills.

The importance and role of the human factor and the use of human potential is a postulate for successful innovation activity. The qualities and skills of those managing this activity are particularly important. The modern manager must be both an entrepreneur and an innovator. In the highly competitive and aggressive market environment, he must have the professional qualifications and expertise to evaluate and implement new products, services, technologies and organizational initiatives.

Managerial strategies and styles may be different in terms of planning, emphasis, priorities and other specifics, but as a philosophy and model of thinking and behavior, they must always consider the current state of the company, even with the existing equilibrium of the environment, as a problem situation. Modern management is associated with uncertainties, a high degree of risk and a high probability of crisis conditions in the competitive environment. For this purpose, the company must have a developed and tested risk management model, as well as a damage reduction plan.

Modern management should be seen not as a one-way subject-object relationship, but as a subject interaction. The existence of feedback is extremely effective in modern management and changes the roles of the subject and the object (leader and executor).

In the digital era, the person must be considered as an individual, resource and capital, as an intangible asset of the company with an extremely important factor for achieving competitive advantage and achieving sustainable development.

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