

# Absence Of Transformational Leadership In Greek Enterprises Results In The Inability Of Forming Learning Organizations

John Theodore, JDT Management Consultants, USA

## ABSTRACT

*Transactional leaders employ transactions in which they use their legitimate reward and coercive powers to give commands and exchange rewards for services rendered. Transformational leadership makes subordinates aware of the importance of their jobs and performance to the organization as well as to their own needs for personal growth which precipitates motivation for them to work for the good of the organization. Learning organizations are characterized by total employee involvement in a process that is collaboratively conducted and collectively accountable within a planned and meaningful change that is directed toward shared values or principles. Traditional organizations exist within stable environments, have vertical structures, and have a strategy that is formulated at the top. Additionally, they have a centralized decision-making process; tasks are rigidly defined and specialized; the organizational culture is rigid and resistant to change; and they have formal systems of filtered communication pivoting around the vertical hierarchy. Learning organizations cannot be formed in the Greek private business sector because the leadership of said sector is not transformational. Greece failed to develop an advanced industrial complex because of the large number of small enterprises in the form of proprietorships and partnerships that have dominated the economy. Additionally, Greek industry experienced the profound absence of the corporate form of business that necessitates medium and large business enterprises for the attainment of effective and efficient factors of production and economies of scale that precipitate transformational leadership and learning organizations.*

**Keywords:** Learning Organizations; Transformational Leadership; Greek Enterprises

## INTRODUCTION

The purpose of this article is to demonstrate that learning organizations cannot be formed in the Greek private business sector because the leadership of said sector is not transformational. Transformational leaders are strong forces that precipitate the creation of learning organizations which are highly advanced because they learn continuously and practice systematic organizational development.

## LEADERSHIP

Leaders stimulate their subordinates to perform effectively, efficiently, fruitfully, and on a timely basis. Good communication, commensurate motivation, and correct direction for the accomplishment of the mission, goals, and objectives by subordinates are some of the most important qualities of leadership.

Most definitions of leadership reflect the assumption that it involves a process whereby intentional influence is exerted over other people to guide, structure, and facilitate activities and relationships in groups and organizations (Yukl, 2010). In most definitions of leadership, one encounters the concept that leadership influences others to achieve certain predetermined goals, a situation that requires interpersonal interaction between leaders and followers. For this reason, one may define leadership as the influencing process of leaders and followers to achieve organizational objectives through change (Lussier & Achua, 2007). A distinction must be made between leaders and

managers. Leaders are change agents, whereas managers maintain the status quo. Management aims at providing consistency and order in organizations; leadership seeks to produce construct and adaptive change (Aldag & Kuzuhara, 2005).

### **TRANSFORMATIONAL LEADERSHIP**

It is also important to distinguish between transformational and transactional leadership. Transactional leaders employ transactions in which they use their legitimate, reward, and coercive powers to give commands and exchange rewards for services rendered (Bateman & Snell, 2002). Transformational leadership makes subordinates aware of the importance of their jobs and performance to the organization and aware of their own needs for personal growth which precipitates the motivation for them to work for the good of the organization (Jones, George, & Hill, 2000).

Transformational leaders create a metamorphosis among their followers in accepting the mission, goals, and objectives of the organization, in looking at the interest of the entire organization rather than their individual interests, and in precipitating organizational development through the action-orientation process as expressed by Lewin (1951). Transformational leaders have the ability to sense how others feel and to understand their perspective, meaning that such a leader can articulate a truly inspirational vision (Goleman, Boyatzis, & McKnee, 2002). A very important characteristic transformational leaders have is that of empowerment, which refers to passing decision-making authority and responsibility down from the top to individual employees or groups (Dubrin, 2010)

Furthermore, Northouse (2007) stated that there are several factors indicating transformational leaders, *such as idealized influence* in which the leaders function as strong role models for followers, *inspirational motivation* where leaders communicate high expectations to followers in order for them to become a part of the shared vision of the organization through commitment, *intellectual stimulation* in which leadership stimulates followers to become creative and innovative, and *individualized consideration* which denotes that the leaders provide a supportive climate in which they listen carefully to the individual needs of the followers.

Aldag and Kuzuhara (2005) also stated that transformational leaders exhibit *attributed charisma* in which the leaders have a transcendent mission or course of action that is appealing to the followers, *idealized influence* through which leaders demonstrate the importance of their values and beliefs, and *intellectual stimulation* where the leaders induce their followers to challenge the status quo. Additionally, these leaders possess *inspirational leadership* where leaders provide their followers with hope, energizing them to pursue a vision and *individual consideration* where leaders show concern for the individual followers and promote their self-development.

### **LEARNING ORGANIZATIONS**

Learning organizations are entities where people continually expand their capacities to create the results they truly desire, environments where new and expansive patterns of thinking are nurtured, entities designed to set free collective aspirations, and where people are continually learning to see the whole together (Senge, 1990). Learning organizations are characterized by total employee involvement in a process that is collaboratively conducted, collectively accountable, and where a planned and meaningful change is directed toward shared values or principles (Watkins & Marsick, 1992).

Learning organizations are highly necessary in the rapidly changing micro and macro external environment and are of tremendous importance in nations with advanced social, technological, and economic systems because they possess all the factors of production in abundance and thus operate under economies of scale. Laconically stated, learning organizations are the most advanced because they learn continuously and practice systematic organizational development on an action-orientation basis (Theodore, 2012).

Lussier and Achua (2007) provide an excellent comparison between learning and traditional organizations. Learning organizations exist in a changing environment and have flat horizontal structures, with strategy being a collaborative effort with the organization and others. They have a decentralized decision-making process, the roles of employees and managers are flexible and adaptive, the organizational culture is adaptive and encourages

continuous improvement and change, and personal group networks are open with no filters, whereas traditional organizations exist in stable environments, have vertical structures, their strategy is formulated at the top, they have a centralized decision-making process, tasks are rigidly defined and specialized, organizational culture is rigid and resistant to change, and they have formal systems of filtered communication pivoting around the vertical hierarchy.

## **TRANSFORMATIONAL LEADERSHIP AND LEARNING ORGANIZATIONS**

The characteristics of transformational leadership, as cited above, are capable of creating a learning organization. There have been numerous studies pertinent to this topic. In a study conducted in India, the results indicated that transforming into learning organizations is imperative to meet the present environmental challenges and that transformational leadership impacts the development of learning organizations (Singh, 2008). Another study conducted in Canada demonstrated that transformational leadership aligns the organization's strategy, culture, and structure with continuous quality improvements (LeBrasseur, Whissell, & Ojha, 2002). Finally, Crawford (2005), in the United States, found that transformational leadership impacts the innovative method of thinking, which is a characteristic of learning organizations.

## **LEADERSHIP AND ORGANIZATIONS IN THE GREEK PRIVATE ENTERPRISES SECTOR**

Greece failed to develop an advanced industrial complex because of the large number of small enterprises in the form of proprietorships and partnerships that have dominated the economy and the profound absence of the corporate form of business that necessitates medium and large business enterprises for the attainment of effective and efficient factors of production and economies of scale. An attempt to industrialize the nation took place in the 1960s, but in the 1990s, a strong movement of de-industrialization followed (Theodore, 1971). De-industrialization precipitated the manufacturing value-added share to gross domestic product (GDP) to decline from around 20 percent in the mid-1970s to less than 13 percent in the late 1990s (Bruton, 2006). Greece went through a process of de-industrialization in the early 1990s which precipitated the decline of the formation of new corporations and the inability of existing ones to grow in size and strength (Kassapidou & Varsakelis, 2002). The lack of industrialization and the excessively limited number of corporations resulted in the absence of transformational leaders who are found in developed organizations in advanced countries in the Western World.

As previously mentioned, Northouse (2007) and Aldag and Kuzuhara (2005) indicated that there are several factors that depict transformational leaders, such as idealized influence, inspirational motivation, intellectual stimulation, individualized consideration, attributed charisma, idealized influence, and inspirational leadership.

To begin with, Greek business leaders lack charisma and have an autocratic influence upon their subordinates, which is continuously resisted and detested by the latter. There is nothing to be idealized by such a primitive form of leadership (Vouzias, 2004).

Inspiration and motivation emanating from the leaders are absent. Their subordinates do not have long-term vision and only focus their expectations on performing daily repetitive tasks (Lipovatz, 1998).

Creativity and innovation are absent in the overwhelming majority of Greek business leaders. Therefore, the subordinates do not receive any assistance to become creative and innovative themselves (Papadakis, 2006).

Finally, the main interest of Greek business leaders is how to maximize profits and avoid paying taxes to the government. Caring for their employees — unless they are family members — is totally absent (Theodore, 2011).

Following the model described by Lussier and Achua (2007) for traditional organizations, the business environment in Greece has been resistant to change and has remained the same for many decades to this date (Komminos & Tsamis, 2008).

Because the clear majority of Greek organizations are small, they followed the line form of organizational structure, which is vertical. Staff members do not exist in such organizations in an advisory capacity; consequently, horizontal interaction is either limited or nonexistent (Theodore, 2012).

Strategic decisions emanate from the top of the organizational structure and there is no delegation of authority and responsibility (Papalexandris & Chalikias, 2002) resulting in there not being any middle organizational levels. Such organizations are profoundly centralized and the concept of delegation of authority and responsibility does not exist in the minds of their leaders who control everything in the organization (Psychogios & Szamosi, 2007).

The culture in Greek business organizations is rigid and resists change (Thompson, Strickland, & Gamble, 2007). The CEO in Greek enterprises is the father of the family, who has full control of the operation, and the rest of the family members follow him faithfully (Damaskinidis, 1963). Unfortunately, this situation has remained the same for the first decade of the new century (Theodore, 2011.)

Communication is absolutely vertical emanating from the top of the organization and cascading down to the lower level. Upward communication, in the form of input from the lowest level, is either limited or nonexistent. Even in the selection of new employees, communication is limited between the leader of the enterprise and future employees (Eleftheriou & Robertson, 1999).

The tasks performed by the employees and managers are highly repetitive, mandated by the leadership of the organization, and specialized (Joiner, 2001). The concept of job rotation and job enrichment is unknown in the majority of the enterprises. Karasiotou (2004) indicated that the leaders of Greek organizations are looking for employees who will perform low-level repetitive skills.

## **THE FUTURE OF GREEK PRIVATE ORGANIZATIONS**

The Greek economy has been depending on employment by the government, revenues coming from the Greek Diaspora and from the Greek merchant marine, tourism and similar services, and subsidies by the European Union, since the country entered into it. Industrialization has been severely neglected (Manolopoulos, Papanastasiou, & Pierce, 2007).

At the present time, Greece is facing serious socio-economic problems accompanied by the demoralization of the country. Government attempts to overcome the crisis - with substantial support from its European friends and the United States - are evident. However, the author of this work - who has researched leadership and management in Greece since the early 1970s (Theodore, 1971) - believes that very little has been done to privatize government corporations that are controlled by the power brokers of the country. Nothing has been done to provide incentives for small business organizations to merge in order to allow the creation of corporations, nor have foreign industrial experts been invited to assist local industries to develop and start new competitive industries. Also, at no time has an emphasis been placed on the development of leadership, management, and the workforce in general (Psychogios & Szamosi, 2007).

If the above-cited discrepancies do not start to change immediately and on a serious basis - both the European Union and the International Monetary Fund have expressed their displeasure about the seriousness of the ongoing changes - it will be difficult for the country to increase its socio-economic development and compete on an international basis.

## **CONCLUSIONS**

The purpose of this article was to demonstrate that learning organizations cannot be formed in the Greek private business sector because the leadership of said sector is not transformational.

Transactional leaders employ transactions in which they use their legitimate reward and coercive powers to give commands and exchange rewards for services rendered. Transformational leadership makes subordinates aware of the importance of their jobs and performance to the organization, as well as awareness of their own needs for personal growth which precipitates motivation for them to work for the good of the organization. Learning organizations are a viable and vital means for developing an organization's culture of high performance learners. Several important studies have demonstrated that transformational leadership precipitates the creation and sustenance of learning organization.

In Greece, the lack of industrialization and the excessively limited number of corporations has resulted in the absence of transformational leaders who are found in developed organizations in advanced countries in the Western World.

#### **AUTHOR INFORMATION**

**John Theodore** is the holder of a Ph.D. degree in Administration and Latin American Studies from the University of Kansas; a Ph.D. in Management from the Aristotelian University in Greece, European Union; and a DBA in International Business from the University of South Africa. He has been teaching and consulting for four decades domestically and internationally. He is a visiting professor in various foreign universities. Dr. Theodore is the president of JDT Management Consultants in Clearwater, Florida, specializing in management, organization, strategy, international business, human resources, organizational development, and educational administration. He is a certified management consultant (CMC) certified by the Institute of Management Consultants in Washington, D.C. E-mail: [jdtheodore@tampabay.rr.com](mailto:jdtheodore@tampabay.rr.com)

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