

## LEADERSHIP CHALLENGES

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### Abstract

The paper outlines the main challenges for leaders to 2020 based on results of the combined research in the Czech Republic in 2014.

Leaders and organizations have to adapt to the new world. The research fully confirmed Kotler's statement (2009) that the most difficult challenges for leaders are turbulent environment and standing changes. Together with turbulence and change is closely connected innovation and flexibility. Hamel (2008) stated that the changes in management style are not as quick as the changes in the environment. Digital knowledge, increasing number of information and standing innovations put more and more stress on leaders and their capabilities. Turbulent environment, changes and new challenges create a new generation of employees, so called generation Y. The different approach to work, the different communication style and more emphasis on the balance between work and family life are the main characteristics of generation Y. Competencies and behaviour of future leaders needs to be changed.

The paper suggests methods for leadership development based on the challenges mentioned above.

**Key words:** leadership, challenges, turbulence, generation Y

**JEL Code:** J24, J71, J81

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### Introduction

The paper summarizes the outputs of the research in the area of leadership challenges to 2020 provided in 2014 within the Czech Republic. The research confirmed that the Czech leaders expect the turbulent changes, using new technologies and ICT technologies as the main challenges for the near future. The generation Y and its approach to work were mentioned as the third main important challenge to 2020.

Leaders can be ready for the challenges. Using development methods such as coaching, mentoring and getting feedback can help them not only to be prepared for the future but also to predict the changes.

## **1 Leadership Challenges**

The main challenges include the transfer from production to services. In developed countries, the production share keeps decreasing and starts to be replaced by the services sector. This mainly includes communication, consultation and logistical services but also services supporting customer relations, such as marketing.

The increase in the dynamics of the utilisation and development of new technologies (industrial biotechnology, nanotechnology, 3D printing, communication between technologies and other ICT technology) substantially change the character of production as well as the related services. Such fast development leads to changes in demands for the workers and their skills. Knowledge of the technologies, their development and utilisation becomes an essential part of the employees' and leaders' skills.

With the upcoming changes in the area of technologies, the company status changes from industrial to knowledge-based. A knowledge-based business is often associated with access to information and its sharing. It goes hand in hand with the relevant information being collected, processed and shared by a human factor.

Thanks to the transfer to knowledge-based management where human factor plays the main role, it is necessary to pay great attention to the development of human capital, motivation and employee support. This also changes the demands for the leaders. With the change of traditional management to knowledge-based management, they have to change their approach to the knowledgeable employees. They can no longer use the established managing methods that have proven reliable in the past; the managing style has to be changed according to the business' requirements.

The transfer to a knowledge-based company brings fast and unexpected changes and the businesses must learn to foresee them, or initiate and manage them; all this on a global scale.

Constant changes and flexibility are closely related to innovation, one of the core values of today's society. No less important are innovations in people management. According to Hamel (2008), management innovation is anything that substantially alters the way in which the work of management is carried out, or significantly modifies customary

organisational forms, and, by doing so, achieve organisational goals. He also adds that management changes are not nearly as fast as the changes in the surrounding environment. On the other hand, Hamel compares future management to the internet. Changes in management lag behind changes in technology and, according to Hamel, such a system cannot be sustained. It certainly won't result in companies without managers but managers will have to deal with different demands.

The development of technologies, whether of information or transport, brings another challenge, globalisation. It goes hand in hand with global competition that businesses must deal with, in order to survive. This trend is related to the speed of implementing changes, innovation and an increase in efficiency as means for the businesses to compete with developing countries where low labour costs are a significant competitive advantage. It means that businesses must keep developing their intercultural competence, transfer production to cheaper destinations and deal with logistics and cultural issues.

Globalisation increases the need for global management, which brings up the diversity issue. In the case of intercultural competence it is necessary to take into account the differences in ethnics, culture and language of the relevant country. This requires greater flexibility from the leaders and their ability to adapt to these conditions. Another challenge for global businesses and their managers lies in the management of virtual teams. The development of information technology eliminates complex and costly travelling and more and more businesses use connections via increasingly sophisticated telecommunication tools. A leader can therefore coordinate the work of their team, which is located in several continents. The complete trust is an essential part of such management as well as setting key performance indicators and their ongoing evaluation. The disadvantage of teams functioning in this way is not only the low possibility of personal contact, but also different time zones, which the leader of the virtual team has to adjust to.

A customer always comes first in successful businesses. A customer is classed as someone who is willing to pay for products or services. Only the businesses and their leaders, who are aware of this fact, can be the best. The quality of products and services is also closely related to the customer.

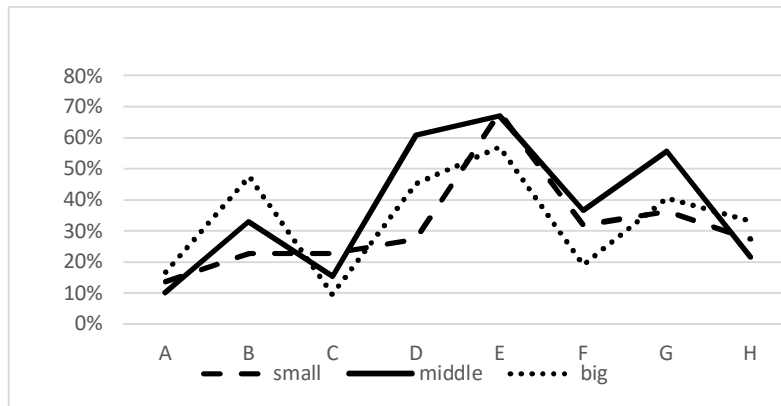
Another significant change is the demographic structure of the population. According to the demographic trends in developed countries, also in the Czech Republic the population is getting older and it is being followed by a new population called generation Y. The generation which was born between 1980-2001 and named as 'Millennials' or as 'Y generation' as more commonly known are the children of globalization (Berkup, 2014). The generation Y expects

their leaders to focus more on an individual's uniqueness, their individual motivation and challenges in the form of rapidly changing work. In the case of monotonous work, the generation Y workers become bored quickly and their motivation decreases. The generation Y workers will be very demanding towards their leaders, which will result in changes in people management. The generation Y is much influenced by their surroundings, friends and their behaviour, as well as by the media. They often follow a recognised trend. Quick decision making without taking into account possible consequences and risks are typical for generation Y. Members of this generation also prefer short-term planning, they are rather impulsive and when experiencing problems they rely on their friends. They use technological innovations, which can constitute a challenge for their leaders in working with information and communication systems. Leaders can have special problems to apply different rules for participation when intense group conflicts are to be expected (Auer-Rizzi, 2013). Managing generation Y means a great challenge for managers of an older generation. They differ in their approach to work, communication style as well as their work - life balance. The generation Y despite the fact, that the high rate of unemployment and especially youth unemployment is long-term problem of the EU (Palíšková, 2014), is not willing to accept every job offer.

Based on such defined expected changes, a research was carried out within the Czech Republic. A sample of 146 respondents in top positions from businesses of different industries was involved in the quantitative research. The results were processed using a statistical comparison method. Answers were compared according to the sizes of the businesses and country of location.

The comparison of the expected challenges according to the sizes of businesses showed differences in the respondents' opinions. Small firms see the biggest challenge in turbulence and constant changes, while bigger firms expect a greater focus on the customer than other businesses (see Fig. 1)

**Fig. 1: Challenges according to the size of business**



Source: Own research 2014

- A. The transfer from production to services
- B. Business managed by the customer
- C. Knowledge-based businesses
- D. Technology development
- E. Turbulence and constant changes
- F. Globalisation
- G. Generation Y
- H. Change of the demographic situation

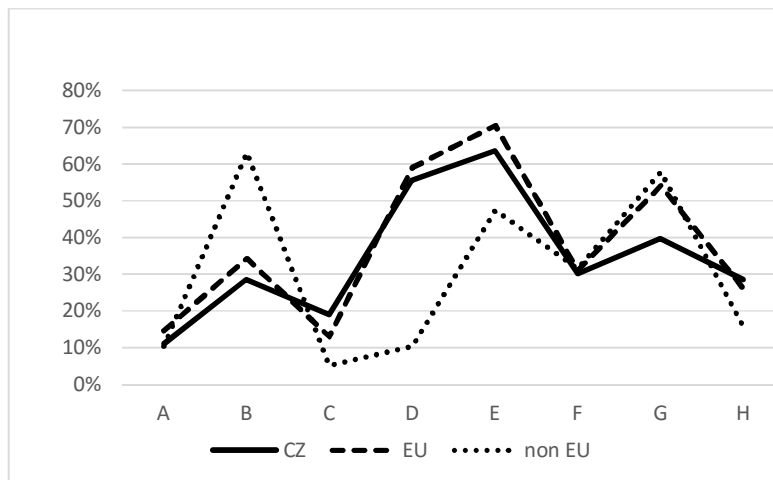
- A. *The transfer from production to services* isn't seen as the key challenge in all researched businesses.
- B. *Business managed by the customer* doesn't constitute a great challenge especially for bigger business. This goes hand in hand with the size of the business when the end customer is in contact with only a low percentage of the employees. Big businesses are therefore aware of the need for changes in their approach.
- C. *Knowledge-based businesses* weren't marked as a big challenge for large and medium businesses, however, small businesses see them as a slightly bigger challenge (in comparison with others).
- D. *Technology development* was marked as the second or third most important challenge for large and medium businesses unlike for small businesses. Small businesses marked this challenge less often.
- E. *Turbulence and constant changes* were marked as the biggest challenge up to 2020 by all businesses regardless of the size, small businesses see it as even more important than medium and large businesses.
- F. *Globalisation* isn't seen as a challenge for large businesses that are already global, medium and small businesses think of it as a slightly bigger priority.
- G. *Generation Y* was marked as the third most important challenge for large businesses. The businesses are aware of the different expectations of generation

Y employees and the necessity to adapt to their processes, mainly in people management.

- H. *Change of the demographic situation* wasn't marked as a significant challenge up to 2020. Small businesses see it the least challenging, unlike large businesses who consider it to be the opposite. This area, however, is much broader and also covers the behaviour towards the employees as well as others.

Challenges according to the business ownership were also compared. They significantly differed in the "customer-managed business" category. Businesses outside the EU see focusing on the customer as the most important challenge. Businesses within the EU consider turbulence and constant changes to be the biggest challenge followed by the challenge of generation Y people management (see Fig. 2).

**Fig. 2: Challenges according to the location**



Source: Own research, 2014

- A. The transfer from production to services
- B. Business managed by the customer
- C. Knowledge-based businesses
- D. Technology development
- E. Turbulence and constant changes
- F. Globalisation
- G. Generation Y
- H. Change of the demographic situation

## 2 Preparing leaders for the challenges

Business leaders can prepare for the expected challenges by using different methods of development. The expectation of a change-attitude now fell on leaders, not employees (Dike, 2012). Turbulence and fast changes were marked as the biggest challenge by the respondents. Preparation for such changes can be in the form of coaching, when a leader discusses other

possible directions of progress and the reaction to them. A suitable preparation for a change for leaders is rotation, when the leader or their successor must adapt to changed circumstances and in turn be better prepared. Other preparation methods for turbulence include self-development mainly in the form of working with stress and its elimination.

The technology development is a big challenge for the leaders themselves as well as the businesses, which must adapt to rapid technology development that goes hand in hand with customer demands. Mentoring, consultations or a combined style of development in the form of blended learning are the most suitable preparation of leaders for technological development as they develop with the help of an external tutor as well as by themselves. Many leaders battle against using new technologies and innovations because their tested approach brought them good results. Not adapting to the growing customer technological demands or new forms of marketing can have negative consequences for businesses in the form of losing competitiveness.

As the third most important challenge by 2020 was mentioned generation Y just entering the job market. This generation expects a different approach from the management. A suitable form of development is coaching and self-discipline, changing ones approach to others based on acquired feedback.

Leadership competencies identification and development are important tools of human resources management that is aimed at achieving strategic organizational goals (Königová, 2012). Based on the research outputs a highly recommended and universal method of leadership development is coaching, feedback and self-development. These methods are widely usable due to the possibility of using an individual approach and adapting to the needs of each leader or successor.

The role of personnel department, especially HR business partners in setting the developmental tools is important. HR Business Partners are directly assigned to leaders of the company. This allows the organization to ensure a closer relationship between human resources and business and this close cooperation will help leaders to choose the right method (Stříteský, 2013).

## **Conclusions**

This document focuses on pointing out the main challenges for leaders within the Czech Republic by 2020. Based on the results of the research carried out, the main challenges marked were turbulence and fast changes, technology and information technology

development and managing generation Y. The outputs of the research confirmed Kotler's statement (2009) regarding turbulent environment and standing changes and Hamel's (2008) expectation that together with turbulence and change is closely connected innovation and flexibility. The expected challenges change according to the business size and ownership. Hamel (2008) stated that the changes in management style are not as quick as the changes in the environment. Leaders have to be ready for the future challenges. There are many ways of development. In the research as the most suitable development method was mentioned coaching, followed by getting feedback and self-development of leaders.

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