

# Leaders of transformational change in implementation of enterprise reengineering ideas

## Líderes de las transformaciones en la realización de las ideas de reingeniería empresarial

GERSHANOK, Gennadiy A. [1](#); GERSHANOK, Aleksandr A. [2](#) & VLADIKIN, Anatoly A. [3](#)

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#### ABSTRACT:

A new management paradigm that appeared as a result of digital economy impact requires the revision of classical approaches to management. The principles, which are based on the production fragmentation into elementary, simple tasks that was proposed by A. Smith, are not working in the modern volatile world. Dramatic reframe and production process reengineering with the purpose of improvement of the key modern company operating rates – cost, quality, service, etc. – are taking place. In this case the principal character, the initiator and the provider of changes is the leader.

**Keywords:** Process-based management, leadership, reengineering, corporate reconstruction, overt observation, transformation leaders

#### RESUMEN:

El nuevo paradigma en la gestión que surgió bajo el impacto de la economía digital exige la revisión de los enfoques clásicos de la gestión. Los principios basados en la división del trabajo en tareas elementales y simples ya propuesta por A. Smith, no funcionan en el mundo actual que está cambiando rápidamente. Se produce el replanteamiento y el rediseño radical de procesos de producción con el objetivo de alcanzar mejoras de los indicadores fundamentales de actividad de empresa – costos, calidad, servicio, etc. En esta situación el líder llega a ser actor principal, iniciador y ejecutor de las transformaciones.

**Palabras clave:** la gestión basada en procesos, el liderazgo, la reingeniería, la transformación empresarial, la observación participante, los líderes de las transformaciones

## 1. Introduction

Digital economy is delivering a fatal blow to the traditional management. The production principles, which are based on the working process fragmentation into elementary, simple tasks that was proposed by A. Smith, are not working in the modern volatile world. Dramatic reframe and production process reengineering with the purpose of improvement of the key modern company operating rates – cost, quality, service, etc. – are taking place. In order to

solve the problems of reengineering we must form the class of professional managers, reorganization leaders able to organize the course of economic behavior that would allow to provide a basis for the long-term business success and stable financial position of the company in the context of permanent and continuous transformation.

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## 2. Methodology

The methodology and theory of the study is based on the fundamental concepts and provisions presented in classical and modern works of domestic and foreign scientists, statistical data of national and foreign agencies and institutions, and empirical data.

The following scientific methods are used: modelling, scientific abstraction methods and abstractive thinking, which are closely connected to specific image of objects, its aspects and processes; methods of structural-functional, historical, logical, comparative, statistical analysis and others.

Research design: overt observation and depth interview.

The article includes the description of the research that was carried out at one of the industrial enterprises of Perm Krai (RF). The researchers placed and proved two hypotheses:

- the success of reengineering depends largely on the company members who possess leadership tendencies and are positively poised for change;
- if the company provides special facilities, some potential leaders who are willing to head the process of transformation at the enterprise appear.

The purpose of the present research is to establish a role of the leader in corporate reconstruction.

The objectives of the research are:

- to describe the mechanism of communication of corporate reconstruction ideas;
- to set the leader's place in reconstruction and his influence on the success of changes;
- to show the practical role of leaders in corporate reconstruction;
- to reveal the mechanisms of origin and development of reconstruction leaders.

Based on the research findings we created a situation where we faced the updating of unofficial leaders who headed the process of transformation at the enterprise. It allowed them to reengineer business processes and to add value to the company performance.

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## 3. Results

Studying the essence of leadership, one of the business experts, Ichak K. Adizes presents the classification of leaders' personalities. Developing Adizes's ideas, Giffort Pinchot calls the leader an entrepreneur (Pinchot, 1985). The conception of entrepreneurial leadership is developed in the works of many foreign (Fernald, 2005; Raymond, 2001) and national researchers (Syomushkina, 2013; Kotelnikov, 2007).

At the moment we cannot mention a single theory, conception or approach, which could combine different opinions and propose the universal understanding of leadership and the leader's character. Nowadays scientists identify three basic principles of the leadership phenomenon research:

- trait theory;
- conduct-based approach;
- situational theory of leadership.

The theory of "great people" that is often called the trait theory was actively developed by the psychological science in the first half of the 20th century in the works of Henri Fayol, M. Follett, O. Teed and other scientists. Their research does not give an opportunity to make a clear and marked interdependence and correlation between personality traits and leadership efficiency. It turned out that successful leaders can possess various and even conflicting traits.

The conduct-based (behavioristic) approach to leadership started developing after the perception of the "trait theory" drawbacks. It is based on the conception of human relations and connects the efficiency of leadership with the manner (style) of the leader's behavior. The concept of this approach was established in K. Levin's works and developed by D. McGregor, R. Likert, R. Blake, G. Mouton and other researchers.

The fundamental contribution to the development of understanding of the leader's role in the effective management was made by the contingency theory of leadership, which analyzes those particular leadership skills that are necessary in a specific situation. The contingency theory of leadership is based on the methodology of the swot analysis and suggests evaluating the efficiency of the leadership style within the context of active tasks.

Leadership in the field of management and production activity results in the necessity to distinguish between the terms of the "leader" and the "manager". They are not identical by nature and do not often coincide in the activity context. Leadership is a psychological phenomenon whereas management is a purely administrative one. The leader spontaneously holds the dominant position in the group with the plain or latent agreement of the majority of its members. His influence and authority mostly have informal character. The manager is primarily the "formal leader" who holds an official position. That is why the real leader of the group is not always its official head and vice versa.

Recently the conception of leadership has been undergoing some important changes, which are indicated by such modern specialists in the field of leadership and management as Peter Drucker, Frances Hesselbein, Warren Bennis, Teresa Amabile and others. Firstly, the leadership style is undergoing a 180-degree turn. The time of bosses is passing and they are replaced by leaders who can organize cooperation, motivate with ideas, not orders (Hesselbein, 2004). Secondly, a modern leader is "a social architect" (Bennis, 1989) who has vision of the future and is willing to transform the company for the purpose of "constructing a bridge from the present to the future". Thirdly, a leader must have managerial skills as these two roles fit together increasingly (Bennis, 1989). Fourthly, leadership is highly-demanded and reveals at any level of a company forming its leadership potential (How to Kill Creativity, 2019). Fifthly, leadership is becoming more and more creative in an attempt to use internal opportunities of the organization and the potential of its employees. Sixthly, leadership is not a gift that is given to a person from birth, but a set of traits, which can be successfully formed (Leadership development: the Russian context, 2019).

Corporate reconstruction and implementation of reengineering ideas are impossible without leadership unlike the steady period when the executive managers work effectively. If a manager is just good and even excellent, he won't be able to transform the organization that is so imperiously demanded by the changed conditions of the company performance and tasks, which it faces. For this hard work we need people with the conceptually new way of thinking – leadership psychology. This is precisely why the head of the company who has decided to carry out transformation and reengineering first of all must analyze who of his inner circle can become the leader of transformation and who will be a setback. Certainly, everybody or most everybody will support a reputable manager in word, but in real life many people of his immediate circle can become a setback because they will see a threat to their personal existence in the transformation.

Actually, the relationships between the leader and the followers who support his activity have their own dynamics. It is not just the difference of mentality; it is the organizational position of people participating in the process of corporate reformation. If the leader's motivation is his aspiration to corporate reformation as a life-purpose objective (Barker, 1993), as a rule, other company employees share different motivational orientations. That is why in this case the efficient reformation and development of the company depends not only on the presence of leaders as they are, but, moreover, on the creation of organizational mechanisms, which foster personal development and creative abilities of the company employees in general (Molodchik, 2001, p. 143-166). It is also called the development of the company leadership culture, that is: significance of transformations, new standards of employees' thinking and behavior connected with these values of innovative and competitive company development.

If the life-purpose objective of leaders in the company is mostly defined by the combination of two mental models – intuitive and logical, its expansion within the organization depends on the degree of sharing the leader's ideas by the company line managers. As a matter of fact, they are consumers of leadership ideas concerning corporate reformation. It is not about difference of psychological types; it is about difference of functional roles. As the leader commences changes and controls them, the objectives of reformation leaders are:

- creation of deep (personal) motivation of employees when the professional sphere is perceived as a sphere of their life (gets the existentialistic meaning),
- «inspiration» of people; it means the creation of "personal" attitude to the company, i.e. the employees' perception of the company as a "place" of employees' personal fulfillment and their activity as a sphere of personal growth,
- «project development» of the teams and groups of employees according to the objectives of corporate reformation;
- development of leadership culture in the organization in general.

Oppositely, as we said earlier, the objective of the company managers is preservation of the stable order of company performance. As a rule, the solution of such tasks is not connected with the manager's self-identification. That is why he perceives all transformations and innovations within the company as a problem: until the reformation idea is recognized as an integral, essential and even inevitable moment of personal and career development of a manager himself, there will be no motivation for learning and expansion of these innovations (Druzhinin, 2001, p. 434-455). Only if the manager realizes and perceives the reformation idea as a change that meets the requirements of the personal growth, development of professional competence, career development, financial sufficiency, etc., the manager becomes a follower of the reformation idea – its advocate. The managers who follow the idea are not all company managers, but a group of managers who are able to perceive innovations and who can become adherers and disseminators of these innovations within the company.

So, there is the following scheme of the communication of the corporate reformation idea among employees. Any transformations within the company (as well as product innovations) have their own life of development. The idea of corporate reformation is perceived by transformation leaders as their personal life-purpose task, which they are ready to be responsible for. As a rule, this awareness is connected with understanding of the necessity of reformation, without which the organization does not have future in the observable strategic outlook. This awareness is existentialistic for the transformation leader because it is perceived as a new challenge (Kotter, 2016, p. 44).

The existentialistic determination of initiating is released in the practical action of advancement of re-engineering initiative as a personal goal.

As a rule, the leader's idea is supported by the managers of the "intimate circle", i.e. by the informal group of those who are close to the leader with their values and views of prospects for further development of the company. At this stage the opportunity of communication of the corporate reformation idea is defined, actually, not by functional roles of these employees, but by their "involvement" in the transformation idea itself. The dramatics of the situation consists in the fact that the purposes of transformation acknowledged by the leader and the purposes of the managers of the intimate circle can differ. On the one hand, the situation of self-identification on the part of the managers of the intimate circle can turn to the direction of coordination of personal goals of the managers' development and the idea of transformation proposed by the leader, to be more exact, its interpretation as a personal goal. In this case self-motivation of managers connected with changes of their personal goals according to the idea of "re-engineering" has become the most important factor of organizational development. However, on the other hand, the conflict between personal goals of the intimate circle and the idea of transformation is also quite possible. In this case there is transformation of the original idea of re-engineering under the influence of personal interests of the managerial team (providing the "uncertainty" of the leader himself). Here the leader's personal qualities as well as practice of authority and "soft power" influence

come into force. The theory of “tension” in modern management is based on the priority of self-motivation that is defined on the leader’s part by creation of special situations of reflective reinterpretation by the managers of their own goals and determination of their conformity with the purposes of the whole organization.

The objective of the transformation leader is creation of the “intense motivation” for the managers of the intimate circle to achieve the reformation purposes, “combination” of this idea with their personal development goals. As the research shows, the main motivating factors in this process are the needs of the managers’ personal growth, which they associate with the implementation of this idea, but not other above-mentioned factors such as the professional competence development, career growth or financial position.

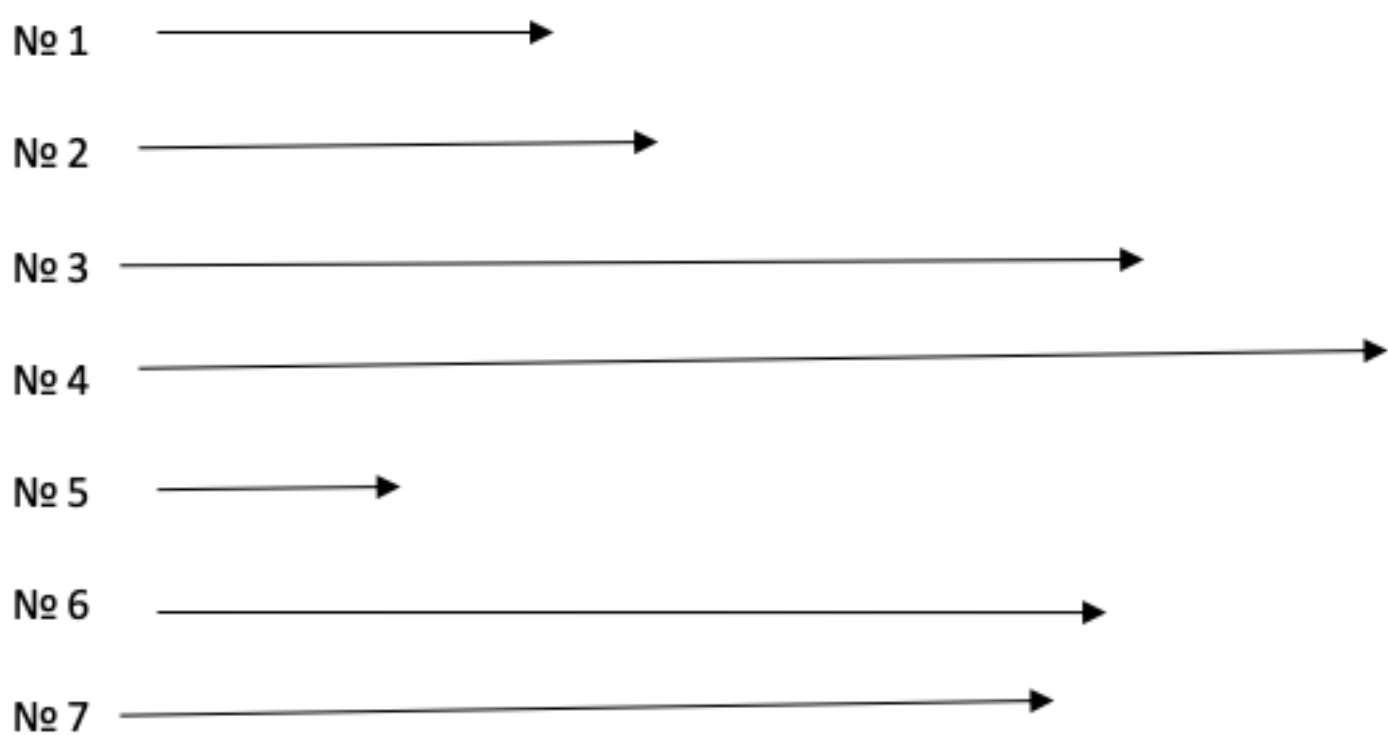
Such a group of managers emerging around the reformation leader acts as an informal group of transformation generators. The relationships between the leader of transformation and his closest followers develop not easily and can have different variations. However, the reformation idea is beginning to spread within the company if it is supported by other managers of the organization. They join the communication of the reformation idea within the company only if this idea helps them solve their important functional and professional tasks, which have not been solved under old conditions. On the other hand, the same people can resist corporate reformation. The forms of opposition against corporate transformations are described perfectly by A.I. Prigozhin (Prigozhin, 2007, p. 111-123). The key role among them belongs to psychological motives, i.e. the lack of motivation for changes, personal development and affiliation with the team of reformation generators, the lack of awareness of interrelation between corporate reformation and their professional and career development within the company. As a rule, the fear of decrease of their functional position in the company in this group of managers also plays an important role.

Carrying out reengineering at one of Perm organizations, our consulting group came across the very same situation. The CEO initiated the project of reengineering, the relevant documentation was developed, but transformation was not moving, it was hindered for inexplicable reasons. The hypothesis of this stage of research was the following: “The success of reengineering depends largely on the company members who possess leadership tendencies and are positively poised for change”.

In order to discover such leaders we used a method of overt observation. One of the experts of our consulting group was told to spend the whole working day in the organization taking part in all stand-ups, meetings, descriptions of shift tasks and participating in the company life. His goal was to find out the sources of slowdown. After two weeks we realized that our hypothesis was proved – there were obvious and implicit, latent leaders in the team. They (fig.1) influenced the transformation process (3, 4 and 6). Although one of those seven (7) had a good impact, on account of his relative youth (23 years old) he could hardly be considered as the transformation leader today.

**Figure 1**

Power of managers’ influence on the team



It would seem that further transformation work should be carried out through managers 3, 4 and 6. The problem resides in the fact that managers 3 and 4 felt suspicious about the forthcoming transformation. We were to find out the reason for that soon. In the meantime we had manager 6 under our belt and, probably, manager 7. However, their energy and confidence in the necessity of transformation could be not enough to remove psychological barriers and involve the other staff in the transformation process. At the regular meetings of the corporate team that was formed for acceleration of the reengineering managers 3 and 4 who were in charge of the project implementation kept reporting about the introduction interferences of cold-technical nature. At first we tried dealing with the neglectful colleagues in formal ways, but all orders were unhelpful. Then we started to examine these managers more attentively. Much to our surprise we discovered that they were actually sabotaging the changes though in word they stood for transformation. It has emerged that both managers had their material interest in the current business processes and would lose it when passing to the new management pattern.

We were in a tough dilemma: either to continue carrying out transformation with the current managers or try to "raise" the new leaders who are able to carry the team with themselves. We chose the second way. Our hypothesis at this stage of the research was the following: "if the company provides special facilities, some potential leaders who are willing to head the process of transformation at the enterprise appear".

First of all, in order to check this hypothesis we showed all the aces to the managers and reached an agreement with the superior to switch managers 3 and 4 temporarily to the other production with the motivation "for the development of the adjacent sector because these two employees are very strong leaders". Thus, the position of an unofficial leader was actually free and potential leaders could come out of the shadow. They also need the relevant motivation. Here emerges the following question: where do the transformation leaders come from? In some sense a person is born to be the leader, he or she possesses the inborn leadership traits. However, the things that help him to become a real leader are his further socialization and the environment. Leaders are formed due to the situation; social conditions "pushed" the leaders up. A potential leader is not always noticeable. He could show no visible activity, but be in the sidelines of a formal principal or a brighter employee. Nevertheless, he could be noticed due to his inner strength, self-assurance, the correctness of actions and the authority among colleagues. The task of the manager who is carrying out the reorganization is to recognize the potential leader and vest him with formal authority for carrying out the transformation, if necessary.

Such potential leaders were obviously manager 6 and manager 7 who was very young but had the ambitions of a leader. In order to prove the hypothesis we had to put our applicants into the real conditions of transformation and create motivation for them.

But what is motivation for these people? What is their interest in the process of

reengineering? For the purpose of finding answers to these questions we used the method of depth interview. We made a plan of the interview that consisted of four major sections: "My success in the early years and parents' encouragement", "Hobbies and interests", "Strategy of self-development" and "The achievement of purpose". Each section contained the main questions, which formed the subject of the conversation between the interviewer and the respondent. Interviews with applicants were conducted behind the curtain, in the relaxed atmosphere (in a café) and took nearly two hours for one person. As a result we managed to find out the applicants' moving targets: manager 6 – the recognition of his competency and ability to influence the reengineering decision-making by the associates; manager 7 – self-development and the opportunity to build a career. It is interesting that none of them mentioned money as the main motivation in their activity. We suppose that this motive was veiled as the "career" motivation in case of manager 7 and "the ability to influence" in case of manager 6. Both potential leaders had already been involved in the process of transformation; the only thing was to provide them with suitable motivation. The situation with manager 7 was quite simple: without managers 3 and 4 we saw his prospects for advancement himself.

The case of manager 6 was much more complicated. We conducted an educational and practical process-based management module especially for him, as a result of which he started to understand the essence of reengineering much better and, thus, his decisions in the project team took on bigger importance that, in its turn, caused recognition of his competencies by the other participants of transformation.

Therefore, our second hypothesis was proved and we obtained very powerful supporters who managed to cope with transformation problems.

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## **4. Conclusions**

Corporate reconstruction or transformation management is a complicated and painful process. It must obviously be headed by the person who is in control of management, the company CEO. However, there is no guarantee that he will succeed. His task is not only to implement the reform itself, but to launch the transformation processes, to launch the processes of self-development and self-organization (Molodchik, 2012). The further spread of changes starts with the initiation of changes by the leaders of reconstruction and formation of a small action group, for which the implementation of this idea is a motivating factor itself. Such statement of a re-engineering issue at the enterprise updates the task of developing of reconstruction leaders at all management levels. For the followers themselves the idea of reconstruction is a condition for solution of their own functional and professional tasks rather than primal motivation. The organizational form of the idea successors is the formation of project teams, which are the practical mechanism of the re-engineering process and overcoming resistance on the part of employees. Most managers are serious about training of successors, however, in certain cases they "do not have enough time" for that labour-intensive process and they only keep to declaration of execution of this extremely important function without its practical implementation. Actually, for the leader's upbringing the manager must put an applicant in the picture of real execution of managerial functions at the higher level of management than his current position. In order to succeed he must involve the applicant in the decision-making process, delegate authorities to him, pass responsibility, broaden his outlook and stagger regularly. Certainly, the form of the future leader's participation in the process of management can be different, but in any case the management must be real – he must feel that he is relevant for the company. Therefore, the applicant must know purposes, objectives and strategic policy of the corporation, share its corporate culture and adhere to group interests.

Certainly, it also requires the impact of the relevant organizational and motivational mechanism for necessary transformations. With the help of this mechanism leaders of transformation have the unique opportunity to organize the course of the system economic behavior that will allow the enterprise to provide a basis for the long-term business success and stable financial position.

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1. Professor, PHD, Department of management and marketing, Perm National Research Polytechnic University; Russian Federation, E-mail: [gager2@yandex.ru](mailto:gager2@yandex.ru)

2. Associate Professor, Candidate of Economic Sciences, Department of management, Perm State University; Russian Federation, E-mail: [agershanok@yandex.ru](mailto:agershanok@yandex.ru)

3. Associate Professor, Candidate of Economic Sciences, Department of General subjects Lysvensky branch of Perm National Research Polytechnic University; Russian Federation, E-mail: [vladek64@bk.ru](mailto:vladek64@bk.ru)

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