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Економіка та управління підприємствами

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## **METHODOLOGICAL APPROACH TO DETERMINING THE EFFECTIVE STYLE OF ENTERPRISE LEADERSHIP IN THE CONTEXT OF MONGOLIA**

Проаналізовано економічні показники розвитку, показники легкості ведення бізнесу та економічної свободи Монголії. З урахуванням виявлених тенденцій ведення бізнесу виділено особливості національної моделі лідерства Монголії. Обґрунтовано необхідність визначення ефективного, дієвого стилю лідерства підприємств Монголії. На основі розглянутих критеріїв та стилів лідерства розроблена матриця визначення ефективного стилю лідерства компанії, яка враховує рівень її розвитку і рівень розвитку персоналу.

**Ключові слова:** лідерство, теорії лідерства, моделі лідерства, стилі лідерства, життєвий цикл компанії, рівень розвитку персоналу.

Проанализированы экономические показатели развития, показатели легкости ведения бизнеса и экономической свободы Монголии. С учетом выявленных тенденций ведения бизнеса выделены особенности национальной модели лидерства Монголии. Обоснована необходимость определения эффективного, действенного стиля лидерства предприятий Монголии. На основе рассмотренных критериев и стилей лидерства разработана матрица определения эффективного стиля лидерства компании, которая учитывает уровень ее развития и уровень развития персонала.

**Ключевые слова:** лидерство, теории лидерства, модели лидерства, стили лидерства, жизненный цикл компании, уровень развития персонала.

Economic development indicators, business and economic freedom indicators of Mongolia have been analyzed. Taking into account the revealed tendencies of doing business, the peculiarities of Mongolia's national leadership model have been defined. The necessity of determining the effective leadership style of Mongolian enterprises has been justified. On the basis of the criteria and leadership styles, a matrix for determining the effective leadership style of the company has been developed, which takes into account the level of its development and the level of personnel development.

**Key words:** leadership, leadership theory, leadership models, leadership styles, company life cycle, personnel development level.

**Formulation of the problem.** The activity and success of the activities of any enterprise and organization, the state of the country's economy primarily depend on the work of the leader at different levels - his leadership abilities and leadership style. It is the chosen leadership style that influences the motivation of subordinates, their attitude to work, level and quality of productivity, discipline, teamwork and other aspects. An improper leadership style demotivates subordinates, reduces the effectiveness of their work and does not provide an opportunity to achieve their goals.

**Analysis of recent research and publications.** An analysis of the state of the development of a particular problem shows that some of its aspects are reflected in the scientific literature. In particular, the issue of leadership, its importance for ensuring the effective operation of business entities is shown in the works of E.V. Vergiles, O.S. Vikhanskiy, I.M. Grishchenko, I.A. Koloskov, T.A. Krylova, S.R. Filonovich, E.U. Grudzinskaya, V.A. Ryazanov, V.L. Semikov and many others.

**Unresolved aspects of a problem.** Despite the considerable interest in leadership issues, an effective style of leadership, taking into account the national peculiarities of doing business and the current trends in Mongolia's economic development, is still not fully researched.

**Aim of the article** is to substantiate the methodology for determining the effective

leadership style of Mongolian companies on the basis of the identified features of the national leadership model.

**Material of the research.** In terms of economic development, modern Mongolia claims to be the leading position in the Central Asian region. In comparison with the dynamically developing “Asian tigers,” Western experts call Mongolia as the “Central Asian wolf”. Back in 2004, the Mongolian economy recorded growth rates which are typical for the “Asian tigers”, that is 10.6%. There was a positive dynamics in the increase of GDP also during 2005-2016. (Table 1).

Table 1

Dynamics of Mongolia's economic development indicators during 2005-2016. [21]

Date	GDP		GDP per capita	
	Value, mln. US dollars	Change, %	Value, mln. US dollars	Change, %
2016	11,03	-5,89%	3660	-7,25%
2015	11,72	-3,93%	3946	-5,35%
2014	12,2	-3,02%	4169	-4,49%
2013	12,58	2,36%	4365	0,83%
2012	12,29	18,06%	4329	15,87%
2011	10,41	44,78%	3736	43,25%
2010	7,19	20,23%	2608	18,22%
2009	5,98	-25,99%	2206	-27,43%
2008	8,08	50,47%	3040	48,00%
2007	5,37	31,62%	2054	29,67%
2006	4,08	39,25%	1584	37,74%
2005	2,93		1150	

The highest growth rates of GDP and GDP per capita were observed in 2006-2008: an average of 40.44% and 38.47% respectively. Such a rapid economic growth is due to an increase in the production of non-ferrous metals as a result of the successful activities of Mongolian and Russian joint ventures, expansion of sales markets, increased exports and higher profitability due to the cancellation of the import customs duty on Mongolian goods in the EU countries.

In 2009, the global economic crisis and its impact on the real sector and the financial and credit system caused a sharp decline in the country's development indicators (by 25.99% of GDP and by 27.43% of GDP per capita).

Mongolian government began fighting the impact of the global crisis with \$ 362 million to support banks which were in a liquidity crisis due to massive withdrawals from savings accounts by individuals. By early 2009, 29 savings and credit cooperatives went bankrupt.

Against the backdrop of a decline in production and income, the inflation rate increased sharply by 32% for the first half of 2008, which was caused by a rise in domestic prices for imported food (wheat, rice, fruit and vegetables). Inflation spurred the growth in 2007 by 62% of wages to employees in the public sector and the private sector.

In 2010-2013 Mongolia was experiencing a boom in the mining industry, which affected the increase in the values of the analyzed value indicators. The reverse dynamics of the volume and export of mining products during 2014-2016 has caused the decline in GDP and GDP per capita in recent years.

One peculiarity of doing business in Mongolia is freedom, independence, the ability to create [14]. Therefore, the index of doing business and the index of economic freedom are the most important indicators that characterize the effectiveness of business and determine the country's development potential (Table 2).

Table 2

Value of indicators of doing business  
and economic freedom in Mongolia [21]

Year	Indicator of doing business		Indicator of economic freedom	
	Value	Rating	Value	Raiting
2010	58,7	94	60	88
2011	58,8	96	59,5	94
2012	60	96	61,5	81
2013	61,8	93	61,7	75
2014	63,2	85	58,9	97
2015	66,6	61	59,2	96
2016	67,3	61	59,4	99
2017	68,2	62	54,8	128
Dynamics of indicators' value				

In comparison with Mongolia's economic growth, the dynamics of indicators that characterize doing business and the level of economic freedom is less encouraging.

The value business index for the period of 2010-2017 has a dynamic to increase (the value of the index increased by 9.5 points, in the world rating Mongolia rose by 32 positions), which indicates the favorable conditions for doing business. The key to improving the business environment was simplification of the taxation procedure, increasing its effectiveness and transparency. By this criterion, Mongolia ranks 35<sup>th</sup> in the world ranking, ahead of the USA, Germany, France, and Japan.

The value of economic freedom index, which characterizes freedom of business, trade, freedom from government, tax, monetary, financial freedom, freedom of investment, protection of property rights, freedom from corruption, freedom of labor relations, declined by 5.2 points in 2010-2017. And as a result Mongolia dropped by 40 positions – to 128<sup>th</sup> place in the world. In 2017, the value of the index was 54.8, which identifies Mongolia as “mostly non-free country” [21].

R. Lewis [20] singled out the following national models of leadership:

1) British (leadership by circumstances). British managers are diplomatic, tactful, calm, informal, rational, willing to help and find a compromise with a partner.

2) American (structured individualism). This style of leadership is characterized by structured individualism, speed and energy.

3) German (hierarchy and consensus). The Germans believe that the world is governed by order, and this order can be achieved if strictly adhere to the relevant rules, instructions and procedures.

4) French (autocratic). Leader status is determined by his origin, age, education and professional qualifications, with special emphasis on the ability to speak publicly.

5) Swedish (the first among equals). The decentralized and democratic nature of Swedish management is supported by the horizontal structure of a typical Swedish company and a low power distance.

6) Roman and Arabic (nepotism). Leader status is based on age, reputation and wealth; the management culture is autocratic, the tasks are given at the top level;

strategy and success depend highly on social and governmental ties, mutually beneficial cooperation among the ruling families.

7) Asian (consensus, family model). Family is the prototype of the society organization. Society and business should be guided by people who have better education and morals, rather than noble origin.

The main personal qualities of the people of Mongolia are freedom, flexibility, adaptability, sincerity, delicacy, tact, and the main values are family and parents [8, 14]. In this regard, we can state that for Mongolia, Asian national leadership model and its characteristics are inherent, which are reflected through the personality characteristics of the leader and the features of his management (Figure 1).

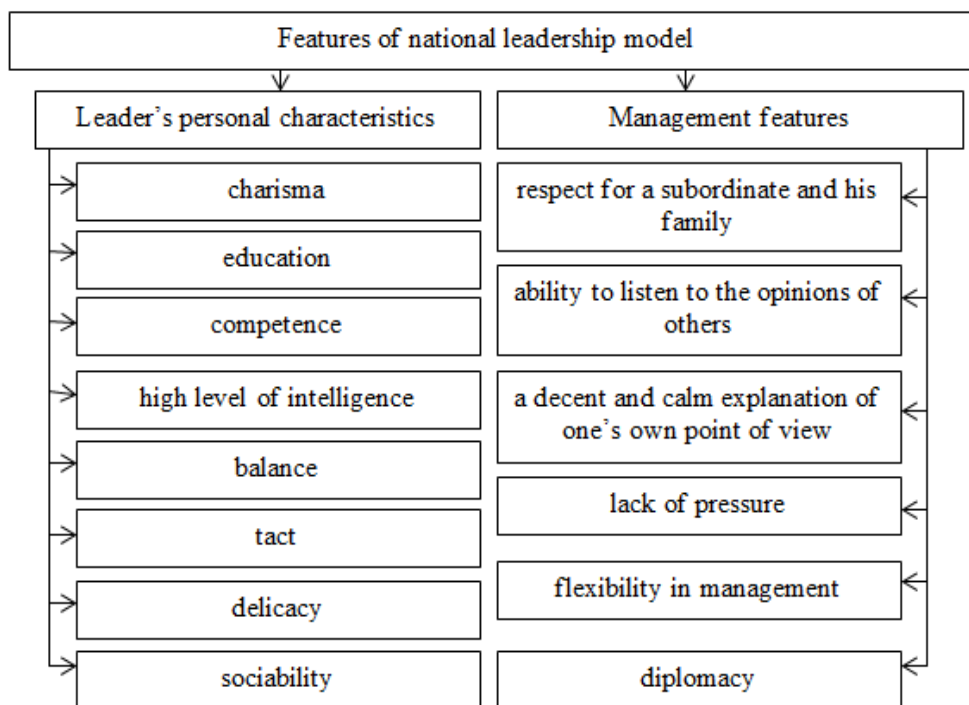


Fig. 1. Features of Mongolia's national leadership model

Since each company has its own specific business management, it is rational to define the style of leadership at the micro level taking into account the conceptual provisions of leadership theory.

In the process of analyzing the genesis of the leadership theories, three key stages in the development of these theories are singled out [10]:

1) pre-scientific leadership theories (the theory of the “great man”), which are based on the assertion that a person who has a certain set of personality features will be a good leader regardless of the nature of the situation [2, 10];

2) classical leadership theories, according to which the effectiveness of management is determined not by the personal qualities of the leader, but by his attitude towards subordinates and the ability to show different leadership skills according to the situation [3, 5, 9, 10, 11, 12, 19];

3) modern leadership theories – theories that take into account the personality characteristics of the leader, his behavior and the situation itself [4, 5, 9, 10, 11, 12, 19].

On the other hand, the study of the essence of the notion of leadership [19] made it possible to distinguish two key aspects of this concept:

1) static – leadership as “the leading position of an individual, a social group ... which is conditioned by more effective results of activity ...”

2) process – leadership as “processes of internal self-organization and self-management of a group, team, which are conditioned by the individual initiative of their members”.

Taking into account the analysis of key aspects of the concept of leadership and its theories, it can be concluded that modern theories show the most complete and accurate dualism of the concept of “leadership”. Therefore, they will be used as a basis for developing a methodology for determining leadership styles at the micro level.

One of the criteria for choosing the most effective style of leadership at the micro level is the personality characteristics of the leader (the static aspect). For companies in Mongolia, as determined by highlighting the characteristics of the national leadership model, the personality characteristics of the leader are charisma, education, competence, high level of intelligence, balance, tact, delicacy, sociability. These are the features that a leader should have, regardless of the chosen style of leadership.

The process approach to understanding leadership while determining the style of behavior requires taking into account the specific situation in which management decisions are made. Management behavior, its prescriptions depend on the company's goals, the stage of its life cycle. As a basis for developing the matrix for determining

the effective style of leadership, the classical model of the company's life cycle has been used. It consists of the stages of introduction, growth, maturity and decline.

Analysis of the essence of leadership shows that it comes from the specific needs of people and their associations, which the leaders are called upon to satisfy [2]. Therefore, in the framework of the process approach, it is necessary to take into account the development of personnel, which D. Martynov [13] determines through the level of competence and motivation.

D. Martynov defines 4 stages of personnel development (Figure 2).

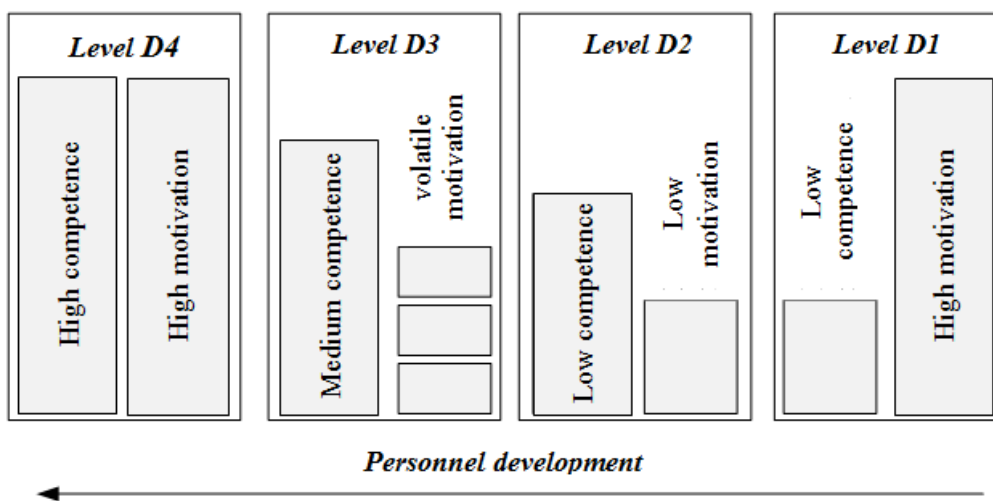


Fig. 2. Stages of personnel development [11]

The level D1 is characterized by high enthusiasm and low competence. This level is inherent in new employees.

Level D2 – medium competence. In the process of training new employees, their competence rises, but the awareness of their low qualifications reduces the level of their confidence and motivation.

Level D3 – medium-high competence. If the employee continues to develop, and the manager helps him with it, then the employee becomes more knowledgeable, but motivation level remains volatile.

Level D4 is characterized by high competence and a winning attitude, but it is impossible to stay at this level without further development.

The choice of criteria for determining an effective style of leadership (level of company development and personnel development) is confirmed by the typology of



leadership styles of Blake-Mouton and Hersey-Blanchard [6, 7].

Therefore, the model for determining the most effective style of leadership at the micro level has the form of a 3-dimensional matrix, where the X, Y, Z axes meet the selection criteria: the stages of the company's life cycle, the development stages of personnel, and the personal characteristics of the leader, respectively. Since for the companies of Mongolia, the universal personality characteristics of the leader have been determined, which are present in all styles of leadership, then in the matrix for determining the effective style of leadership, there is no gradation along the axis of the personality characteristics of the leader (Z).

To determine the level of personnel development and the stage of the company's life cycle, it is proposed to use the method of questioning. It is a psychological verbal-communicative method, in which a specially designed list of questions is used as a means for gathering information from a respondent, which is called a questionnaire.

The most widespread theory of leadership is the theory of K. Levine, according to which there are three styles of leadership: authoritarian (A), democratic (D) and liberal (L) [16]. The same typology of leadership styles is found in the works [1, 15, 17, 18]. But for a more detailed and precise definition of an effective leadership style for developing a matrix, in addition to these basic styles (A, D, L), the adjacent ones are also used: authoritarian-democratic (A-D) and liberal-democratic (L-D) [22].

With an authoritarian style, the leader has enough power to impose his will on his subordinates and implement his decisions, using administrative methods to influence subordinates.

Democratic style is characterized by a high degree of delegation. Subordinates take an active part in decision-making and enjoy freedom in carrying out assignments. As a rule, the decision is made only after listening to the opinion of subordinates. The leader shares willingly his power with them, provides an opportunity to take initiative and develop their abilities. The leader does everything to ensure that his subordinates realize that they have to solve most of the problems without his approval or assistance. Along with it, he creates an atmosphere of openness and trust, when the

subordinate can always turn to the leader for help and advice, talk about the current or potential problems, to consult.

Under liberal style of leadership, subordinates are given greater independence in their work, in decision-making. Leader provides only general guidelines and supervises the activity of performers occasionally. This style of leadership is also called the style of non-interference.

Authoritarian-democratic and liberal-democratic leadership styles occupy intermediate positions between the corresponding styles.

Based on these criteria and leadership styles, a matrix for determining the effective leadership style of the company has been developed. It is shown in Fig. 3.

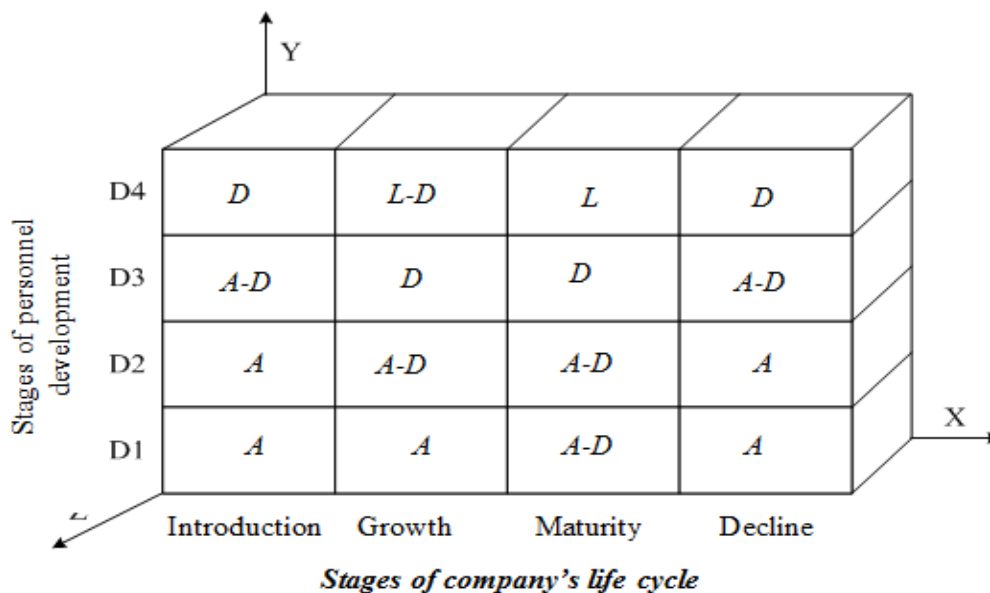


Fig. 3. The matrix of determining the effective leadership style of the company

The matrix shows that at the stages of introduction and decline the preferred style of leadership is authoritarian style. As at these stages there is a need for the implementation program and clear leadership which is aimed at creating a development strategy (for introduction stage) or crisis management (for decline stage). At these stages of the life cycle, management should monitor the performance of all functions, especially at the development stages of personnel D1 and D2, which is characterized by low level of employees' skills. For workers with a high level of competence, it is possible to apply a democratic management style in order to find the

best ways to set up a business and avoid crisis.

At the stage of growth, when the company's sales are increasing, the client base is expanding, new personnel are being recruited, employees with work experience (D2-D4 level) have more opportunities for initiative and creativity. For them, the applicable leadership styles are: authoritarian-democratic (for employees with medium level of competence and low motivation), democratic (for employees with medium competence and volatile motivation), liberal democratic (for employees with high level of competence and high motivation). For beginners with the low level of competence, the most effective is the authoritarian style, which provides strict control over the performance.

The greatest freedom in the actions the personnel has at the stage of maturity, when initiative, creativity, new ideas about the development of the company are welcomed. At this stage of the company's life cycle, it is advisable to use an authoritarian democratic style of leadership for low-skilled workers, democratic style of leadership for the middle-skilled and liberal style of leadership for highly skilled workers.

The implementation of the leadership styles presented in the matrix (Figure 3), combined with the education, tact, and balance of the leader, allows to achieve maximum efficiency of the company's activity and personnel development.

The matrix makes it possible to determine effective leadership styles in Mongolia, according to the level of development of the company and personnel.

If there is a discord between actual and effective leadership styles, a set of measures is being developed to move from the actual state to the desired state.

**Conclusions and suggestions.** The analysis shows that there are positive economic trends and prospects for Mongolia, but the low level of economic freedom which is caused by inefficient management, hinders the development of the country as a whole and individual companies and organizations in particular. The basic task of the management of companies is to determine the most effective style of leadership, taking into account national peculiarities, and to develop measures to implement it. On the basis of these criteria and leadership styles, a matrix for determining the effective leadership style of Mongolian companies has been

developed, and it takes into account the level of their development and the level of personnel development.

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