# LEADERSHIP THEORIES AND COMPETENCIES IN PROPERTY VALUATION SECTOR

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*Annotation*

*Globalization, new technologies and their development have had a significant impact on the competitive environment, requiring managers who can properly solve the challenges they face. According to the authors of the scientific literature, a modern approach to organizational management emphasizes the need not only for managers with management potential. Increasing emphasis is placed on leadership development at all levels of the organization, with particular emphasis on the effective use of human resources, a source of key competitive advantage for organizations. Leadership due to ambiguous treatment is the subject of contemporary scientific discussions. The scientific theories developed to explain the phenomenon of leadership often emphasize its essence and importance in organizational management, which plays a decisive role in ensuring the efficiency of individual people, teams and organizations in relation to high posts or duties. Since only the qualifications and leadership skills of all employees can depend on successful management of the organization at any level of management, the authors seek to analyse literature related to leadership and to determine the main leadership competences.*

*Key words*

*leadership, competencies, organization, competence development*

**JEL Classification:** O15, D61, D60

## Introduction

Many researchers are trying to define the concept of leadership excellence and its importance for the organization. The current vector of leadership competencies research is aimed at identifying leadership competencies of both the manager - leader and any employee in the organization - and identifying the impact of these competences on the organization's activities. Researchers develop leadership in a variety of cross-sections. Some of their leadership is analysed by accentuating leadership behaviour and qualities, others emphasize the leadership's vision, values and the ability to motivate oneself and others to change.

Leadership due to ambiguous treatment is the subject of contemporary scientific discussions. The scientific theories developed to explain the phenomenon of leadership often emphasize its essence and importance in organizational management, which plays a decisive role in ensuring the efficiency of individual people, teams and organizations in relation to high posts or duties. However, leadership is not only a leader, but also an individual, regardless of the position he or she has (Šilingienė, V., 2011).

Since only the qualifications and leadership skills of all employees, at any level of management, may depend on the successful organization of the organization, it is relevant to find out which leadership competences are most important and how they are expressed in different levels of the organization's management and analyse them in the context of the entire organization.

According to Petkevičiūtė and Kaminskytė (2003) it is believed that only successful organizations that recognize the importance of human resources tend to invest in the application of the structures of excellence.

Today leaders in organizations focus on production. The function of personnel management in many property valuation companies is not sufficiently developed, in this context, it is useful to analyse leadership theories and to determine required competencies in property valuation sector.

Research tasks:
1. To analyse scientific literature, to analyse the concept of leadership.
2. To analyse and determine leadership competencies required in property valuation profession.

## Leaders in property valuation sector

Real estate plays an important role in the national economy. The great role of real estate is associated with other areas, which are closely related to the development of the entire country economy. Correct

valuation of real estate is very relevant for the banking sector, insurance and leasing companies, as well as for the construction sector, asset selling agencies, real estate registry offices, as well as people who buy and sell their own real estate. Property appraiser must be highly qualified, have extensive experience and be able to correctly assess all information related to real estate (Galiniene, B.; Statkevičienė, L., 2001). Real estate assets demarcate a substantial part of the accumulated wealth of modern economies and of individual households. The real estate market is also an essential element within the overall market system. It relates closely to financial markets where on the one hand loans for real estate investments are a major product and, on the other hand, real estate is an important form of security (Herath, S.; Maier, G. (2015).

Real estate valuation is important both for private individuals and business development for the state itself. Therefore, the role of a professional valuer is also gaining ground in real estate transactions. The basic requirements for a professional property appraiser are impartiality, objectivity, knowledge of the fundamentals of property valuation. All this determines the quality of the appraiser decisions (Aleknavičius, A., 2007).

The appraiser, being responsible for the appraiser assistants and the entire team, must have appropriate leadership competencies to ensure effective work in the company.

**Literature review of leadership theory**

The simple truth behind leadership has been known probably for centuries. The oracle's advice in ancient Delphi says "Know thyself", this is known as a basic principle in leadership. In order to lead others, you must be capable to lead yourself. It was recognized by Aristotle, who talked about the "virtuous activity of the soul", and it was developed further by the Stoic philosophers in classical antiquity. Also, the Christian monastic orders perfected various methods for learning, how to channel one's thoughts and desires. Ignatius of Loyola rationalized them in his famous spiritual exercises. All these methods focus on attempting to free consciousness from the domination of impulses and social control (Seamanlike, P. 2003).

Management and leadership - one of the most relevant research topics since the fourth the last decade of the century. The word "leader" itself is a relatively new derivative in English, which appeared 200 years ago and began to be used in terms of political influence in the British Parliament (Skaržauskienė A.; Paražinskaitė G., 2010). Traditionally we differentiate management and leadership. They are two paths of leading, which have many similarities, but also many differences. Both involve influencing, working with people and effective goal accomplishment.

*Fig 1. Management and leadership orientation*
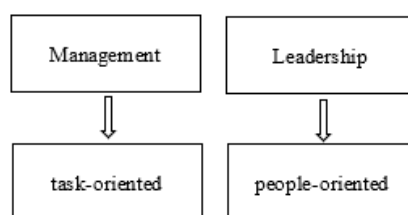


*Source: Sydanmaanlakka, P. (2003)*

Leadership is actually a very old discipline, which can be traced back to Plato and Aristotle. Management as a discipline emerged around the turn of the 20th century with the advent of our industrialized society.

According to Silva (2016) that despite the fact that leadership continued to be defined as a personal quality, after World War II a new trend started. Stogdill (1950) defined leadership as "the process of influencing the activities of an organized group in its efforts toward goal setting and goal achievement". This was perhaps the first effort to point out that

leadership was not a mere individual trait but a process of influence upon others. Stogdill also defined the purpose of that process: "goal setting and goal achievement"

According to Masiulis and Sudnickas (2008), the differences between executives and leaders show that leaders can be not only certain positions or people who play a certain role, but the rank of any rank (from the lowest to the highest) can be a leader (Masiulis, Sudnickas, 2008). To summarize, the essential difference between a leader and a manager can be attributed to the fact that the leader is fully confident,

and the leader himself focuses not on the functions but on the person. The focus of the leader is man. In this way, a leader could be any employee of the company with leadership competences, regardless of occupied functional responsibilities. Some theorists believe that leadership is no different from the social influence processes occurring among all members of a group and others believe that leadership is everything someone is doing in order to lead effective (Bohoris; Vorria, 2007).

According to Kotter (1990), leaders play three roles (Sydanmaanlakka, P., 2003):

*Fig 2. Forces dominating business*
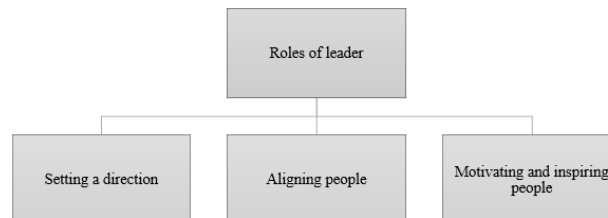


*Source: Sydanmaanlakka, P. (2003)*

Leadership is one of the most discussed topics in the social sciences (Bass, 1991; Avolio, Sosik, Jung, Berson, 2003; Bennis, 2007). The studies of leadership started with the search of differences among leaders and the pursuit to explain the concept of a leader (Galton, Eysenck, 1869). The subsequent studies intend to demonstrate how individual characteristics, skills, personal properties affect the efficiency of a leader (e.g., Eagly, Karau, Makhijani, 1995; Judge, Bono, Ilies, Gerhardt, 2002; Judge, Colbert, Ilies, 2004; Mumford, Campion, Morgeson, 2007). Author states that: first, leadership is a universal multilevel phenomenon (in all cultures and in all times); second, the theory and practice of leadership covers many levels, therefore a detailed analysis is necessary; third, our perception of leaders and leadership is infinite, a continuous scientific quest characterised by theories and empirical studies on leaders of the new generation (Day, Antonakis, 2012).

Globalization and the development of innovative technology have made a significant impact on the competitive environment, therefore leaders who can properly deal with the arisen challenges are required. Some theories provide that leaders are born (*Great Man Theory*), others state that each individual has the opportunity to evaluate his/her leadership potential *(Trait Theory),* the third ones claim that leaders are grown *(Behavioural Theories),* another ones emphasize that the leader's behaviour depends on the situation *(Situational Leadership),* focus on the forecast of the most appropriate or efficient style of leadership in particular circumstances *(Contingency Leadership)*, stress the relationship between the leader and his followers *(Transactional Theory),* distinguish the role of leadership in changing conditions implementing the transformation of activities of the organization *(Transformational Theory).* Whilst early theories tend to focus upon the characteristics and behaviours of successful leaders, later theories begin to consider the role of followers and the contextual nature of leadership *(Bolden, R., Gosling, J., Marturano, A. and Dennison, P.):*

- *Great-Man Theory-* Based on the belief that leaders are exceptional people, born with innate qualities, destined to lead. The use of the term 'man' was intentional since until the latter part of the twentieth century leadership was thought of as a concept which is primarily male, military and Western. This led to the next school of Trait Theories.

- *Trait Theory* - The lists of traits or qualities associated with leadership exist in abundance and continue to be produced. They draw on virtually all the adjectives in the dictionary which describe some positive or virtuous human attribute, from ambition to zest for life.

- *Behaviourist Theories* - These concentrate on what leaders actually do rather than on their qualities. Different patterns of behaviour are observed and categorised as 'styles of leadership. This area has probably attracted most attention from practising managers.

- *Situational Leadership* - This approach sees leadership as specific to the situation in which it is being exercised. For example, whilst some situations may require an autocratic style, others may need a more participative approach. It also proposes that there may be differences in required

leadership styles at different levels in the same organisation.

- *Contingency Theories* - This is a refinement of the situational viewpoint and focuses on identifying the situational variables which best predict the most appropriate or effective leadership style to fit the particular circumstances.

- *Transactional Theory* - This approach emphasises the importance of the relationship between leader and followers, focusing on the mutual benefits derived from a form of 'contract' through which the leader delivers such things as rewards or recognition in return for the commitment or loyalty of the followers.

- *Transformational Theory* - The central concept here is change and the role of leadership in envisioning and implementing the transformation of organisational performance

A modern approach to organizational management emphasizes the need not only for managers with

leadership potential. Increasingly, focus is on educating leaders at all levels of the organization, with a strong emphasis on the effective use of human resources - the source of the main competitive advantage of organizations (Šilingienė, V., 2011). Fulop and Linstead (1999) point out that one of the most significant claims of the Human Relations Movement was that leadership was the single most important factor in motivating employees and improving productivity (Connell, J.; Bernadette Cross, B.; Parry, K. 2014).

The working environment of leaders has changed a lot during the last twenty years. Twenty years ago, to be a leader was a position and nowadays it is a task, a very difficult and challenging task. The global world of the twenty-first century is requiring new leaders with a unique combination of competencies. According to Sydanmaanlakka, P. (2003) the eight forces that will dominate the business world of the twenty-first century are:

### Fig 3. Forces dominating business
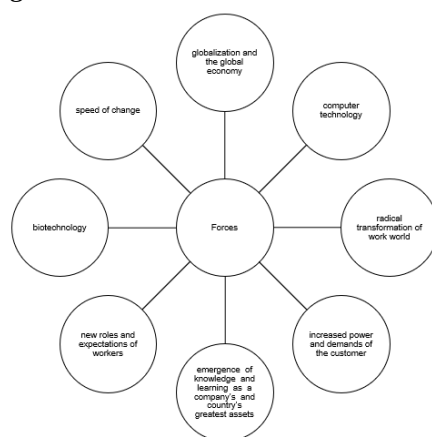


*Source: Sydanmaanlakka, P. (2003)*

According to author continuous change also demands a lot from the individuals. Work has become a continuous learning process.

**Leadership competencies**

Together with research on the concept of leadership competencies, research in this area is developed by analysing the importance of leadership competencies for an organization. In this field of research, leading scientists such as Golemann, Boyatzis, McKee and others have introduced their work. Others (Geoghegan, L; Dulewicz, V., 2008) scientist analysed relationship between leadership dimensions with certain project success.

David McClelland conceived the original use of competencies. He first used competencies as an alternative for the replacement of intelligence tests with criterion reference testing (McClelland, 1973). He argued that intelligence tests were not valid predictors of intelligence, and thus irrelevant to the workforce. McClelland (1973) writes that competencies are normally based on an analysis by interviewing and observing an expert performer. During the analysis, key behavioural indicators are determined for successful performance of the job. These behavioural indicators are then linked to a competency (R. E. Boyatzis, 1982).

McClelland, in 1973, linked the concept of competence with personnel management. But the most significant foundation for excellence research is

by the US researcher R. E. Boyatzis (1982), which states that competence is the characteristics of an individual whose causative relationships relate to effective or better performance. It is defined by various terms: characteristics, features, qualities, knowledge, skills and motives, which are causally related to the superior performance of management work (Martinkienė J., 2011).

According to Adsule, K. G. and Berad R. R. (2014 the literature relating to competence and competencies is extremely wide ranging in terms of management practices. Understanding the definition is of prime importance as it forms the base for development of competency models.

The concept of competence is usually applied to define the whole of individual abilities and knowledge, oriented to effective performance in particular working environment. It is emphasized that individual working results as well as the whole business success depend on it (Savanevičienė A., Stukaitė D., Šilingienė V., 2008). Outstanding leaders, managers, advanced professionals and people in key jobs, from sales to bank tellers, appear to require three clusters of behavioural habits as threshold abilities and three clusters of competencies as distinguishing outstanding performance (Boyatzis, R. E., 2008).

Logical structures of competences appear in the scientific literature including "hard", professional competence, which is determined by the area of organization performance, on the other hand, "soft" competence, which is defined by personal features of an employee, his or her behaviour, necessary for good job performance (Savanevičienė A., Stukaitė D., Šilingienė V., 2008). According to (Boyatzis, R. E., 2008) it can be:

- Professional competence - systems thinking and pattern recognition
- Social competence - self - awareness and self-management competencies, such as emotional self-awareness and emotional self-control.
- Conceptual competence - social awareness and relationship management competencies, such as empathy and teamwork.

Savanevičienė, Šilingienė and Stukaitė (2009) have formed strategically important competence groups that are strategically important in the business world. These competencies allow the organization to gain an edge over the human factor.

*Table 3. Strategic competence groups*

| Group | Definition |
|---|---|
| Leadership | Inspirational motivation<br>Initiative<br>Self-submission |
| Having a vision | Strategic Management<br>Openness to change<br>Innovative<br>Decision making |
| Orientation | Achievement of the goal<br>Process competence<br>Learning, development<br>Knowledge Management |
| Collaboration | Teamwork<br>Communication<br>Conflict management |

*Source: Savanevičienė, Šilingienė and Stukaitė (2009)*

Competency models can be very widely applied in organizations. Competency structures can be used for recruiting, selecting, evaluating managers, providing feedback (Petkevičiūtė N.; Kaminskytė, 2003):

- Competence in recruiting and selecting employees is assumed, that past behaviour can help predict future behaviours in similar situations

- Competencies are used to assess the performance of work to determine the need for managerial staff development according to lists of competencies;
- Compensation system is often used to assess rewards structure and may be related to certain salaries components - basic and variable remuneration.

The appraiser must have a wealth of features in his everyday work to control, train and otherwise influence his employees. From the appraiser's leaders features, a productive and responsible valuation work in the company depends. It is important to mention that one of the important aspects is the legal responsibility of the appraiser, and therefore the trust of employees and the honest work of employees is very important. The groups of leadership competences are shown in the table below.

*Table 4. Groups of leadership competences*

| Group | Competencies |
|---|---|
| Traditional functions | understanding of problems<br>decision making<br>leadership<br>delegation of decisions<br>short term planning<br>strategic planning<br>coordination<br>goal setting<br>control<br>motivation for power<br>motivation for persuasion<br>team squad<br>performance |
| Task orientation | initiative<br>focus on the task<br>urgency<br>decisiveness |
| Orientation towards the person | compassion<br>co-operation<br>social justice<br>courtesy<br>political agility<br>categorical<br>seeking a deposit<br>focus on the user |
| Organizational Identity | discipline<br>orientation to the rules<br>personal responsibility<br>reliability<br>compliance with work limit<br>professionalism<br>loyalty |
| Attitude | tolerance<br>adaptation<br>creative thinking<br>cultural understanding |
| Emotional control | strength<br>stress management |
| Communication | listening skills<br>verbal communication<br>public presentations<br>written communication |
| Self and others education | raising goals<br>performance evaluation<br>feedback<br>work enrichment<br>self-education |
| Professional intelligence and interest | technical experience<br>organizational awareness<br>quantity, quality<br>financial |

Hassanzadeh M. (2015) competencies defined as a set of behavioural patterns that can help you to effectively carry out an activity in an organization. It is also defined as employee behaviour groups that create better performance. Another definition defines competence as a person's characteristics that distinguishes exceptional results. Authors described competences as "how" leadership. So, leaders have enough competencies to do their job well. They refer to competencies as "specific skills and abilities that influence" the effectiveness of their leadership.

Bennis (1999) identified five aspects of leader competence (Connell, J.; Bernadette Cross, B.; Parry, K. 2014):

- technical competence;
- interpersonal skills;
- judgement;
- conceptual skills and character.

Bennis believes that character is the vital element that determines leader efficacy as he claims that he has never found a person to be rejected due to technical incompetence but has seen people rejected because of a lack of character.

## Conclusion

The working environment of leaders has changed a lot during the last twenty years. Twenty years ago, to be a leader was a position and nowadays it is a task, a very difficult and challenging task. The global world of the twenty-first century is requiring new leaders with a unique combination of competencies. A modern approach to organizational management emphasizes the need not only for managers with leadership potential. Increasingly, focus is on educating leaders at all levels of the organization, with a strong emphasis on the effective use of human resources - the source of the main competitive advantage of organizations Authors point out that one of the most significant claims of the Human Relations Movement was that leadership was the single most important factor in motivating employees and improving productivity.

The most significant foundation for excellence research is by the US researcher R. E. Boyatzis (1982), which states that competence is the characteristics of an individual whose causative relationships relate to effective or better performance. It is defined by various terms: characteristics, features, qualities, knowledge, skills and motives, which are causally related to the superior performance of management work. Authors in literature review states that concept of competence is usually applied to define the whole of individual abilities and knowledge, oriented to effective performance in particular working environment. It is emphasized that individual working results as well as the whole business success depend on it.

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