

Key Leadership Functions for Achieving Long-Term Competitive Advantage in Business

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Abstract. Effective management of human and social capital in the context of strategic leadership occupies an important place in the development of modern organizations. This article presents a model that includes six key functions of strategic leaders to achieve sustainable competitive advantage. Following the finding presented in the literature review and the gaps that have been identified, this research employs a qualitative survey to identify leadership functions that influence strategic decision-making, organizational growth, innovation, and sustainable competitive positioning. A total of 26 respondents participated in the survey. The answers from the semi-structured interviews provided arguments for defining six key functions of the strategic leaders aiming to create sustainable competitive advantage: strategic decision making, interaction with the external environment, human capital management activities, motivation and influence, information management and social problem management. The findings are found to be strongly supported by previous research. Competitive advantage of companies plays an important role in their successful performance and is determined by the way in which top managers carry out and manage their daily business activities. The findings have theoretical contribution by adding to leadership and strategic management literature by linking leadership functions with long-term competitiveness. The findings and discussions could help executives, policymakers, and HR professionals develop leadership training and development programs. The proposed model could be used for high-level management practices or as a starting point for future studies and discussions on strategic leadership and building sustainable competitive advantage in various industries.

Keywords: strategic leadership, leadership functions, sustainable competitive advantage

Introduction

The basic understanding of strategic leadership involves the awareness of the specific actions that leaders take in creating a strategically oriented organization (Rumsey, 2013). The need for strategic leaders to have the ability to foresee, maintain and initiate changes that create competitive advantages over other organizations is crucial for organizational success. The main goal is to clearly formulate organizational strategic plans, strategic mission, strategic vision, and resource provision for future strategic activities.

Strategic leaders are expected to focus their attention on critical resources for the organization's activities, which will ensure its sustainable development in the future. This interpretation is supported by Hitt and Ireland (2002), who link strategic leadership to ensuring access to key resources. They identify the creation of partnership alliances for shared "social capital" and the ability to build effective teams - "human capital" - as the most important resources for any company.

The development of the modern competitive environment requires strategic leaders to possess effective abilities and skills (Ireland & Hitt, 2005). Of particular interest are the abilities related to the management of both human and social capital.

Leadership is a critical determinant of long-term competitive advantage in business. However, despite extensive research on leadership styles and their effects, there remains a gap in understanding how specific leadership functions contribute to sustaining competitive advantage

over time. This study investigates key leadership functions: strategic decision-making, interaction with the external environment, human capital management, motivation and influence, information management, and social problem management.

While leadership functions have been studied in isolation, few studies integrate them into a holistic framework linking leadership activities to long-term competitive advantage. This study aims to fill this gap by exploring how strategic decision-making, external interaction, human capital management, motivation and influence, information management, and social problem management collectively contribute to sustained business success.

Literature review

Skills and abilities of strategic leaders

According to McCallum and O'Connell (2009), both human and social capital are not completely independent of each other. This is clearly evident from the fact that some leadership competencies can be attributed to both types. The essence of strategic leadership is precisely the management of human and social capital (Hitt & Ireland, 2002).

One of the most important tasks facing strategic leaders is the effective management of organizational resources. It is necessary to develop a strategy for their use and utilization in order to achieve competitive advantage (Sirmon, Hitt and Ireland, 2007). The main emphasis is placed on the effective management of human and social capital as an essential characteristic of strategic leadership (Hitt & Ireland, 2002). Human capital refers to the knowledge and skills of all employees (Hitt, Ireland, et al., 2010, p. 388) and is a major part of the intellectual capital of any organization (Bontis, 1998). In addition, Au, Altman and Roussel (2008) describe human capital in an organization as specific knowledge inherent to the individual. In the scientific literature, three main types of human capital are described in different categories, as follows: *total human capital*, *organization-specific human capital*, *human capital oriented towards achieving results* (Gibbons & Waldman, 2004; Hatch & Dyer, 2004).

Social capital also constitutes an essential part of intellectual capital and, like human capital, contributes to its development (Birasnav, Rangnekar & Dalpati, 2011). On the one hand, Balkundi & Kilduff (2006) link social capital to the specificity of individuals and their social relationships. On the other hand, social capital includes relationships inside and outside the organization, supporting the achievement of set goals and creating value for customers and shareholders (Hitt & Ireland, 2002; Prusak & Cohen, 2001).

Sustainable competitive advantage

In a rapidly changing environment, global competition is becoming increasingly fierce. The question logically arises, how to maintain competitive advantage or achieve sustainable competitive advantage. In 2008 Barney & Hesterly (2008) distinguished two types of competitive advantage: temporary and sustainable competitive advantage.

According to them, competitive advantage usually leads to high profits, but these profits attract competition, and competition limits the life cycle of the competitive advantage. Therefore, in most cases, competitive advantage is temporary. On the other hand, some competitive advantages are sustainable, provided that competitors are unable to imitate the source of the advantage or if no one thinks of creating a better alternative.

In their theoretical work, Reed & Defillippi (1990) define sustainable competitive advantage as the creation of certain barriers that make it extremely difficult to imitate products and services. In other words, "*competitive advantage is a major driver for achieving organizational*

goals” (Porter, 1985, p. 15). Barney (1991) suggests four key indicators related to the potential of organizational resources to generate sustainable competitive advantage: price, uniqueness, inability to imitate, imperfect substitute.

Considering the above definitions, four main conclusions can be drawn: the entities of sustainable competitive advantage are organizational resources and skills (Barney, 1991); an important means of achieving sustainable competitive advantage is organizational competence. The essential problem here is achieving maximum efficiency from the transformation of organizational resources and skills into organizational competence (Bharadwaj, Varadarajan & Fahy, 1993); the goals of sustainable competitive advantage can be linked to financial performance, maintaining the value chain, or customer recognition (Coplin, 2002); the process of building a sustainable competitive advantage, namely *subject-means-end* (see Fig. 1), needs constant updating to adapt to the rapidly changing environment (Hit, Ireland, et al., 2010; Jiajia, 2007).

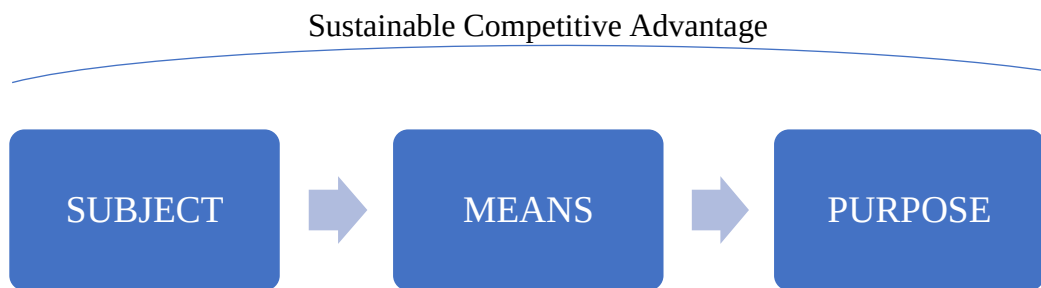


Figure 1. Process for building sustainable competitive advantage

Source: Barney (1991)

Strategic leadership and sustainable competitive advantage

The scientific literature is full of definitions related to the essential characteristics of strategic management. According to Boal “*strategic leadership is a series of decisions and activities, both process-oriented and substantive, through which the past, present, and future of the organization are united over time.*” (Boal, 2004, p. 1504). The author defines Strategic Leadership as a kind of alliance of the organization’s human and social capital in response to the challenges of the surrounding environment in real time.

Hagen, Hassan and Amin (1998) empirically examine the characteristics of strategic leadership as presented and developed by Hit (Hit, et al., 1995). The results obtained integrate the individual components included in the proposed model. As predicted by Hitt et al. (1995), strategic leadership emphasizes the development of human capital, showing the importance of human resources for organizational development. Many researchers investigate how important human and social capital are for the leader and what leadership style is appropriate to add value to organizational activities. Decision-making is central to leadership effectiveness. Leaders who incorporate analytical, intuitive, and evidence-based approaches drive sustainable growth (Eisenhardt & Zbaracki, 1992). However, limited research explicitly connects strategic decision-making to long-term competitive advantage. Business leaders must engage with stakeholders, adapt to market trends, and anticipate regulatory shifts (Mintzberg, 1994). Research has examined external adaptation but not how leaders’ external interactions contribute to sustained business success. Human capital is a key driver of firm performance (Becker, 1964). Leadership functions such as talent acquisition, retention, and development directly affect organizational success.

Studies discuss HRM broadly but do not isolate leadership's role in human capital management for long-term advantage. Transformational leadership theory (Bass, 1985) emphasizes motivation and influence in enhancing performance. However, motivation strategies for long-term rather than short-term gains are underexplored. Effective leaders harness data to enhance decision-making (Davenport & Prusak, 1998). In the digital age, managing information efficiently is crucial. However, there is limited research on how leadership-driven information management directly contributes to sustained competitive advantage. Ethical leadership and corporate social responsibility (CSR) are growing areas of interest (Carroll, 1991). Leaders must address social and environmental concerns while maintaining profitability. In this respect the long-term impact of leaders' social problem management on competitive advantage is under-researched.

Methodology

Following the finding presented in the literature review and the gaps that have been identified this research tries to answer the question: What are the major functions of strategic leaders to achieve competitive advantage. This study employs a qualitative research design to explore six key leadership functions that contribute to achieving long-term competitive advantage in business. A qualitative survey approach is used to gather in-depth insights from business leaders, managers, and industry experts. Other researchers also apply qualitative methods for discussing effective leadership (Petkova-Gourbalova, 2020). Data is collected through semi-structured interviews. The participants are selected using purposive sampling to ensure a diverse representation of industries and leadership roles. The survey includes questions designed to identify leadership functions that influence strategic decision-making, organizational growth, innovation, and sustainable competitive positioning. The questions included: How do leaders in your organization approach strategic decision-making? Can you provide an example of a major decision and how it was made?; What leadership qualities or actions do you believe are most critical for making effective strategic decisions in your industry?; In what ways do leaders in your organization contribute to long-term business growth?; Can you describe a leadership initiative or strategy that significantly impacted your organization's expansion or market positioning?; How does your leadership team encourage innovation within the organization? Can you share a specific example?; What challenges do leaders in your organization face when trying to implement new ideas or innovative strategies?; What role does leadership play in maintaining your organization's competitive edge in the market?; How do leaders in your organization interact with external stakeholders (customers, competitors, regulators) to ensure long-term competitiveness?; How do leaders in your organization inspire and motivate employees to align with the company's strategic goals?; Can you describe a leadership practice that has significantly improved teamwork, communication, or overall organizational effectiveness? The interviews were conducted in a three months period September – November 2024. A purposive sampling method is used to target business leaders across various industries, including technology, healthcare, finance, manufacturing, and retail. The criteria for participant selection include: minimum five years of leadership experience, active involvement in strategic decision-making, and representation from organizations with a proven track record of competitive advantage. A total of 26 respondents participated in the survey. Thematic analysis is employed to analyze qualitative responses. The process involves: data familiarization – reading and re-reading survey responses to gain an initial understanding; code generation – identifying recurring themes and patterns related to leadership functions; theme development – categorizing codes into broader

themes representing key leadership functions; validation – cross-checking themes with existing literature and expert opinions to ensure reliability.

Results and discussions

To maximize their goals and provide competitive advantage to the organizations they lead, strategic leaders fulfill specific roles and have specific responsibilities (Mintzberg, 1973). Mintzberg proposes a general classification of the responsibilities of 10 management roles (Mintzberg, 1973), based on an analysis of the behavior of five CEOs over the course of one week. The responses of the research provided arguments to propose a model of six key functions of the strategic leader. The model proposed in this article is fully supported by the existing literature to date (see Fig. 2).

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Figure 2. Six key functions of the strategic leader

Source: author

Strategic decision making

The first key function that the respondents find essential for creating competitive sustainable advantage is strategic decision making. Strategic leaders influence organizations through the decisions they make (Hambrick & Mason, 1984). Unlike decisions made at lower organizational levels, decisions at higher levels of management involve large-scale allocations of resources and responsibilities that can have lasting consequences for companies. Scholars have examined the

roles of strategic leaders in making various strategic decisions (including those related to the creation and implementation of innovative activities, mergers, acquisitions, organizational change, or diversification of the organizational portfolio). Researchers of this function have concluded that a wide range of motivational factors guide the process of strategic decision-making, and that such decisions have important consequences for the results achieved by any organization.

Despite the large amount of research conducted on the specifics of strategic decision-making, several important aspects of the function remain understudied. For example, regarding the process accompanying strategic decision-making, scholars do not pay enough attention to maintaining neutrality or the so-called lack of decision-making. Strategic leaders sometimes delay or delegate rights over certain strategic decisions due to the likelihood of potential difficulties or possible generation of negative results. Possible reasons for such behavior and their impact on organizational functionality remain poorly studied.

Interaction with the external environment

One of the key responsibilities of strategic leaders regarding development of a sustainable competitive advantage was found to be building relationships and shaping the organizational image in the external environment. This function encompasses the interactions of leaders with external parties that have the potential to influence the company. This leadership behavior external to the organization can guarantee strategic advantages, such as securing access to important resources or enhancing the company's reputation. Interaction and communication with partners, suppliers, competitors, etc. can also help strategic leaders deal with potential crises (Sandström, Eriksson & Wiberg, 2014). The findings are supported by Petkova-Gourbalova (2019) who argues that organizations strive to adapt to the changing environment, and leadership plays a key role in this process.

One of the main themes in the study of this function is that strategic leaders engage in both proactive and reactive processes. Further research is needed to explore the specifics of the different actions that need to be taken to achieve success in both cases. Also of interest is the question of how strategic leaders differ in their ability to perform these actions.

Activities related to human capital management

The answers of the respondents provided arguments to define a third key function of the strategic leaders aiming to develop a sustainable competitive advantage – human capital management. Strategic leaders make decisions about the selection, evaluation, dismissal, compensation, and career development of other members of the organization. For example, the board of directors appoints, evaluates, and dismisses the CEO (Cook & Glass, 2014; Graffin et al., 2013), which has important consequences for the company. The Board of Directors also determines the remuneration of senior managers, which affects the behavior of general managers and, respectively, the results achieved by the organization. Different material incentives and possible discrepancies in remuneration between individual managers can affect the overall organizational performance (Ridge et al., 2015). Numerous studies in the relevant field show that CEOs influence the performance of firms by paying particular attention to strategic human resource management systems (Chadwick et al., 2015).

In the future, it is necessary to conduct a number of studies that will clarify the understanding of the role of the strategic leader in human resource management. For example, leaders can set specific incentives and appoint specific employees in accordance with the corporate strategy for the development of the organization. At the same time, they can encourage intense

competition between members of the organization, and in certain cases it is permissible to use discursive, bordering on the threshold of ethical behavior in attempts to achieve the set goals.

Motivation and influence

The fourth key function of the strategic leaders was found to be motivation and influence skills. There is a significant research trend in scientific literature related to leadership styles. Of particular interest is the question of how others in the group perceive and follow the approach of their leaders. The behavior demonstrated by strategic leaders can stimulate, motivate and convince members of the organization to pursue the achievement of strategic goals, as well as contribute to the development of a specific organizational culture oriented towards the creation and implementation of innovations. Studies of this function show that strategic leaders have the greatest influence on employees at lower management levels, with whom they rarely interact (Bass, Waldman, Avolio & Bebb, 1987). The main emphasis is placed on transformational leadership and its impact on organizational performance and innovation (Boehm et al., 2015; Jung et al., 2008; Ou et al., 2014).

Studying the different styles of behavior that strategic leaders demonstrate is valuable, but additional effort is needed in attempts to define more clearly and specifically the specifics of interaction at the highest organizational levels. For example, Berson et al. (2015) argue that the main task of strategic leaders is to form a more general, abstract, and holistic vision for the future development of the organization, compared to managers at lower levels. In general, it can be summarized that the behavior of strategic leaders at high organizational levels leads to different consequences and results, compared to lower levels of management. In addition, it is possible to further develop specific leadership styles, depending on the specific situation, and to assess the extent to which motivation and influence on employees are due to individual actions or those of the collective management body. It should not be overlooked that there are other approaches beyond transformational leadership that are important for strategic leaders and the results they achieve (Anderson & Sun, 2017).

Information management

Information management is undoubtedly a critically important function of the strategic leaders building sustainable networks and striving for competitive advantage. This finding is supported by numerous studies. Strategic leaders collect, process, and use available information both internally and externally (Kaplan, 2008). In addition to using this information for decision-making, strategic leaders exercise control over its access and distribution to employees (Carpenter & Sanders, 2004). The collection, processing and dissemination of information play a key role in the overall health of the organization and pose a huge challenge to strategic leaders, who are often forced to make unconventional decisions in a typically dynamic and uncertain environment.

Strategic leaders have privileged access to information and have the right to choose how to present, disseminate, and retain it, based on various considerations. It can be hypothesized with a high degree of probability that strategic leaders have different approaches and understandings of how this information is managed within the company in terms of content, timing, and communication practices. The way in which strategic leaders use this privilege and its consequences for stakeholders is a prerequisite for conducting future research. Existing theories related to receiving, processing, and giving feedback can help to gain a clearer idea of the specificity of this function (Oppenheimer & Kelso, 2015).

Social problem management

Social problem management is the sixth key function of strategic leadership that was found during this study. In fact numerous studies link strategic leaders to social or ethical problems, such as complicity in fraud, participation in corrupt practices, and tax evasion (Zahra et al., 2005), making controversial decisions related to the organization's CSR¹ (Perenko et al., 2016). Such actions and initiatives have important consequences for stakeholders, the company's reputation and its performance (Zahra et al., 2005). Strategic leaders, especially CEOs, have considerable discretion over decisions related to tax evasion or the allocation of resources for CSR (Waldman & Siegel, 2008). Furthermore, strategic leaders are usually held accountable when ethical scandals arise, even if they are not aware of them. This function is becoming increasingly important as all stakeholders demand that companies be more responsible participants in social processes.

Conceptual work on socially responsible leadership provides a framework for future research in this area (Krasikova, Green & LeBreton, 2013). Deep exploration of the nature of ethical dilemmas faced by strategic leaders is an interesting direction for researchers. For example, an important challenge for strategic leaders is to assess the negative consequences of specific initiatives and find ways to eliminate inappropriate, immoral, and even illegal behavior.

Based on the results obtained, a radar chart is shown below visualizing the responses categorized into the six strategic leadership functions. Each function's score reflects the prominence of that aspect in the survey responses.



Figure 3. Strategic leadership functions concentration

Source: author.

The radar chart illustrates the distribution of survey responses across the six key strategic leadership functions that were found to be most crucial for reaching long-term competitive advantage: Strategic Decision Making, Interaction with the External Environment, Human Capital

¹ Corporate social responsibility.

Management, Motivation & Influence, Information Management, and Social Problem Management. From the graph, we observe that Human Capital Management and Strategic Decision Making received the highest emphasis, indicating that leaders prioritize managing talent and making critical business decisions. Motivation & Influence also scored high, suggesting that inspiring and aligning employees with strategic goals is a key leadership focus. Interaction with the External Environment follows closely, reflecting the importance of engaging with stakeholders like customers, competitors, and regulators to maintain competitiveness. Information Management and Social Problem Management received relatively lower emphasis, suggesting that while data handling and addressing social issues are considered, they are not the primary leadership focus.

The chart highlights that leaders who participated in the research define decision-making, workforce management, and motivation as the most important factors, while also recognizing the significance of external interactions and innovations, albeit to a slightly lesser degree.

Conclusion

Strategic leadership is increasingly important in the management of modern organizations. Achieving sustainable competitive advantage is determined by the way in which strategic management carries out and manages its daily business activities. Accordingly, the competitive advantage and overall performance of organizations is strongly influenced by the leadership choices made. The implementation of various organizational functions, changing roles and taking responsibility, make strategic leaders a guarantor of successful performance and achieving the results desired by the company.

Businesses operate in an increasingly volatile, uncertain, complex, and ambiguous environment. Effective leadership is essential for navigating challenges, sustaining innovation, and ensuring long-term profitability. Understanding how key leadership functions contribute to competitive advantage will provide strategic insights where business leaders can refine their strategies to strengthen market positioning, theoretical contribution by adding to leadership and strategic management literature by linking leadership functions with long-term competitiveness, and practical implications by helping executives, policymakers, and HR professionals develop leadership training and development programs.

Research employing qualitative methods provided arguments to formulate six key functions of the strategic leaders aiming to create sustainable competitive advantage: strategic decision making, interaction with the external environment, human capital management activities, motivation and influence, information management and social problem management. The findings are strongly supported by previous research. This study has several limitations: the qualitative nature of the research may introduce researcher bias in data interpretation, the findings and conclusions are based on a limited sample and may not be applicable to all industries or business environments, participants' responses may be influenced by personal experiences or social desirability, the study relies on a specific timeframe, which may limit the depth of insights gathered, due to the qualitative approach, the number of participants is relatively small, which may affect the breadth of perspectives included. The proposed model could be used in practice for high-level management training or as a starting point for future studies and discussions on strategic leadership and building sustainable competitive advantage.

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