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Review Article

THE IMPACT OF THE DIGITAL ENVIRONMENT ON MANAGERIAL DECISION-MAKING AND ORGANIZATIONAL BEHAVIOR OF LEADERS

Dragan Milačić

Visoka poslovna škola strukovnih studija Čačak, Belgrade, Serbia

e-mail: milacicdragan@gmail.com

<https://orcid.org/0000-0002-3380-1678>

Abstract: The accelerating digital transformation – driven by the adoption of artificial intelligence (AI) and enterprise resource planning (ERP) systems – has fundamentally reshaped managerial functions and organizational structures. These technologies not only enhance operational efficiency but also enable adaptive decision-making and forward-looking strategic planning. Grounded in contingency theory, this paper examines how digital tools necessitate context-sensitive managerial responses, emphasizing the importance of aligning leadership styles with technological capabilities and environmental complexity. Furthermore, through the lens of transformational leadership theory, it explores how digital platforms influence leadership dynamics, fostering innovation, vision-driven change, and employee empowerment. By analyzing these interrelated dimensions, the paper offers a comprehensive framework for understanding strategic management in the digital era.

Achieving high organizational performance reflects the efficiency and effectiveness of business operations. The more efficient and effective an organization is, the higher the quality level of its economic output, which in turn implies that business and development goals will be achieved at a more advanced level. Environmental trends, digitalization, and intense global competition exert significant pressure on managers and leaders to direct organizational activities toward the continuous development of core competencies, with the aim of reinforcing market position.

Keywords: *digital environment, management, leadership, decision-making, international economy.*

1. Management leadership techniques

Effective leadership entails the strategic application of various mechanisms—most notably motivation, reward systems, and influence – to guide and manage teams. To successfully implement these strategies, leaders must possess a nuanced understanding of their organizational context and adapt their approach to the specific dynamics of their teams (Milačić, 2025).

Motivation represents a foundational psychological force that initiates, directs, and sustains goal-oriented behavior. It has long been a subject of scholarly inquiry, as it determines the intensity and direction of human action. Motives serve as catalysts for activity, orienting behavior toward specific objectives and sustaining it until those objectives are achieved. The central question – what initiates human activity – remains a focal point for both leadership practitioners and researchers (Milačić, 2025). Uncovering the mechanisms behind motivation is essential for leaders seeking to inspire individuals toward the realization of both personal and organizational goals.

Beyond identifying the content of human needs, scholars have also examined the processes through which motivation operates. This paper outlines key theoretical contributions to motivation studies, focusing on two principal frameworks: content theories, which explore the nature of human needs, and process theories, which examine the cognitive and behavioral mechanisms that drive motivation. As Vesić (2010) emphasizes, motivation is a critical component of leadership, given that organizational success hinges on the performance of both employees and leaders. Performance outcomes are shaped by three interdependent factors: individual ability, opportunity provided by the organizational structure, and the will or motivation to perform.

While ability is cultivated through education and professional development, and opportunity is structured by organizational design, neither is sufficient without motivation. An employee may be fully capable and adequately supported, yet still underperform if not sufficiently motivated. Armstrong (2001) defines motivation as the process of initiating, directing, and maintaining behavior toward a specific goal, driven by three core elements: need, drive, and reward.

Organizational effectiveness is contingent upon the motivated engagement of all participants – particularly leaders and employees. To foster such engagement, it is imperative that organizational goals are aligned with individual aspirations, thereby ensuring that personal goal attainment contributes directly to institutional success. Human behavior is inherently goal-oriented, and this principle must inform leadership strategies aimed at influencing behavior and enhancing motivation.

Achieving sustained employee motivation requires leaders to understand the underlying needs and motives of their teams and to create conditions conducive to satisfaction. As Beke-Trivunac (2014) notes, employee satisfaction is a prerequisite for long-term productivity and creativity. Among the most influential factors in this regard are compensation and reward systems, which exert a significant motivational impact on work performance. Consequently, organizations must carefully design and

manage their reward strategies – including salary structures, incentives, promotion pathways, and broader human resource policies – to support employee engagement and organizational functionality.

A well-structured reward system not only enhances satisfaction and motivation but also encourages knowledge creation and sharing. Effective knowledge management involves: (1) identifying, generating, and disseminating knowledge within the organization; (2) cultivating an environment that incentivizes knowledge exchange; and (3) facilitating the sharing of expertise across organizational units (Nešović, 2019).

Finally, influence within leadership may also manifest through manipulation – a controversial yet observable technique used to steer team behavior. Leaders acquire manipulative skills through life experience and interpersonal interactions. Successful manipulations reinforce a leader's capacity to influence, while unsuccessful attempts inform future strategies. Manipulation, in this context, is defined as the orchestration of collective behavior toward objectives deemed critical by the leader.

2. Organizational behavior and leadership

Organizational behavior is defined as an applied scientific discipline that examines how individual, group, and organizational factors influence human behavior, with the aim of improving organizational efficiency and employee satisfaction (Langton, & Robbins, 2006). Each individual entering an organization brings a unique set of personal knowledge, traits, and prior work experience. Through interaction with other members of the organization, the individual acquires new insights and evolves over time. Simultaneously, the organization – through its policies, procedures, evaluation and reward systems, decision-making processes, and communication practices – exerts influence on the individual.

Organizational behavior involves the systematic study of actions and attitudes exhibited by people within an organization – what they think, feels, and does in and around the workplace. To remain viable in today's global environment, managers and leaders must recognize emerging trends and challenges and prepare responses to key questions such as:

- How can productivity and quality be increased?
- How can cultural, gender, and generational diversity be harmonized and leveraged?
- How can leadership styles be aligned with the demands of diversity in a global context?
- How can organizations be led in conditions of uncertainty and impermanence?
- How can employee loyalty be strengthened? (Stavrić, 2009).

Responsible organizational behavior among employees can significantly enhance organizational efficiency by improving the productivity of both staff and managers. Experienced employees who assist new colleagues help accelerate their integration and productivity, thereby improving the performance of work groups and units. Employees committed to personal development become more effective in their roles, and when development includes various forms of training, they become capable of performing multiple tasks within the organization. Managerial productivity increases when employees offer suggestions or feedback to improve group performance, avoid interpersonal conflicts, and refrain from burdening managers with minor complaints – thus preventing managers from falling into a reactive crisis-management mode (Stavrić, 2009).

Another way responsible organizational behavior enhances efficiency is by freeing up organizational resources for more productive purposes. Employees who support one another in resolving work-related issues provide managers with additional time for strategic planning, process improvement, and resource acquisition. Organizational efficiency can also be improved by emphasizing teamwork, morale, and solidarity. Courtesy among team members reduces conflict, minimizing the time spent on conflict resolution. Responsible behavior also helps attract and retain top talent. When employees advocate for and promote their organization externally, they contribute to its reputation (organizational loyalty), making it more appealing to potential candidates.

Responsible organizational behavior can reduce performance variability, enabling more accurate planning and forecasting. It also enhances the organization's capacity to adapt to environmental changes. Employees who monitor market shifts and propose adaptive strategies help the organization remain agile. Ultimately, responsible behavior contributes to the development of structural, cognitive, and relational forms of organizational social capital.

Leadership is a key variable in organizational behavior, predominantly shaped by individual traits and environmental factors. Contemporary understandings of leadership are linked to behavioral approaches in management, which emphasize human behavior in the workplace. Leadership is viewed as a method of managing people's behavior within organizations, aimed at achieving competitive advantage through human capital – the most valuable resource in today's economy.

Numerous modern studies have shown that effective leadership cannot be attributed solely to personal characteristics, preferences, or behaviors of leaders. Instead, attention must also be given to followers and the dynamics of leader–follower interactions (Milačić, 2025).

Modern leadership is therefore a dynamic process, where the distinction between a fixed and growth mindset becomes a critical determinant of success. These two approaches fundamentally influence how leaders embrace challenges, learn from experience, and guide their teams. Leaders with a fixed mindset focus on validating existing abilities and tend to avoid risks and challenges, which can hinder innovati-

on and adaptability. In this era of rapid change, organizations require leaders with a growth mindset – those who recognize the importance of developing digital literacy within their teams. Moreover, adopting a growth mindset in leadership is not merely a matter of personal development; it is a strategic imperative for building resilient, forward-looking organizations. Leaders who embrace this mindset and integrate it into their practices will not only lead more effectively but also lay the foundation for long-term success and sustainability (Evsina, 2024).

Given the dominance of technology, leadership today demands new approaches and skill sets. The digital age presents both challenges and opportunities. In this context, the question arises: how can one become a successful leader in this new world? The literature identifies three key domains:

1. **Strategic Leadership** – This involves managing resources and exerting strong influence over stakeholder behavior. It includes anticipating information needs, understanding and responding to customer demands, and strengthening communication channels.
2. **Business Acumen Skills** – These skills enable leaders to identify and leverage strategic opportunities and processes that drive growth and advancement. Key areas include customer orientation, partnership development, business expansion, organizational change, project management, process optimization, strategic marketing, business analytics, market analysis, and financial skill enhancement.
3. **Digital Acumen Skills** – These skills initiate and drive fundamental changes in business operations by embracing cutting-edge digital solutions and maximizing their impact. Emphasis is placed on big data analytics; cloud computing, virtualization, mobile application development, complex business system design, and cybersecurity proficiency (Đorić, 2023).

To optimize organizational performance, it is essential for digital leaders to cultivate a supportive environment for accelerated digital transformation, aligned with organizational goals. Leaders are expected to act as agents of broader business change, demonstrate high levels of agility, take calculated risks, and intensify the implementation of digital tools within business processes and organizational culture – consistent with the standards of successful enterprises (Đorić, 2023).

3. Digitalization of business and its impact on leaders' organizational behavior

Changes in the business world reflect broader societal transformations – technological advancement, increasing market liberalization, and frequent job transitions. In such a rapidly evolving and volatile environment, uncertainty has grown among employees and individuals regarding their professional standing. The process of digital transformation is complex and requires far more than the acquisition of modern

technologies. The key factor for success lies in leadership, which has undergone significant changes compared to earlier periods. Leaders who engage in digital transformation face an additional challenge: an environment marked by fragility, anxiety, nonlinearity, and ambiguity. Organizations operating in this transformed landscape must rely on capable and competent leaders who possess the strength, courage, and determination to guide them toward success (Lukić-Nikolić, Mirković, Brkljač, 2021).

The defining features of the modern environment include digitalization, optimization, product and service customization, automation, human-machine interaction, value creation, remote control, error prediction, automatic data exchange, and real-time communication. The core concept of the digital environment is the availability of all essential information in real time through the networking of all participants in the value creation process. By interconnecting people, objects, and systems, organizations achieve dynamic and self-organizing operations while simultaneously optimizing costs and resources (Lukić-Nikolić, Mirković, Brkljač, 2021).

Key organizational changes driven by digitalization include agile and automated processes, personalized and customized products, small decentralized units, high return on invested capital as a measure of success, and strong, direct relationships with clients. However, despite these advantages, organizations may encounter obstacles such as employee resistance to new technologies and work methods, lack of knowledge and competencies, poor collaboration across departments, absence of clear strategies and goals, legal constraints related to data access, high costs, inadequate organizational structures, excessive reliance on machines, and insufficient support from top management.

In the digital age, communication is faster than ever. Leaders must know how to connect with their teams – even when physically distant. This requires not only written and verbal communication skills but also emotional intelligence. The ability to adapt quickly is one of the most critical skills in the digital era. As technology evolves rapidly, leaders and employees must be prepared to adjust to new conditions and trends. This may involve changing strategies and techniques or introducing new tools into the workflow. A leader who embraces change and takes risks can inspire their team to be innovative. For example, experimenting with flexible work hours or adopting new collaboration tools can inject fresh energy and creativity into the team. By thinking creatively and outside the box, leaders encourage team members to freely exchange ideas, which in turn motivate them to generate new solutions.

Ultimately, for a leader to be successful, they must stay informed about the latest industry trends, such as artificial intelligence, data analytics, or UX design. Understanding AI enables leaders to improve operations and develop strategies that enhance efficiency. Investing in technological knowledge not only increases a leader's value but also strengthens the entire team.

Technological advancement is not just about tools – it's also about how leaders communicate with their teams. As mentioned, emotional intelligence is becoming increasingly important. In a world where interaction is often virtual, leaders must be

able to recognize and understand the emotions of their team members. Through video conferencing and online meetings, leaders can practice active listening and ask open-ended questions to better understand team needs and concerns. This not only improves the atmosphere but also fosters a culture of trust, which is essential for success.

One of technology's greatest advantages is its ability to connect people globally. Leaders can now assemble teams from different parts of the world, opening doors to new ideas and approaches. For instance, working in international teams brings diverse perspectives that enrich the innovation process. Collaboration can be facilitated through platforms such as Google Workspace or Zoom, creating communities that respond more quickly to market changes. These teams are not only more innovative but also better equipped to face challenges, as each member contributes unique experiences.

Leading global economies are at the forefront of developing intelligent technologies, using them as geopolitical strategies to gain competitive advantage. They invest billions in research, infrastructure, and specialized talent. Moreover, with the popularization of certain tools, interaction with AI has become accessible, expanding its societal impact. This rapid adoption demonstrates that AI is not merely a technological tool but a paradigm shift – redefining the relationship between humans and machines and paving the way for new applications across sectors. The corporate sector is heavily investing in AI to improve efficiency and reduce industry costs. Recently, the Mexican company Yalo, an intelligent sales platform now active in Brazil, announced the development of the first intelligent sales agent capable of functioning as a digital worker, replicating the skills of human salespeople. The goal is to design an additional team member who can fulfill specific missions and create a digital workforce that enhances and complements human teams.

From an ethical standpoint, despite the vast benefits of AI, it is crucial to emphasize the need for responsible use of these technologies. Leaders and managers must be aware of potential risks, such as algorithmic bias or data misuse. Responsible AI use entails transparency, respect for privacy, and continuous adherence to ethical standards.

Recent research has revealed that despite its advantages, generative AI has notable limitations in unpredictable situations. Experiments involving virtual company management compared the performance of AI models with students and experienced executives. The results were surprising and provocative, challenging many assumptions about leadership and strategy. The AI model consistently outperformed the best human participants across nearly all measured parameters, demonstrating exceptional precision in product design and strict cost control. However, the conclusion was that while AI can learn and replicate effectively in controlled environments, it struggles with unforeseen, disruptive events – situations that require human intuition and foresight, which AI cannot replicate.

It is widely believed that leaders will continue to play a vital role in decision-making, but through a hybrid approach. The key lies in combining AI's analytical capabilities with human intuition and ethical judgment. This underscores the need for a balanced approach between technological innovation and human skills in business behavior and leadership. The human factor remains essential to organizational success, and leaders who cultivate empathy, communication, innovation, and ethical awareness will hold a competitive advantage in the digital age.

CONCLUSION

Effective leadership transcends the mere supervision of operational tasks; it entails the cultivation of a cohesive and agile team culture, the promotion of innovation, and the establishment of transparent communication channels across the organization. Regular team consultations and strategic engagements with external stakeholders serve to reinforce business relationships and enhance organizational responsiveness, thereby enabling firms to navigate emerging challenges with greater efficiency.

Theoretical models of team development, while foundational, must be operationalized through consistent and deliberate application in everyday practice to yield sustainable outcomes. A well-structured team translates strategic intent into measurable performance by actively employing core management principles. In this context, leadership functions as the critical conduit between strategic formulation and execution, ensuring that individual contributions and collective efforts are harmonized with the overarching organizational vision.

To remain competitive in a dynamic business landscape, organizations must continuously recalibrate their structural configurations in response to both external economic fluctuations and internal operational demands. Adaptability emerges as a central determinant of resilience and strategic relevance. Enterprises that prioritize the development of human capital and integrate employee-centric approaches into their strategic framework foster environments conducive to innovation, enhanced productivity, and long-term organizational sustainability.

Given all these changes and challenges, it is evident that leadership and organizational behavior are no longer merely skill sets – they now encompass a deep understanding of technological necessity and its practical application. In a constantly evolving world, leaders who embrace innovation and technology will consistently hold a competitive advantage. Such leaders inspire their teams to think creatively and adapt proactively. The digital era presents numerous opportunities, and true leaders will know how to identify and leverage them. This requires viewing emerging trends primarily as opportunities rather than threats.

However, empathy, intuition, accurate perception, and decisiveness are also among the most essential traits of future leaders. Personal responsibility becomes a key factor in strengthening resilience to external pressures and lays the foundation

for employees to move beyond reactive fear and passive behavior – toward taking control of their own professional lives with courage and initiative. These are the core components of successful “New Leadership.”

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