

**ORGANISATIONAL BEHAVIOR AND  
TYPES OF LEADERSHIP STYLES  
AND STRATEGIES IN TERMS OF  
GLOBALIZATION**





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GLOBALIZATION**

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## **PREFACE**

*In time of globalization when multinational companies are expanding their business across the world, work force is considering possibilities of finding a job outside the national borders. In this way, by employing work force of different cultural, ethnical, educative and religious background, organizations are faced with the issue of multiculturalism. Multiculturalism gives new features to organizational behaviour, which sheds light on the new role of leaders inside these organizations. They are expected to find a different approach and leadership style that would be determined by the culture and features of the business environment in which they work and live. Therefore, leaders are expected to recognize cultural differences, accept differences and predict possible consequences those differences can cause. Consequently, leaders should strive to create organizational culture that not only supports versatility of employees, but makes it a comparative advantage in global competition.*

*This study was designed in the form of a thematic collection of works and as such represents one complete unity, where all standard topics relating to organizational behaviour are interconnected. Namely, it isn't really possible to understand organizational culture without understanding leadership, organizational structure and organizational strategies. Likewise, we observed organizational behaviour at different levels, i.e. from individuals to groups and teams in an organization as a whole.*

*Understanding globalization and its influence on organizational behaviour is crucial for an efficient interaction in modern global economy. Hence, to be successful in global economy, experts need to have thorough knowledge in sociology, psychology, communication and management. Bearing this in mind, this book approaches this problematic from several different aspects in order to be of use to a wider spectrum of researchers interested in this field and working in it, as well as to those wishing to further examine this problematic. Therefore, I'm expressing my hope this book will find its way to the readers quickly and without obstacles.*

*Editors*



*Part I*

***ORGANIZATIONAL CULTURE AND BEHAVIOR IN  
TERMS OF GLOBALIZATION***





# **IMPACT OF BUSINESS SIMULATION GAMES ON ENTREPRENEURIAL INTENTIONS OF BUSINESS GRADUATES: A PLS-SEM APPROACH**

Muhammad Shoaib Farooq<sup>1</sup>

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## **ABSTRACT**

*Although business simulation games have emerged as a very popular business-learning tool for entrepreneurship education, yet very less is known about their significance for determining entrepreneurial behaviour in business graduates. Entrepreneurial education is considered a key element for development of entrepreneurial behaviour in business graduates; therefore, it is important to explore the role of business simulation games as a determinant of entrepreneurial intention and behaviour in business graduates. In order to bridge this gap, this study is aimed to investigate the role of business simulation games for determining intention towards entrepreneurial behaviour in business graduates. Developing on the base of theory of planned behaviour this study investigates the relationship between business simulation games and entrepreneurial intention along with existing constructs of theory of planned behaviour (i.e. attitude, subjective norms and perceived behavioural control). Convenience sampling method was used for collecting data from 750 graduates of ten Malaysian Universities.*

*In order to assess the proposed model, this study employed variance based partial least square, structural equation modeling (PLS-SEM) approach for analyzing responses from business graduates, who completed a questionnaire designed on the base of Liñán and Chen's (2009) and Farooq's (2016;2017) questionnaire. Findings of this study have validated the proposed model, which have an explanatory power of 60.1%. Moreover, findings revealed that business simulation games have a significant impact on entrepreneurial intention of business graduates. However, an un-anticipated and weak relationship between subjective norms and entrepreneurial intention was also found. Findings of this study are expected to have substantial implications for educational policy makers, future researchers and academicians. Outcomes of this study can help to better understand the cognitive phenomenon of entrepreneurial intention; specifically with reference to the role of business simulation games. Hence, these findings are a unique step forward in entrepreneurship body of knowledge and offer new insights towards better understanding of the determinants of entrepreneurial intention in business graduates.*

**Key words:** Business Simulation Games, Entrepreneurship Education, Entrepreneurial Intention, Entrepreneurial Behaviour, PLS-SEM, Theory of Planned Behaviour

**JEL Classification:** L26, M13, J24

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## ***INTRODUCTION***

Use of business simulation games is not a very new concept in business schools (Pando-Garcia et al., 2016). It has been more than two decades that business simulation games are being used a tool for inculcating important managerial and decision making skills in business graduates (Farooq et al., 2017). In recent past entrepreneurship have emerged as an imperative element for economic growth and development (Farooq, 2016). Despite a high growth in the demand of modern entrepreneurship education and huge number of resources devoted to develop entrepreneurs; literature is unable to provide empirical evidence to prove the role of business simulation games in developing entrepreneurial behaviour in business graduates (Pando-Garcia et al., 2016). Although literature review reveals a number of previous studies (e.g. Achemfuor, 2014; Athayde, 2009; Bjørnskov, Foss, 2008; Farooq, 2016; Farooq et al., 2016; Fayolle et al., 2006; Gine, Mansuri, 2009) which attempted to examine the outcomes of entrepreneurial education at different level from high school courses to university level courses.

It is pertinent to mention that, none of these studies have ever discussed the importance of business simulation games in the context of entrepreneurial behaviour of business graduates. Moreover, it is interesting to note that, review of previous literature reveals that there is no consistency in the findings of these studies (Farooq, 2016; Farooq and Radovic-Markovic, 2016). Given the fact, that majority of studies on entrepreneurship education (e.g. Achemfuor, 2014; Athayde, 2009; Bjørnskov, Foss, 2008; Fayolle et al., 2006; Martin et al., 2013; Mroz, Savage, 2006; Vinogradov et al., 2013) reported a positive correlation between entrepreneurial education and entrepreneurial outcomes. In this context, is important to explore the role of modern teaching techniques e.g. business simulation games. Therefore, this study is aimed to assess the role of business simulation games in building entrepreneurial behaviour in business graduates. This study structures as follows. First section of this study reviews the relevant literature regarding the application of business simulation games in the context of business education and the theoretical framework of the theory of planned behavior, and on the base of logical arguments, it sets out the research hypotheses. Then this study describes the methodology and explains the results. Finally, this study presents its practical implications and limitations along with future research direction in conclusion section.

## ***THEORETICAL BACKGROUND***

Although there are so many different business simulation games, but all of them share some common features; i.e. problem solving, financial projections, decision making, target-based orientation (Pando-Garcia et al., 2016; Sawyerr et al., 2003). Basic idea of business simulation games is to (1) allow students to benefit from simulation of various business scenarios using advanced ICT-based resources (Radovic-Markovic et al., 2017); (2) equipping students with basic decision making skills; which are not possible with traditional teaching system (Pivec, 2007); and (3) help students to gain hands on experience without taking risk of financial loss in a real world scenario (Pando-Garcia et al., 2016). In brief, business simulation games can strengthen students' decision making and management skills by involving them in start up or other business activities. Simulation tools for a sub-group are also known as "Serious Games" and their function goes beyond simple entertainment and serves certain education purposes (Farooq et al., 2017).

In order to assess the significance of business simulation games, theory of planned behaviour is used as underpinning theory for the conceptual framework of this study. Theory of planned behaviour is an advanced form of theory of reasoned action and is most widely used in psychology and social sciences to analyze behavioural outcomes. As demonstrated by its name, theory of planned behaviour argues that (planned) attitude leads to intention, and after that intention lead to behavioural outcomes. In this theory attitudes are basically represented by three elements i.e. personal attitude, subjective norms, and perceived behavioural control. Personal attitude towards entrepreneurship, refers to one's personal attitude depends on his/her personality traits, skills, family background, financial situation and social conditions (Blanchflower, Oswald, 1990). Subjective norms towards entrepreneurship is the perception that others (important people around us) have about entrepreneurship (Krueger et al., 2000). Perceived behavioural control towards entrepreneurship is personal perception of individuals, how they perceive their abilities to become an entrepreneur (Kolvereid, 1996). All these factors, attitude, subjective norms and perceived behavioural control, collectively lead to strong intention for doing something (Farooq, 2016; Farooq et al., 2010).

In the entrepreneurship literature, intention is defined as state of the mind which directs someone's attention towards entrepreneurship, and as a result that person prioritizes self-employment over organizational employment (Bird, 1988; Heuer, Kolvereid, 2014; Souitaris et al., 2007). This strong intention to become an entrepreneur leads to the behavioural depictions; these behavioural developments can be assessed by analyzing someone's actions (Alsos and Kolvereid, 1998). For example in case entrepreneurship, behavioural depiction will be, preparing business feasibility, conducting market survey, saving money to invest in business or even writing a business plan (Alsos, Kolvereid, 1998; Carter et al., 1996; Reynolds, Miller, 1992). Further Kolvereid and Moen (1997) note that in case of entrepreneurship, behavioural depictions include investing money, applying for

business loan, or actually starting one's own business. While individually testing each variable Krueger et al. (2000) reported a non-significant relationship between subjective norms and intention to become an entrepreneur. However, many other scholars (e.g. Van-Gelderen et al., 2008) reported a positive relationship, between subjective norms and entrepreneurial intention. Although these studies are not directly comparable, even than most of their findings are very close to the results reported by Armitage and Conner (2001). It is a fact that theory of planned behaviour has provided a parsimonious account of major determinants of human behaviour. Hence this study is an effort to provide theoretical description and role of an additional construct (i.e. Business Simulation Games) in the context of entrepreneurial behaviour of business graduates.

## ***HYPOTHESES DEVELOPMENT AND THEORETICAL FRAMEWORK***

History of business simulation games dates back to several decades (Abt, 1987; Farooq, 2016; Farooq et al., 2017). Moreover, importance of entrepreneurship education has increased in past few decades and along with a major shift of labour intensive industries to technology intensive industries, today's graduates are more interested in learning modern teaching tools e.g. business simulation games (Chang et al., 2003; Jensen, 2003; Pando-Garcia et al., 2016). In this era of knowledge based economy, markets are becoming more competitive and need more entrepreneurs to cope with high growth rate. In this regard Katz (2003), and Lautenschläger and Haase (2011) note that entrepreneurship has become a popular subject in business education at university and college level, moreover it is getting equally popular around the globe. Over a period of last few decades, entrepreneurship has emerged as a widely taught subject to the university graduates. Number of entrepreneurship related courses offered in universities have grown over time due to mounting popularity of entrepreneurship major in business studies (Charney, Libecap, 2000; Farooq, Radovic-Markovic, 2016; Kolvereid, Moen, 1997). This study draws on business simulation games as an entrepreneurship education tool, therefore we propose that business simulation games can influence students' intention towards an entrepreneurial behaviour. Therefore, in order to assess the significance of business simulation games, this study hypothesises that:

**H1a** *Business Simulation Games positively affect Attitude towards Entrepreneurship*

**H1b** *Business Simulation Games positively affect Subjective Norms*

**H1c** *Business Simulation Games positively affect Perceived Behavioural Control*

**H1d** *Business Simulation Games positively affect Entrepreneurial Intention*

As mentioned in the previous section, this study draws on the existing constructs of theory of planned behaviour, (i.e. Attitude, Subjective Norms and

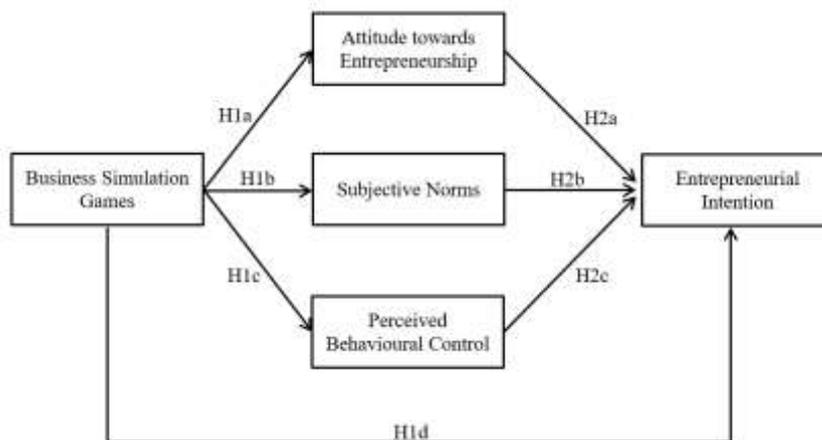
Perceived Behavioural Control) which influence intentions towards a specific behavioural outcome. According to Ajzen (1991) attitude refers to the personal beliefs, which people hold about any given object or behaviour. Further he notes that, beliefs about any object or behaviour are formed by certain attributes which are associated with them. As a result of strong beliefs, people develop their attitude toward a given behaviour. In addition to this a meta-analysis of entrepreneurship literature by Armitage and Conner (2001) revealed that entrepreneurial intention is highly influenced by attitude, subjective norms and perceived behavioural control. Based on this argument we hypothesize that:

**H2a** *Attitude towards Entrepreneurship positively affects Entrepreneurial Intention*

**H2b** *Subjective Norms positively affects Entrepreneurial Intention*

**H2c** *Perceived Behavioural Control positively affects Entrepreneurial Intention*

Evolving on the base of aforementioned hypothesized relationships we have proposed a theoretical framework for this study. Proposed theoretical framework of this study comprises of five latent variables (i.e. Business Simulation Games, Attitude towards entrepreneurship, Subjective norms, Perceived behavioural control and Entrepreneurial intention). More precisely our model involves one (i.e. BSG) exogenous and four (i.e. ATE, SN, PBC and EI) endogenous constructs. All elements and relationships of proposed framework are presented in Figure 1.



*Figure 1: Proposed Conceptual Model*

## ***RESEARCH DESIGN***

This study has carried out empirical analysis on a sample of business graduates from ten Universities of Malaysia. Respondents were asked to fill a self-administered questionnaire, which was purposely designed on the base of Liñán and Chen's (2009) and Farooq's (2016) questionnaire for collecting data required for testing proposed theoretical framework. Moreover, variance based partial least

square; structural equation modeling (PLS-SEM) was used for data analysis. Further, this study employs SmartPLS-3.2.7 (Ringle et al., 2017) for all of PLS related calculations in this study. This choice of PLS software was based on the user friendly interface of this application, availability of resources, backup support and nature of study (Farooq et al., 2017; Hair et al., 2017; Ringle et al., 2017).

## ***SAMPLE SIZE***

A convenience sampling method was used for selecting respondents from top ten Universities in of Malaysia. Malaysia is characterised by a perfect blend of Asian culture, which represents Chinese, Indian and Malaysian ethnicities. Therefore it is expected that the findings of this study can be generalized to other developing countries as well, which share similar socio-cultural background and values. It is pertinent to mention that data was collected through informed and prior consent of respondents. Out of 1000 questionnaires which were distributed among business graduates; 790 responses were recorded. Out of 790 received responses 40 questionnaires were discarded due to incomplete information and missing data in various sections. Hence remaining 750 responses yielding 75.00% response rate were used for further data analysis of this study. Moreover, no noticeable differences were observed in the demographic profiles of retained and discarded responses. A detailed overview of descriptive statistics and demographic characteristics of sample respondents is presented in Table 1.

*Table 1: Demographic Characteristics*

	<b>N</b>	<b>Mean</b>	<b>%</b>	<b>SD</b>
<b>Age</b>	750	26.02		3.23
<b>Gender</b>				
Male	420		56.00%	44
Female	330			
<b>Ethnicity</b>				
Malaysian	300		40.00%	
Chinese	217		28.93%	
Indian	210		28.00%	
Others	23		3.07%	
<b>Family / Parents Occupation</b>				
Self-Employed	150		20.00%	
Organizational Employed	600		80.00%	
<b>Monthly Family Household Income</b>				
Less than 1000 RM	380		50.67%	
1000-2000 RM	250		33.33%	
2000-3000 RM	105		14.00%	
More than 3000 RM	15		2.00%	

As presented in Table 1, average age of respondents was 26.02 years, with a standard deviation of 3.23 years. Out of 750 respondents, 420 were males and 330 were females; which makes a compatible proportion of 56% and 44% respectively. Further ethnic background of respondents i.e. 40.00% Malaysian, 28.93% Chinese and 28.00% Indian represents a sizeable and balanced proportion from all ethnicities of Malaysia. Moreover, respondents were asked to report their parental occupation; 80.00% of the respondents reported that their parental occupation was organizational employment, whereas only 20.00% respondents reported self-employment as their parental occupation. Further respondents were asked to provide their family household income level. It was found that 50.67% respondents had less than 1000 RM monthly family household income, 33.33% respondents had monthly income between 1000 to 2000 RM, 14.00% were between 2000 to 3000 RM and only 2.00% were earning more than 3000 RM. These demographic characteristics demonstrate an un-biased data collection process, which adds to the sanctity and generalizability of the findings of this study. Next section proceeds with the analysis of our research findings and results.

## ***RESEARCH FINDINGS AND RESULTS***

### ***EVALUATION OF MEASUREMENT MODEL***

As per the guidelines of Hair et al. (2017) measurement model which is often referred as outer model, was assessed for its reliability and validity of constructs. In order to assess the reliability of constructs Cronbach's alpha and Composite reliability values were assessed. Findings show that Cronbach's alpha values range from 0.79 to 0.89, which is higher than the critical level of 0.7, which suggests that all measurement models are reliable. Moreover Composite reliability values range from 0.87 to 0.96, which is also above 0.70. These results demonstrate the reliability of construct, moreover these findings are also at par with the values reported by other studies (Farooq, 2016; e.g. Liñán, Chen, 2009; Miralles et al., 2015). Complete list of reliability and validity results is presented in Table 2.

*Table 2: Reliability, Validity Measures*

<b>Latent Constructs</b>	<b>Cronbach's Alpha</b>	<b>AVE</b>	<b>Composite Reliability</b>
Entrepreneurial Intention	0.84	0.60	0.96
Business Simulation Games	0.79	0.63	0.87
Attitude towards Entrepreneurship	0.89	0.67	0.93
Perceived Behavioural Control	0.80	0.61	0.89
Subjective Norms	0.84	0.64	0.88

As a next step, validity of measurement models was assessed with a two steps approach, i.e. convergent validity and discriminant validity. In order to assess convergent validity, average variance extracted (AVE) values were observed. Findings revealed that AVE values for this study range from 0.60 to 0.67, which is higher than the threshold critical level of 0.5. Moreover Fornell-Larcker criterion and cross loadings were assessed for evaluating discriminant validity of measurement models. Fornell-Larcker criterion requires that the square root of AVE values should be higher than the maximum value of construct's correlations with any other construct involved in the theoretical model (Hair et al., 2017). Findings of this study fulfil this criterion; further cross loadings values were also assessed, and as per the findings all cross loading values are higher than 0.70; moreover these findings show that each item have higher loading with its own underlying construct. Complete list of cross loadings is presented in Table 3.

*Table 3: Cross Loadings among Measurement Scale Items*

	<b>EI</b>	<b>BSG</b>	<b>ATE</b>	<b>PBC</b>	<b>SN</b>
<b>EI_1</b>	<b>0.74</b>	0.34	0.31	0.20	0.20
<b>EI_2</b>	<b>0.86</b>	0.28	0.24	0.41	0.24
<b>EI_3</b>	<b>0.72</b>	0.27	0.20	0.42	0.21
<b>EI_4</b>	<b>0.78</b>	0.34	0.11	0.44	0.22
<b>BSG_1</b>	0.30	<b>0.82</b>	0.32	0.21	0.31
<b>BSG_2</b>	0.21	<b>0.81</b>	0.20	0.38	0.31
<b>BSG_3</b>	0.31	<b>0.72</b>	0.40	0.36	0.37
<b>BSG_4</b>	0.32	<b>0.71</b>	0.44	0.30	0.34
<b>ATE_1</b>	0.40	0.31	<b>0.86</b>	0.47	0.21
<b>ATE_2</b>	0.32	0.32	<b>0.78</b>	0.44	0.22
<b>ATE_3</b>	0.30	0.24	<b>0.89</b>	0.32	0.42
<b>PBC_1</b>	0.41	0.41	0.30	<b>0.78</b>	0.21
<b>PBC_2</b>	0.40	0.42	0.41	<b>0.87</b>	0.32
<b>PBC_3</b>	0.42	0.41	0.30	<b>0.84</b>	0.31
<b>PBC_4</b>	0.42	0.42	0.31	<b>0.76</b>	0.30
<b>PBC_5</b>	0.41	0.42	0.40	<b>0.82</b>	0.36
<b>SN_1</b>	0.30	0.21	0.20	0.34	<b>0.84</b>
<b>SN_2</b>	0.24	0.23	0.20	0.21	<b>0.79</b>
<b>SN_6</b>	0.23	0.34	0.31	0.20	<b>0.88</b>

## ***EVALUATION OF STRUCTURAL MODEL AND RESULT ANALYSIS***

As mentioned earlier, this study involves variance based structural equation modeling (PLS-SEM). For this purpose latest version of Smart-PLS-3.2.7 (Ringle et al., 2017) was used to perform all empirical calculations regarding evaluation of structural model. As a first step for assessment of structural model all hypothesized

path relations were assessed for the strength and direction of path coefficient (beta) values followed by analysis of *t*-values for significance of relations. It is pertinent to mention that this study observes the guidelines suggested by Hair et al. (2017) that ‘empirical *t*-values’ should be larger than the ‘critical *t*-values’. According to them, ‘critical *t*-values’ are 2.57, 1.96 and 1.65 for a significance level of 1%, 5% and 10% respectively. Thus these *t*-values were further used for exploring the proposed hypotheses. A complete demonstration of findings derived from conceptual model is presented in Figure 2.

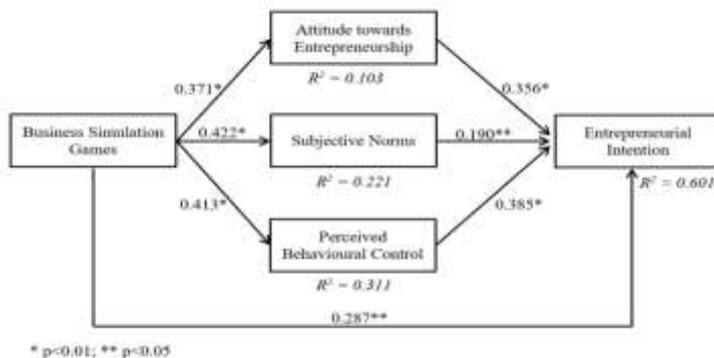


Figure 2: Findings of Proposed Conceptual Model

Results of  $R^2$  values show that proposed model explains 60.1% of total variance in entrepreneurial intention (EI). Moreover it is observed that these results are comparable to previous studies which used similar measurement scales. Therefore the decision of choosing EIQ seems to be righteous for testing theory of planned behaviour based model. Now discussion continues with the assessment of hypothesized propositions followed by assessment of Goodness of Fit (GoF) index for this structural model.

## DISCUSSION OF HYPOTHESIS TESTING

Path coefficient values and *t*-values derived from PLS-SEM algorithm, suggested a varying level of significance and support for proposed hypothesized relations involved in the structural model of this study. Except H3b (SN → EI) which was found to be significant at  $p < 0.05$ ; all other hypotheses are found to be significant at  $p < 0.01$  level. A summarized view of hypotheses testing is presented in Table 4.

Table 4: Hypothesis Testing

Proposed Hypothesized Path Relations		Standard $\beta$	t-value	Decision
<b>H1a</b>	Business Simulation Games $\rightarrow$ Attitude towards Entrepreneurship	0.371	6.102*	Supported
<b>H1b</b>	Business Simulation Games $\rightarrow$ Subjective Norms	0.422	4.023*	Supported
<b>H1c</b>	Business Simulation Games $\rightarrow$ Perceived Behavioural Control	0.413	5.231*	Supported
<b>H1d</b>	Business Simulation Games $\rightarrow$ Entrepreneurial Intention	0.287	3.903*	Supported
<b>H2a</b>	Attitude towards Entrepreneurship $\rightarrow$ Entrepreneurial Intention	0.356	5.400*	Supported
<b>H2b</b>	Subjective Norms $\rightarrow$ Entrepreneurial Intention	0.190	2.012**	Supported
<b>H2c</b>	Perceived Behavioural Control $\rightarrow$ Entrepreneurial Intention	0.385	7.201*	Supported

Note: Critical t-values. \*2.58 ( $P < 0.01$ ); \*\* 1.96 ( $P < 0.05$ ); NS = Not Significant

Hypothesized relation between Business Simulation Games (BSG) and Attitude towards Entrepreneurship (ATE) was found to be adequately strong and positive ( $\beta = 0.371$ ;  $t$ -value = 6.102) which provides support for H1a (BSG  $\rightarrow$  ATE) at  $p < 0.01$  significance level. Likewise, a similar level of significance was found for H1b (BSG  $\rightarrow$  SN), describing a positive and strong direct relationship ( $\beta = 0.422$ ;  $t$ -value = 4.023) between Business Simulation Games (BSG) and Subjective Norms (SN). Next hypothesis, H1c (BSG  $\rightarrow$  PBC) also displayed a strong and positive relationship ( $\beta = 0.413$ ;  $t$ -value = 5.231) between Business Simulation Games (BSG) and Perceived Behavioural Control (PBC), which is also significant at  $p < 0.01$  level. However, a relatively weak but positive direct relationship ( $\beta = 0.287$ ;  $t$ -value = 3.903) was found between Business Simulation Games (BSG) and Entrepreneurial Intention (EI) providing support for H1d (BSG  $\rightarrow$  EI) at  $p < 0.01$  significance level.

Further, results revealed a direct positive and strong relationship ( $\beta = 0.356$ ;  $t$ -value = 5.400) between Attitude towards Entrepreneurship (ATE) and Entrepreneurial Intention (EI) providing support for H2a (ATE  $\rightarrow$  EI) at  $p < 0.01$  significance level. However, an unanticipated relationship ( $\beta = 0.190$ ;  $t$ -value = 2.012) was found between Subjective Norms (SN) and Entrepreneurial Intention (EI). Finally results of last hypothesis H2c (PBC  $\rightarrow$  EI) have confirmed a strong positive direct relationship ( $\beta = 0.385$ ;  $t$ -value = 7.201) between Perceived Behavioural Control (PBC) and Entrepreneurial Intention (EI) at a  $p < 0.01$  significance level.

## ***GOODNESS OF FIT (GOF) INDEX***

Although, PLS-SEM does not generate overall Goodness of Fit (GoF) indices and  $R^2$  value is considered as the primary way to evaluate the explanatory power of the model (Henseler et al., 2016). However, considering the guidelines of Henseler et al. (2016) we have calculated the Goodness of Fit (GoF) index for the model involved in this study, which is presented in Table 5. As depicted in the said table, conceptual model used in this study yielded a Goodness of Fit (GoF) index value of 0.441, which indicates a very good ( $GoF_{large}$ ) model fit.

*Table 5: Goodness of Fit (GoF) Index Calculation*

<b>Latent Constructs</b>	<b>AVE</b>	<b>R<sup>2</sup></b>
Business Simulation Games	0.630	
Entrepreneurial Intention	0.600	0.601
Attitude towards Entrepreneurship	0.670	0.103
Perceived Behavioural Control	0.610	0.311
Subjective Norms	0.640	0.221
Average Scores	0.630	0.309
AVE * R <sup>2</sup>	0.195	
GoF = $\sqrt{(AVE \times R^2)}$	<b>0.441</b>	
Criteria: GoFsmall = 0.1; GoFmedium = 0.25; GoFlarge = 0.36		

## ***CONCLUSION***

On the base of comprehensive analysis of measurement models and structural model, it is concluded that proposed theoretical model of this study also have significant predictive relevance and explanatory power. This study explored the impact of business simulation games on entrepreneurial intention of business graduates. Findings of this study are a first step forward to explore the importance of modern teaching tools, such as business simulation games in business studies. It is expected that these findings can serve as a torch bearer for policy makers and researchers in the field of entrepreneurship. Although due to limited resources, this study involved respondents only from Malaysia, but findings of this study can be generalized to other similar developing economies. Further longitudinal studies are required to conduct a cross cultural analysis of entrepreneurial intention.

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# **INNOVATION-DRIVEN OPPORTUNITIES OF ORGANIZATIONAL COGNITION IN KNOWLEDGE ECONOMY**

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## **ABSTRACT**

*The transition to knowledge economy requires a comprehension of the process of development of economic knowledge and cognition in terms of the formation of innovation-driven opportunities for the sustainability economic development. Innovative economy today is based on the creative potential of a fully developed personality.*

*The purpose of the article is to identify the relationship between the types of labor and basic mechanisms of knowledge production and the features of the cognition mechanism in the knowledge economy, as well as previous economic systems. This allows us to identify innovation-driven opportunities for the economic development in terms of economic science.*

*Methods of research are modeling, abstraction, factor, comparative and historical analysis. Factor analysis as a research method allows to determine the interrelation and interdependence of the elements of the process of creation of innovations and new products with the system of various types of knowledge development. The comparative analysis makes it possible to identify the main features of the production of organizational knowledge in different economic systems, included in the knowledge economy. Graphical methods were used to represent the basic mechanisms of production of organizational knowledge in economic systems and their impact on sustainability economic development. They allow you to visually qualitatively evaluate the nature and sequence of relationships between objects.*

*The study found that economic systems especially knowledge economy have their own character innovations and new products and their innovation-driven opportunities that determine the characteristics of the work of employees of the enterprise. Ways of transformation of knowledge and innovation-driven opportunities within the organization affect the productivity of labor, and therefore, on sustainability economic development. Knowledge economy is based on the application of (development) innovation-driven opportunities to use all mechanisms of production of organizational knowledge for creating innovations and new products at micro, meso and macro levels of the economy.*

**Key words:** Knowledge Economy, Innovation-Driven Opportunities, Organizational Knowledge, Cognition

**JEL Classification:** O32, O43, O49

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## ***INTRODUCTION***

Economic studies, cognition processes and mechanisms for creating new knowledge have had a great impact on human life at all times and it is important to take into account the influence of scientific views on the processes of social transformation at critical moments of economic development.

The boundary of the XX-XXI centuries is called the era of the transformation of the industrial society into the informational - in knowledge economy. The basis of knowledge economy is knowledge-intensive production with domination of intellectual labor. The process of intellectualization of labor, i.e. the increase in the share of intellectual labor in the economic and economic activities of man, in the functioning of society as a whole, naturally requires a change in the organization of labor, in the processes of labor activity, motivation of workers' labor, which predetermined the research topic presented in the article.

The process of creating organizational knowledge is the determining mechanism for the development of the economic system in the knowledge economy. Features of the intellectual type of labor and accepted abstract designs determine the development of society. The key problem of the modern economy is the creation of fertile conditions for the transformation of knowledge and innovations into goods. Creation of new knowledge, innovations require a new approach to the management system, the organization of the intellectual process, to the system of staff motivation, the selection and development of employees, and the stimulation of people to creative research activities.

The general availability of the Internet and IT technologies, the changing forms of production in the 21st century, led to a change in the economic system. The modern world is on the threshold of a new innovative economic system. An important element in the development of the modern economy is the cultural and value structures of society (Mingaleva, Mirskikh, 2010, pp. 1032-1041).

## ***THEORY AND METHODOLOGY***

Researchers have been conducting active research of the knowledge economy for several years, as well as finding ways to solve the problem of creating, preserving, transferring and controlling organizational and technological knowledge for the development of new products and creation of innovations.

M. Relich identifies three main sources of knowledge for the development of a new product (NPD): client / market knowledge, technological knowledge and organizational knowledge. Knowledge of the customer market is formed from the customer relationship management system. Technological knowledge and organizational knowledge are formed from the enterprise resource planning system (Relich, 2015, pp.834-847). D. Korposh, Y.K. Lee, K.K. Vey and K.S. Vey developed a mathematical model that allows you to quantify the supporting effects

of existing knowledge about creating new knowledge. The model evaluates knowledge in terms of complexity and depth (Korposh et al., 2011, pp.225-234). X.Tsoukas explores the cyclical creation of organizational knowledge using a dialogical approach. The author defines new knowledge in organizations, based on the individual ability to identify new differences in relation to the task (Tsoukas, 2009, pp.941-957). A.Otkaki and K.Okada in their work have established a tool that supports the process of creating knowledge created after implicit knowledge has been optimized with the help of knowledge management strategies, 3C, marketing mix and different methods of enumeration (Otsuki, Okada, 2009, pp.500-513). This tool was tested using the actual administrative project and proved to be more efficient than the already existing tool used to organize newly created knowledge. The founders of the study of organizational knowledge are I. Nonaka and H. Takeuchi. Their work is devoted to the development of organizational knowledge and the processes of its transformation in the company (Nonaka,Takeuchi, 1995). The processes of transformation of knowledge in the company include socialization, externalization, interpretation and combination. A. Schulze and M. Hoegl, adhering to the behavioral perspective of the four Nonaka modes (socialization, externalization, combination and internalization), revealed the positive relationship between socialization, as well as the internalization and novelty of the product idea, while allowing negative relations for externalization with the combination. The study was confirmed by the approbation of 33 companies (Schulze, Hoegl, 2008, pp.1742-1750).

As an important scientific school of the modern stage of development of economic science, which studies the processes of economic transformation, including in the direction of creating knowledge economy is neosmitianism. This area is characterized by the following features:

1. Economic science is oriented to the social and political context.
2. Economic theory recognizes complex, diverse factors in the development of production and society, in the formation of social wealth.
3. Economic theory is based on the needs of a fully developed personality.
4. Economic theory is based on ethical norms.
5. State regulation is necessary to redistribute created wealth.

This theory is closely connected with such a direction of research of the features of the functioning of the knowledge economy and the presence in it of innovation-driven opportunities for the sustainability economic development as a study of the property of openness. Anna Lundgren and Hans Westlund disclose various contexts for using the concept of "openness" in network information and a knowledge-based economy. They examined four qualities of openness (accessibility, transparency, participation and sharing) in relation to four different institutional levels - cultural integration, institutional environment, governance structure and resource allocation (Lundgren, Westlund, 2017, pp.975-989). They formulated the hypothesis that accessibility as a quality of openness has a

particularly strong influence on other qualities of openness in the knowledge economy, whereas notions of collaborative economics and sharing become more complex and challenged by the qualities of openness to activity in knowledge economy and sustainability economic development.

A widely recognized study in the field of knowledge economy is the work of W. Powell and K. Snellman, with a similar title (Powell, Snellman, 2004, pp.199-220). As key components of the knowledge economy, W. Powell and K. Snellman have identified a much more significant dependence of the economy and innovation-driven opportunities for the sustainability economic development on intellectual opportunities than on physical costs or natural resources. W. Powell and K. Snellman believe that new forms of intellectual activity that stimulate technological change, generate greater autonomy or greater manageability. They also assessed the impact of the knowledge economy on the growth of wage inequality, the availability of high-quality jobs, the creation of new knowledge and a new product.

In the work of Fathollahi, F. Momeni, N. Elahi and S. Najafi, which continues to study the theoretical framework for understanding and analyzing economic problems in the knowledge economy, identifies four main problems that, according to the authors, the knowledge economy faces: 1) growing uncertainty; 2) the growth of the person's value, as well as the factors affecting his motivation and selection process, such as social capital; 3) market failure due to agreed factors, such as increased returns to scale and a serious increase in inequality; 4) the dual importance of social change due to institutional reforms (Fathollahi et al., 2017, pp.957-976). Thus, they conclude that the main theoretical approach to knowledge economy analysis should be an institutional approach.

E. Akhmed's research on capital growth opportunities in the sustainable economies of the East Asian countries based on knowledge has shown the impact of information and communication technologies and the level of human capital development on labor productivity and production in the five countries of the Association of Southeast Asian Nations (Malaysia, Indonesia, the Philippines, Singapore and Thailand), as well as three such East Asian countries (China, Japan and South Korea) (Ahmed, 2017, pp.1086-1112).

Russian researchers (A.V. Buzgalin, L.N. Deputatova, V.P. Kolesov, Zh.A. Mingaleva, I.Y. Mirskikh, A.I. Tatarkin) and many foreign scientists (S. Basmer, S. Buxbaum-Conradi, K.D. Clark, C.J. Collins, Z.Q. Jian, P. Krenz, A. Nerkar, C.B. Rao, T. Redlich, K.G. Smith, G.F. Wang, J.P. Wulfsberg and other) have studied the innovation-driven opportunities in knowledge economy (Nerkar, 2004; Smith et al., 2005, pp.346-357; Buzgalin, 2008, pp.27-39; Knowledge Economy, 2008; Jian, Wang, 2010, pp.80-84; Innovative development of the knowledge economy; 2011; Deputatova, 2013, pp.804-806; Krenz et al., 2014, pp.107-123; Mingaleva, Mirskikh, 2015, pp.220-226; Rao, 2016).

In previous studies on the generation and reproduction of organizational knowledge, it was proved that the process of creating knowledge, disseminating it, transforming into new information (creating an intellectual product) consists of 4 stages. The stages of generation and reproduction of organizational knowledge include:

1) creation of personal knowledge; 2) the creation of codified knowledge; 3) creation of competence knowledge; 4) creation of materialized knowledge. Personal knowledge is a person's knowledge, accumulated as a result of the formation of a creative personality, the creation of human capital. Codified knowledge is knowledge accumulated in the knowledge bases and databases of the enterprise, as a result of the coding and dissemination of personal knowledge. Competent knowledge is the knowledge of employees realized in the process of intellectual labor, accumulated as a result of the development and maintenance of social capital. Materialized knowledge is materialized new knowledge in products and services. Stages of knowledge transformation provide the circulation of new knowledge in the company (Mingaleva, Deputatova, 2017, pp.72-85).

Methods of research are modeling, abstraction, factor, comparative and historical analysis. Factor analysis as a research method was used to identify the interrelations and interdependencies between the elements of the process of creation of innovations and new products and the system of various types of knowledge development. Also, factor analysis was used to construct a conceptual model of economic systems and organizational cognition.

The comparative analysis used in the study made it possible to identify general and specific characteristics of economic systems in the transition from one system to another in the course of their historical development, general and specific elements of the production of organizational knowledge in different economic systems, including knowledge economy.

In the process of research, system and network approaches were also applied, which imply the thesis that all economic systems are in synergy in order to achieve certain tasks and goals, and the totality of their interrelations can be considered as a system.

Graphical methods of displaying the material, including diagrams and diagrams, were used to represent the basic mechanisms of production of organizational knowledge in economic systems and their impact on sustainability economic development. These tools allow you to visually qualitatively evaluate the nature and sequence of relationships between objects.

## ***MODEL***

Analysis of various economic systems and the influence of economic theories on sustainability economic development made it possible to construct a conceptual model of abstract designs of economic systems and organizational cognition. Such abstract constructions describe cognitive approaches, principles, methods used by researchers of economic phenomena and processes.

A description of the main characteristics of economic systems with an indication of the main problems of each type of system and limits to the freedom of intellectual activity is shown in Figure 1.

Economic system	Main problem of the economy	Abstract design	Restriction of freedom
Traditional	Preservation of religious and class traditions	Religious person	Religion
Market	Welfare	Economical person	Capital
Command	Distribution of wealth and source of inequality	A Fair person	Power
Mixed	Optimum resource allocation in equilibrium models	Rational maximizer	Glory
Innovative	Favorable conditions for creating innovations as a commodity	Versatile person, an intellectual	Knowledge
Knowledge economy	Favorable conditions for creating knowledge as a commodity	Creative person	Knowledge

*Figure 1: Conceptual model of transformation of abstract designs of economic systems.*

*Source: Author, 2017.*

As can be seen from Figure 1, in the transition from one system to another in the course of their historical development, their basic problems and constraints on the freedom of intellectual creativity and organizational cognition naturally changed.

Since in the traditional economic system the main problem of the economy is the preservation of religious and class traditions, the abstract construction is a religious person, with his values and perceptions of the world.

Since in the market economic system the main problem of the economy is well-being, the abstract construction is an economic person, with his needs and ways of achieving them.

Since in the command economy the main problem of the economy is the distribution of goods and the source of inequality, the abstract construction is a just man, with his ideas about the distribution of goods.

For the introduction of innovations, first of all, a diversified personality, an intellectual, is needed. Therefore, modern scientists working in various areas of economic research are increasingly focusing on education, information and knowledge as important value goods in the market (Mingaleva, et al., 2013). Thus, in the knowledge economy, human freedom is limited by the availability of knowledge, as well as organizational cognition.

## ***RESULTS***

The development of the economy at all times has influenced the nature of labor as a process of production of goods and services. The change in the process of material production had a corresponding effect on the process of intellectual production, the creation and transfer of organizational knowledge.

In traditional society, all methods of production were based on the use of hand tools, natural, stone, bronze, iron. Arsenal and the use of these guns by craftsmen have in many respects achieved ultimate perfection, limited by the capabilities of man's workforce. The work of these masters became difficult in content and time-consuming. An example of such workshops are the production of silk and porcelain in China, the creation of musical instruments in Italy. Mastering mastery required a long (often throughout life) study and professional specialization.

The process of transfer of organizational knowledge in the traditional economic system is a long and laborious way of training the apprentice master. The apprentices acquired their own skills, skills and, accordingly, competence knowledge in the process of monitoring the order of production of the master of an exceptional commodity and by performing separate operations for the manufacture of individual parts of this product, which in time became increasingly complex and responsible and allowed to learn many secrets of the master. Thus, the basic mechanism for producing organizational knowledge in the traditional economic system is socialization.

The growing population needed an ever increasing number of products, less time for its production, a reduction in the costs of worker's training and his efforts in the labor process, which was achieved through mechanisms and machines. In the machine there is a synthesis of guns with an engine (water, steam, gas, electric, gasoline), replacing the strength of the worker with thousands and millions of "horsepower".

The machine that became the basis of the industrial revolution replaced the worker who operates simultaneously only with one tool, a mechanism that at once operates with a multitude of identical or dissimilar tools and is driven by one motor force, whatever the shape of the latter. The machine type of labor does not require the employee to have physical strength, profound professional knowledge and many years of experience. According to Ford, 43% of all works at his company required no more than 1 day of training, 36% from one day to a week, 5% - one to two weeks, and only 14% - several months, and 1% - from year to year 6 years. The use of machines ensured qualitative growth and a colossal qualitative leap in labor productivity. If under the traditional economic system the peasant provided food for up to 12 people, the modern farmer feeds more than 40 people in Germany, 80 in the United States, more than 90 in Belgium, 136 in Sweden, and so on (Chemersky, 2011).

In the market economy, the codification of knowledge was required for the effective use of machine labor. In the conditions of machine work, it becomes necessary to form a database of codified knowledge. Clear hierarchical structure of enterprises, the introduction of job descriptions, guidelines, production standards, etc. - all this is aimed at a clear division of labor and fixing workers for specific operations,

adapting the employee to routine work. For this purpose, banks / databases were created at enterprises of all levels. The basic mechanism for producing organizational knowledge in a market economic system is externalization.

Reducing the energy and physical costs of employees to perform operations, reducing the performance of the employee to the same type of operation, mechanized and automated work as the machines improve, increasingly led to the development of a functionally homogeneous intellectual activity.

In the command economic system, considerable attention was paid to the development of norms and standards at all stages of the production process. The entire economy of the USSR was based on plans and standards. The effectiveness and vital necessity of scientific developments was the hallmark of the USSR at all times. As early as the 1920s, the institutes of labor psychophysiology, occupational hygiene, and several others were established. Science in the USSR was a powerful force that worked for the political and economic independence of the country, on its positive image and ensured great achievements in all areas of economic activity.

Realizing this fact, the state became the sole customer of the scientific department. Scientists were quickly built hardly to the rank of nomenklatura workers (Kolpakov, 2008). With the command economic system, human reproductive and machine labor was also actively used.

In the mixed economic system, the main direction in working with personnel is the development of personal knowledge of employees. The characteristics of reproductive labor require a high level of adaptability to the changes in the market, mobility, stress-resistance and sociability. Today there is a rapid change of technical devices, equipment, technologies (leading firms update machine and technology in 3-5 years or less), which requires workers to quickly learn new techniques and production technology. The basic mechanism for producing organizational knowledge in a mixed economic system is internalization.

An innovative economic system is aimed at creating materialized knowledge and an intellectual product. From the conditions created at the enterprise to maintain and activate the creative process, the effectiveness of the intellectual labor of employees depends. The basic mechanism for producing organizational knowledge in an innovative economic system is a combination (combination). An innovative economic system is formed in conditions and within the information society.

Knowledge economy as well as innovative economy functions in conditions and within the information society. Knowledge economy is focused on the creation of personal and codified knowledge and intellectual product. From the conditions created in society to maintain and activate the creative cognitive process depends the effectiveness of the intellectual work of workers. The basic mechanism for producing organizational knowledge in the knowledge economy system is a combination (combination). The knowledge economy contains the largest innovation-driven opportunities for the sustainability economic development.

A comparative analysis of the main characteristics of organizational knowledge in economic systems of various types is presented in Figure 2.

Economic system	Basic mechanism of knowledge production	The main kind of organizational knowledge	Type of work
Traditional	Socialization	Competent knowledge	Manual
Market	Externalization	Codified Knowledge	Machine
Command	Externalization	Codified Knowledge	Machine, reproductive
Mixed	Internalization	Personal knowledge	Reproductive
Innovative	Combination	Materialized knowledge	Intellectual
Knowledge economy	Combination	Personal knowledge Codified Knowledge	Intellectual

Figure 2: The main characteristic of organizational knowledge economic systems.

Source: Authors, 2017.

The transformation of the basic mechanism of knowledge production is presented in Figure 3.

On the left-hand side of the graph in Figure 3 is the growth rate in percent. The transformation of the basic mechanism of knowledge production influences the dynamics of economic growth. As it was established in the research process, socialization as the basic mechanism of production, transfer and preservation of organizational knowledge in the traditional economic system ensured economic growth on average by 0.1% per year. Externalization as a basic mechanism for the production, transfer and preservation of organizational knowledge in a market economy ensured an average growth of 0.5% per year. Externalization as a basic mechanism for the production, transfer and preservation of organizational knowledge in the command economy ensured an average growth of 1.5% per year. Internalization as a basic mechanism for production, transfer and preservation of organizational knowledge in a mixed economic system ensured an average growth of 2.5% per year. The combination as a basic mechanism for the production, transfer and preservation of organizational knowledge in the innovative economic system provides an average economic growth of 7% per year. As for the rates of economic growth in the knowledge economy, only a forecast can be built here to 10%.

According to calculations and the conceptual model of transformation of abstract designs and the mechanism of organizational knowledge in the knowledge economy, this growth rate can be predicted at the level of up to 10% per year.

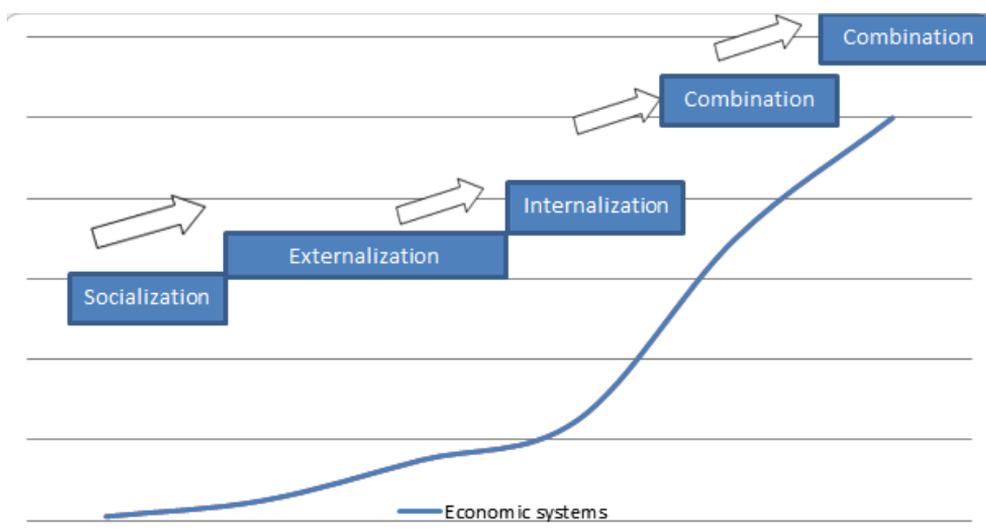


Figure 3: Transformation of the basic mechanism of knowledge production.

Source: Authors, 2017.

Evolution of the type of labor provides a positive dynamic for the sustainability economic development.

## CONCLUSION

The study found that economic systems, especially knowledge economy, have a special nature of innovation and new products and their innovation-driven opportunities that determine the characteristics of the work of employees of the enterprise. In conditions of knowledge economy, the aggregate of the motor and mental functions of a person have acquired a new content, forming a person in a certain direction and promoting his development. Knowledge economy requires the employee to constantly mental activity and improvement, high adaptability in conditions of increased nervous tension, which is accompanied by the intellectualization of all processes and operations and social mobility. In the knowledge economy, human freedom is limited by the availability of knowledge, as well as by organizational cognition.

As already noted, knowledge economy is an economic system in which knowledge and information come to the forefront among the factors of capital accumulation, which intellectualize production and form, as a number of scientists believe, a new form of property - personal property, which is to replace private. Knowledge economy is a type of open society characterized by citizens' access to information, to obtaining knowledge where subject-subject relations dominate,

direct and inverse relations between power and society, an interactive discourse model of innovation policy.

The knowledge economy develops on the basis of information, knowledge and communication. The methods of knowledge transformation and innovation-driven opportunities within the organization affect the productivity of labor, and therefore, on sustainability economic development. In the formation of knowledge economy, the importance of the mechanism of generation and reproduction of knowledge and innovations in individual enterprises and in society as a whole is growing.

The knowledge economy is based on the application of innovative-driven opportunities to use all the mechanisms of production of organizational knowledge to create innovations and new products at the micro, meso and macro levels of the economy.

Thus, at the present stage of development of socio-economic formation, the main condition for sustainability economic development is the use of all the mechanisms of production of organizational knowledge at the individual, group, organizational and interorganizational level that will allow the maximum creation and dissemination of new knowledge, implement innovations, introduce them in all spheres of economy and society.

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# **ICT TECHNOLOGY BASED INNOVATION ON GLOBAL SOCIAL CHALLENGES**

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## **ABSTRACT**

*The demography of EU and Serbia too is rapidly changing. The most of the services are brought into the digital format, there is a need to involve the elderly more too into the Information Society. This paper describes one way of teaching the 90 elderly people of age 65+ the basic skills in computing. The research is based on the experiences gained from the elementary computer courses. A set of Cognitive Training Sessions that performed in the Stari grad Municipality Serbia in 2016 has included specific cognitive skills of Older People: Attention, Perception, Memory, Language, and Imagination. ICT Technology supported social innovation for care in elderly in the Stari grad Municipality's Serbia, was touch screen. The data was collected by using the questionnaire asking about the personal information, learning satisfaction on the content (attention, memory, executive functions, logical reasoning, orientation, language, constructive practice, and robotic functions), and the learning outcomes of the training concerning their cognitive skills improvement, interpersonal skills, communication and information technology, and knowledge acquisition.. The data analysis was done by using statistical methods. The key results show that the older populations' satisfaction towards the learning was high. Very high satisfaction of the older population with IT technologies and communication used, their wish to continue the communication with computer, usage of various software and IT means in their future life are the main contribution of the research for further activities in the social innovations.*

**Key words:** *ICT, Teaching Elementary Skills in ICT, Senior Citizens, Cognitive Slowing.*

**JEL Classification:** *A29, D60, D80, I20*

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## ***INTRODUCTION***

The objective of the research was to identify and discuss the main issues regarding ICT tools for Independent Living with focus on health aspects in the ageing society. This Paper aims to contribute to a clearer needs-oriented focus of the EU Ambient Assisted Living initiative. This research focused on the target groups of active older people who prevent themselves from getting mental diseases through technology based activities, generally regarded as having a positive impact on quality of life.

The accessibility, quality and affordability of healthcare are under pressure as a result of the ageing population and the growing demand for healthcare. The costs of healthcare in the world are rising each year. Around a third of healthcare costs is consumed by mental healthcare and care for the disabled (of which the largest portion goes towards wage costs). Consequently, innovations and the deployment of ICT solutions in – long-term – healthcare are necessary to raise efficiency. Yet, that in itself is not enough; it is also important to improve the self-help skills of citizens/patients in their own environments by focusing on prevention and living with impairments. Here, too, there is scope for innovations and ICT solutions for supporting the citizen and his environment to be realized by pursuing prevention and health promotion of elderly people and their active lifestyles. The future partnership aims to achieve these goals by bringing together key stakeholders: end-users, public authorities as public health institutions, and Municipalities' sector for social policy.

Paper provides an impression of the Municipality's Stari grad (most developed one in Serbia) current commitment to Technology-supported social innovation for care of the elderly, as part of the EU project: "I do not fall" and the principles of the European Innovation Partnership on Active and Healthy Ageing. The overview is background information belonging to the assessment for a questionnaire that was submitted in Belgrade, Serbia in 2016.

## ***AGEING OF THE POPULATION AS A GLOBAL SOCIO-ECONOMIC CHALLENGE***

Demographic change and ageing of the population is one of the socio-economic challenges old nations in global society and the European societies have to face in the next century. Of all world regions, Japan and Europe have the highest proportion of population aged 65 or over, as in EU15 population aged 65 or over make 16%. According to the Eurostat projection, the percentage will in 2050 be almost 28%, with 80 million people with various needs for care (estimated cost of this care will go to 20% of GDP than). In order to understand and cluster the specific needs of the older population of use a research results from many EU projects: SHARE, ESAW and Senior Watch surveys. These Surveys revealed that most of the population aged 50 and older are receiving medication.

*Serbia* with 17.4 % of its residents being aged 65 years and older is among the oldest nations. Patterns of demographic aging (Sevo et al., 2015) differ culturally, geographically, socioeconomically. Among 34 European countries the Serbia's health care system has been ranked very low (Statistical Office of the Republic of Serbia, 2012). Serbia's HDI value is 0.776 for 2015, what is the high human development level. Table 1 presents Serbia's progress in the HDI indicators in the period of 1990 to 2015.

*Table 1: Serbia's HDI indicators, 1990-2015*

	<b>Life expectancy at birth</b>	<b>Expected years of schooling</b>	<b>Mean years of schooling</b>	<b>HDI value</b>
1990	71.5	12.4	8.0	0.714
1995	71.8	12.8	8.8	0.694
2000	71.1	13.1	9.4	0.709
2005	71.8	13.4	10.2	0.739
2010	71.0	13.5	10.4	0.757
2011	71.3	14.0	10.7	0.767
2012	71.5	14.1	10.5	0.766
2013	71.7	14.3	10.5	0.771
2014	71.9	12.4	10.2	0.775
2015	71.0	12.4	10.8	0.776

*Source: Human Development Report 2016, Briefing note for Serbia, UNDP*

From 2015, municipalities in Serbia have been assigned more tasks and receive substantially fewer resources. The sweeping scale of the cutbacks and the implementation pace of the decentralization policy present the challenge of shaping the fundamental change in the style of working the social sector in the short term. The social task in the case of long-term care (age-related and chronic conditions) is as follows:

To enable patients to remain living at home for longer with greater independence and higher levels of activity and possibly engaged in employment, to enable care providers to organise their work productively and cost-effectively, improve the quality of care and better control of healthcare costs.

## **ICT INITIATIVES**

Innovation and technology can support this, emerging the new roles for technology such as ICT. Knowledge institutions and companies can assist in the application of innovations through knowledge, solutions and probably sponsoring. Consequently, these parties are important partners. As such, the healthcare system will change from production-focused to participatory healthcare. With this change. On the one hand, innovations result in more efficient municipal services and care professionals. On the other, there are innovations that can have a huge impact on

the consumer market, helping to boost greater levels of self-help skills and self-management among citizens. Telemedicine opens up new opportunities for providing medical care to the home and there are many new developments in ICT based services which can enhance older people lives and enable them to share their knowledge and wisdom, to learn and teach others using computers and communications technologies to accomplish a variety of tasks.

These opportunities have been recognized by European policy-makers. The European Commission adopted the initiative “i2010: European Information Society 2010” to foster economic opportunity and social cohesion in the information society across all European countries, with an action plan on ICT and aging sets emphasizing elderly users’ needs in using, learning and taking-up the ICT, reducing social isolation and improving the quality of life of its citizens (COM (2007)332) (Zhou et al., 2007).

## ***RESEARCH***

### ***SAMPLING AND METHODS USED***

The research sample make 90 older people from 65-80+ years old. According to economic status most were pensioners and female, with health debases. The training of older participants has been provided in the Municipality Stari Grad in Serbia in 2016.

Methods used are mostly statistical, *Multiple Regression Analysis*, with the quantitative indicators of the level of quality of the theoretical model, SEE (*Standard estimation error*),  $R^2$  (*Coefficient of determination*) and AIC (*Aikike’s information criteria*)

In this section are described the basic quantitative indicators of the structure of the observed sample. All indicators are further defined as six attributive variables - the personal characteristics of the respondents that enrolled in the Individual Development Efficacy by using IT-course: Health status, Economic status, Gender, Age, Knowledge of English and level of education, Table 2.

Table 2: Demographic structure of the personal characteristics of the respondents

Items	Number	Percentage	X <sup>2</sup> - statistics (p-value)
<u>Gender</u>			
Male	6	6.67	67.60**
Female	84	83.33	(2.00E-16)
<u>Economic status</u>			
Pensioner	60	66.67	10.00**
Dependent	30	33.33	(1.56E-3)
<u>Age</u>			
65-70	24	26.67	
71-75	24	26.67	7.60
76-80	30	33.33	(0.0550)
80+	12	13.33	
<u>Level of Education</u>			
Primary School	24	26.67	
High School	24	26.67	20.40**
Vocational	6	6.67	(1.40E-4)
Faculty	36	40.00	
<u>Knowledge of English</u>			
Yes	42	46.67	0.40
Now	48	53.33	(0.9402)
<u>Health</u>			
Diseases	48	53.33	27.78**
Disability	12	13.33	(4.047E-6)
Both of them	30	33.33	6)

\*  $p < 0.05$ , \*\*  $p < 0.01$

*Source: Authors*

Low value of the chi-squared statistics ( $\chi^2=7.60$ ) of the frequencies of respondents concerning the age show the relative uniformity. The levels of the education degree do not have the high uniformity, as most of the are college educated, while only six have vocational education. The highest degree of uniformity exists in the case of knowledge of English, where the Pearson's chi-squared statistics has the lowest value ( $\chi^2=0.40$ ).

## ***TRAINING SATISFACTION, AND TRAINING OUTCOMES***

The basic statistics parameters (mean and standard deviation) are calculated for the satisfaction levels of the IT-learning course, as well as the learning outcomes. The satisfaction levels related to the content of the training are classified into 8 categories of cognitive practices:

- Attention,
- Memory,
- Language,
- Orientation,
- Logical reasoning,
- Executive functions,
- Constructive practice, and
- Robotic functions.

Table 3 indicates the mean values, standard deviation, as the appropriate descriptive assessments of each of the satisfaction levels (“much” or “very much”). The respondents were very much satisfied with the overall training: with the training content (average 4.55). Respondents are “only” much satisfied with two categories of the training content: memory and constructive practice at 4.41 and 4.27, respectively.

*Table 3: The mean and standard deviation of the satisfaction levels in IT-learning*

<b>Items</b>	<b>Mean</b>	<b>Stand. deviation</b>	<b>Level</b>
<u>Satisfaction of the training content</u>	<u>4.55</u>	<u>0.5307</u>	<u>very much</u>
Attention	4.63	0.5812	very much
Memory	4.41	0.5499	Much
Language	4.73	0.4577	very much
Orientation	4.67	0.4879	very much
Logical reasoning	4.55	0.6040	very much
Executive functions	4.57	0.4057	very much
Constructive practice	4.27	0.7392	Much
Robotic function	4.60	0.4199	very much

*Source: Authors*

As for the training outcomes, the results are shown in Table 4. The results show that the respondents' learning outcomes are very much satisfactory with the average of 4.72. When considering each aspect of the learning outcomes, the satisfaction levels are classified into 7 categories: moral and ethics, knowledge acquisition, cognitive skills, responsibilities, communications and interpersonal skills, numerical and analytical skills, as the computer and IT skills. It is found that the respondents' outcomes are very much satisfactory in every aspect. The highest

level of satisfaction of the respondents were expressed at knowledge acquisition (average 4.93), followed by the communication and interpersonal skills (average 4.87), as the numerical and analytical skills (average 4.73).

*Table 4: The mean and standard deviation of the satisfaction levels in learning outcomes*

Items	Mean	Stand. deviation	Level
Moral & ethics	4.60	0.5071	very much
Knowledge acquisition	4.93	0.2582	very much
Cognitive skills	4.67	0.4880	very much
Responsibilities	4.60	0.5071	very much
Communication & interpersonal skills	4.87	0.3519	very much
Numerical & analytical skills	4.73	0.4577	very much
Computer & IT skills	4.67	0.7432	very much
<b>AVERAGE:</b>	<b>4.72</b>	<b>0.5150</b>	<b>very much</b>

*Source: Authors*

## ***THE RELATIONSHIP BETWEEN TRAINING SATISFACTION, AND TRAINING OUTCOMES***

Table 5 illustrated that the overall, in the most cases, training satisfaction levels are positively related to training outcomes, with the statistical significance of .001. When considering the satisfaction of each aspect of the course, it is found that the satisfaction of the training content are positively related to the all training outcomes in five levels (attention, memory, orientation, logical reasoning and executive functions). Four of these five levels (attention, memory, orientation and executive functions) are correlated the most with the same level of training outcomes: the numerical and analytical skills. Pearson's product moment correlation coefficients for these five relationships are:  $r = 0.927$ ,  $r = 0.618$ ,  $r = 0.853$  and  $r = 0.829$ , respectively. Then, followed by the correlation between the logical reasoning with the computer and IT skills ( $r = 0.702$ ). Finally, the other three levels (language, constructive practice and robotic function) are low correlated with all the training outcomes, because all the Pearson's correlation coefficients are, in the absolute values, less than 0.5.

*Table 5: Correlation coefficients between satisfaction in IT-training and training outcomes*

Items/ Satisfaction levels	Moral & ethics	Knowledge acquisition	Cognitive skills	Responsibilities	Communication & interpersonal skills	Numerical & analytical skills	Computer & IT skills
<u>Satisfaction of the training content</u>							
Attention	0.456	0.080	0.577	0.167	0.080	<b>0.927</b>	0.563
Memory	0.362	0.608	0.189	0.480	0.291	<b>0.618</b>	0.311
Language	0.123	-0.237	0.076	0.123	0.207	0.211	0.410
Orientation	0.289	0.139	0.200	0.289	0.277	<b>0.853</b>	0.657
Logical reasoning	0.612	0.552	0.213	0.123	0.207	0.567	<b>0.702</b>
Executive functions	0.177	0.059	0.107	0.612	0.294	<b>0.829</b>	0.093
Constructive practice	0.028	-0.277	-0.200	0.136	0.139	-0.242	-0.057
Robotic function	0.302	0.145	-0.277	0.320	-0.139	0.426	0.131

\*the significant level at 0.01

## ***THE PREDICTIVE POWER OF THE TRAINING SATISFACTION OF EACH ASPECT THAT AFFECT TRAINING OUTCOME***

For the relationship between the satisfaction levels of the IT-training and the appropriate outcomes levels, the *model of Multiple Regression Analysis* is used, with the: *Standard estimation error (SEE)*, *Coefficient of determination ( $R^2$ )* and the *Aikike's information criteria (AIC)*, as quantitative indicators of the level of quality of the theoretical model. First introduced by Aikike (1974), this criterion is widely used in practical applications (Burnham and Anderson, 2002; Fang, 2011), as a measure of quality that empirical data are interpreted and compared with the corresponding statistical and theoretical model. Within a given class of theoretical models, the most convenient for the research was the one for which is realized the minimum values of the AIC. This means that the theoretical model that is chosen is more competitive if the value of the AIC is lower.

Table 6 shows that the coefficient of multiple correlation of the 8 satisfaction levels of training content, observed 8 predictor variables. In the second column of the Table 6 are given estimated values of the regression coefficient, whose represent the proportion of the certain satisfaction levels of the IT-course content. The highest estimate, equals 3.7172, corresponds to the level of logical reasoning. This is followed by memory, at 2.7235, both with 0.05 statistical significances. In the end, the only negative value of regression coefficients corresponding to the level of robotic functions.

*Table 6: Multiple regression analysis of the satisfaction levels of the training content*

Items	Estimate	Std. error	t-value	PR(> t )
Intercept	0.5339	2.3050	0.232	0.8245
Attention	0.8980	0.2713	3.310	0.0162*
Memory	2.7235	0.8925	3.052	0.0225*
Language	0.5548	0.2633	2.107	0.0797
Orientation	0.0972	0.1279	0.760	0.4758
Logical reasoning	3.7172	1.2400	2.998	0.0241*
Executive functions	0.9350	0.5840	1.601	0.1605
Constructive practice	0.0786	0.1020	0.770	0.4705
Robotic function	-0.6067	0.2361	-2..570	0.0424*

Residual standard error: SEE = 0.1336 on 6 degrees of freedom

\*p < 0 .05; \*\*p < 0 .01

Multiple R-squared:  $R^2 = 0.8151$ , Adjusted R-squared:  $R^2_{adj} = 0.5686$

AIC = - 11.562

In this way, it is possible to create the predictive training outcomes using each element of satisfaction as predictor variable. The predictor equation in raw score is as followed:

$$Y_1 = 0.533 + 0.898 \text{ Attention} + 2.7325 \text{ Memory} + 0.5548 \text{ Language} + 0.0972 \text{ Orientation} + 3.7172 \text{ Logical reasoning} + 0.350 \text{ Executive functions} + 0.0786 \text{ Constructive practice} - 0.6067 \text{ Robotic function.}$$

## ***DISCUSSION AND CONCLUSIONS***

A hard but rewarding task could be the teaching elderly people to use computers. The research results in this Paper show that the learning outcomes as the satisfaction in course content are very high as well as the evaluation.

The seniors came to a course as volunteers, and motivated. As most are high educated, they can become peer tutors/guides of other elderly people and spread the effects of the IT course and IT tools usage, to support their cognitive processes, common interest/uptake of ICT, giving them feelings of command and knowledgeable.

The way the Information and Communication Technologies can help in solving some age-related problems is supported by presented research results. The ICT cannot replace the human factor in the support of elderly people, but can give new opportunities and provide complementary support, through the development of new activities can reinforce older people's involvement in the community, and become part of human networks.

This Paper has given a certain insight into the needs of the elderly for support to independent living through ICT from a cognitive functions support. The results of the

research could be the base for further work and initiatives according to the priorities defined in the EU Commission's policy document i2010, together with underlining the user perspective as crucial for successful innovation processes (EU Commission, Social protection and social integration, Social and demography analysis).

The affordability of healthcare, accessibility and quality are under pressure as a result of growing demand for healthcare for ageing population, the costs of healthcare in the Serbia are rising by each year, mostly consumed by mental healthcare and care for the disabled. Deployment of ICT solutions and innovations in the healthcare are necessary to raise efficiency in the long-term, improving the self-help skills of citizens/patients in their own environments by focusing on prevention and living with impairments.

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# **ORGANIZATIONAL CULTURE AND ITS INFLUENCE ON STRATEGIC ORIENTATIONS IN IT INDUSTRY**

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## **ABSTRACT**

*The aim of the article is to reveal the specifics of the interaction between organizational culture and strategic orientations in the Information Technology sector (IT sector) in Bulgaria. Four types of culture (market, adhocracy, hierarchy and clan) and five types of strategic orientations (customer, technology, learning, entrepreneurship orientations and organizational performance) are studied. The sample consists of different specialists from the IT industry in Bulgaria. Results show that the only types of culture that influence all the strategic orientations are market and adhocracy cultures. Furthermore, the most significant effect is observed in the adhocracy culture on the entrepreneurship orientation.*

**Key words:** *Organizational Culture, Values, Strategic Orientations, IT*

**JEL Classification:** *M14*

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## ***INTRODUCTION***

Research in organizational science shows that the success and effectiveness of organizations depend on several factors, among which organizational culture, strategy and structure are the most influential. The Information technology industry, more than any other industry, has an increased productivity, and therefore is a key driver of global economic growth. IT is one of the most dynamically developing economic facets, both in Bulgaria and globally in the last ten years. This is a relatively young field and the organizations that are part of it are characterized by table economic indicators, high levels of employment, good salary levels and working conditions when compared to other industries. The characteristics of the organizational culture and strategy that influence the performance and the growth of the IT companies are very poorly researched not only in Bulgaria and in the Bulgarian business context but also in general in the contemporary organizational literature and practice. Exploring these features in the article provides an opportunity to build on the understanding and optimization of the practical importance of culture, strategic orientation, and team efficiency for the development of the IT industry.

## ***THEORETICAL FRAMEWORK***

There are different models of organizational culture. The Competing values framework is seen as one of the fifty most influential in the history of business (Cameron, Quinn, 2011). Initially, it emerged from empirical studies on what makes the organization effective, what are the key indicators of success and effective performance (Quinn, Rohrbaugh, 1983). The framework helps managers in different companies to manage internal relations, differences and similarities, to take into account not only internal parameters but also their relationship with the external environment. Essentially the Competing values framework differentiates four types of culture through two main value orientations:

- Orientation toward the external environment or the internal environment.
- Orientation toward flexibility and freedom of action and stability and control (Cameron & Quinn, 2011).

The Competing values framework developed by Cameron and Quinn describes four cultural orientations (Cameron, Quinn, 2011). Organizations can fall in one, some or none of the types of culture. The four types of culture are clan, adhocracy, hierarchy and market. Clan culture is oriented toward support for the company members and it encourages participation and cooperation as attitude. The focus is on people, there is mutual trust, team spirit and support, also the individual development is encouraged. The decision-making is in an informal environment (Van Muijen et al., 1999). Organizations with clan culture are like large families where motivational programs are often applied and teamwork is strongly

encouraged. The purpose of the management is to ensure good conditions for the employees and clients are seen as a partner (Cameron Quinn, 2011). Specific things for the adhocracy culture are search of new information, creativity, openness to change, experimentation. Managers expect employees to be dedicated and involved actively in the work. The dynamic, entrepreneurial and creative work environment is typical for this type of culture. The hierarchy culture emphasizes on authority, rationality, procedures and division of work. Rules are important and respected and they ensure order and predictability. The structure of organizations with such orientation is hierarchical and communication is usually top-down. Companies with market culture are oriented towards achieving the objectives. Tasks have to be accomplished, the focus is on rationality, performance indicators, accountability and salaries (Van Muijen et al., 1999).

The Competing values framework and, accordingly, the questionnaire developed on this basis, allows the assessment and measurement of six key characteristics of organizational culture that predict the success of an organization. These aspects are defined by Cameron and Quinn (2011) as it follows:

- dominant characteristics
- organizational leadership
- management of employees
- organization glue
- strategic emphases
- criteria of success

The key characteristics emphasize the complexity of the organizational culture and outline its importance for managing the competitiveness of the companies. The strategic aspects that are predetermined by organizational culture are related to how the organization adapts to the environment, its operations, and its skills to combine the various internal resources, to achieve competitive advantage and sustainable growth. Culture influences the process of formulating and implementing the strategy (Wronka-Pośpiech, Frączkiewicz-Wronka, 2016), but the strategic aspects are considered as aspects of culture. The importance of culture for organizations is of utmost importance, bearing in mind the various aspects that it covers. Not only the corporate values, but also the organizational leadership and strategic orientations are strongly influenced by the type of culture. Understanding this phenomenon, however, given its complexity, is a challenging task.

Organizations rely on culture, simple rules and strategic guidelines for guiding employees' actions instead of managing individual behavior through formal planning processes or hierarchical procedures (Eisenhardt, Sull, 2001). These leading "templates" on the way organizations guide their business activities are often referred to as strategic orientations (Berthon et al., 1999). By definition, strategic orientations "reflect the strategic directions implemented by a firm in order to create the proper behaviors for the continuous superior performance of the business" and the orientations are "principles that guide and influence the company's activities and generate behaviors designed to ensure the viability and effectiveness of the firm" (Gatignon, Xuereb, 1997, p.3).

Strategic orientations are the subject of research by several sciences, including marketing, economics, management, organizational psychology. The literature review of the strategic orientations reveals not only the characteristics of the different orientations but also provides information on the interrelations between some of the orientations (customer and technology orientations, entrepreneurship and learning orientations, entrepreneurship-learning and organizational performance). A holistic and contemporary approach to the orientations is offered by Henry Hakala. In a series of articles and surveys in the period 2008-2013, and on the basis of cluster analysis, he draws on a set of strategic guidelines to show what is the relationship between technology, customer, entrepreneurship and learning orientations (Hakala, 2010; Hakala, Kotamaki, 2010; Hakala, Kotamaki, 2011; Hakala, 2013). Hakala (2010) provides an additional idea of adopting the strategic orientations as a multidimensional configuration of market orientation, technology, entrepreneurship and learning. The orientations as described by Hakala (2010, 2013) and as used in his methodology are as follows:

- Customer orientation - focuses on achieving a competitive advantage by understanding customers and what customers value. The customer-oriented firm focuses on customer service and emphasizes understanding customer needs and what drives customer satisfaction (Hakala, 2011).
- Entrepreneurial orientation - entrepreneurially oriented firms are characterized by their proactive, innovative and risk-taking cultures. The basic assumption of entrepreneurial orientation is that entrepreneurial organizations are able to adjust and adapt their actions in a dynamic competitive environment in a better way (Covin, Slevin, 1989). Entrepreneurial-oriented organizations change and shape the environment and are ready to provide resources to use uncertain opportunities. They not only explore new and creative ideas that can lead to changes in the market but also make it proactive actions compared to their competitors in anticipation of future demand.
- Technology orientations - technology orientation refers to the tendency to utilize and develop new technologies or products (Gatignon, Xuereb, 1997). The logic of these technological inventors is to actively develop and incorporate new technology in products, to aspire to a superior technological capability to their competitors and find customers that value the solutions they provide (Hakala, 2011). Technology oriented firms do not need to be exclusively technology oriented but may display both customer and technology orientation.
- Learning orientation - learning is seen as the creation or acquisition of new knowledge that has the potential to influence behavior (Huber, 1991). The learning orientation corresponds to this definition and is seen as a propensity of the organization to create and use knowledge as well as its processes to gain a competitive advantage (Calantone et al., 2002). Learning orientation refers to the development and use of knowledge and can support the activities of an entrepreneurial organization. Learning orientation can serve as a mediator of the relationship between entrepreneurial orientation and profitability but cannot mediate the growth of the company.

- Organizational performance - researchers generally agree that organizational performance is a multidimensional construct and recognize that different organizational strategies and activities may have different effects on organizational performance. Hakala (2010) adopts a narrow view of organizational performance, and empirical research includes only the most commonly used elements of performance (Combs et al., 2005), namely organizational growth and profitability. The author draws attention to the fact that, especially in dynamic sectors such as software and IT, these criteria may be misleading (Hakala, 2010). High technology companies can invest their profits back into their business or their growth can be highly cyclical.

## ***STRATEGIC ORIENTATIONS AND ORGANIZATIONAL CULTURE***

A relatively small number of studies explore the relationship between culture (national and organizational) and strategic orientations (Hitt et al., 1997). In some studies, the strategy is analyzed only on the basis of managers' opinions, while others focus on how employees at different organizational levels adopt the strategy or strategic orientation of the company. Some researchers adopt strategic orientations as an aspect of organizational culture that directs the interaction with the environment (Noble et al., 2002). Other contemporary studies emphasize that culture influences and determines the manifestations of strategic orientations (Wronka-Pośpiech, Frączkiewicz-Wronka, 2016). The main factors that shape strategic orientations include environmental factors (market and technology changes), organizational factors (organizational culture, structure and leadership) and institutional factors (government decisions, corporate interventions) (Wronka-Pośpiech, Frączkiewicz-Wronka, 2016). In addition, a study by Baird, Harrison, Reeve (2007) points out that in order to implement a particular strategy, an appropriate culture must first be built.

Hakala (2010) represents orientations as adaptive mechanisms, not as elements of culture. The difference lies in the perception that culture is characterized by a set of attitudes, behaviors, values and goals of the organization. Culture is seen as relatively stable, but often changing beyond management control (though not entirely). On the contrary, strategic orientations as adaptive mechanism is a set of rules created and trained to achieve a certain result, as well as behaviors that help deal with different environments. According to Hakala (2010), changing the strategic orientation is a little easier or faster compared to changing the whole organizational culture.

Strategies are something people do, and therefore they are visible in the organization's operations and practices (Jarzabkowski, 2004; Whittington, 2006). Referring to operational activities and practices, we should say that both strategic orientations - learning and entrepreneurship have proven correlation with organizational growth and profitability, and culture has been studied in connection with organizational and financial performance.

Han (2012) found that culture directly affected financial performance and performance. Clan and adhocracy cultures favor financial performance, while market culture does not imply such an effect, although it is oriented to transactions exchange (Han, 2012). The author's research is conducted in a specific sector - luxury hotels where financial performance and overall corporate performance are of great importance. Some strategic orientations may have the role of moderator and improve the financial performance of certain cultures. The Competing values framework and OCAI are used to measure the four culture types and the method of Venkatraman (1989) is applied to measure the strategic orientations. The results confirm the mediating role of the orientations in the culture-financial performance relationship. In particular, it is pointed out that, especially for relationship oriented companies, strategic orientations towards leadership, futurity and defensiveness – known as Defenders in the terms of Venkatraman, have a mediating effect between clan culture and the oriented to growth financial performance. In the hierarchy culture, when the strategic orientation is focused on taking a leading position, then the orientation has a mediating effect on financial performance.

As a summary, we could say that organizational culture and strategic orientations influence the overall effectiveness of organizations. Although there is a scientific interest in the relationship between the two constructs, no research has been found to use and test jointly an Organizational culture questionnaire based on the Competitive Values Framework and a Henri Hakala Strategic orientation questionnaire, probably due to the recent invention of his questionnaire, created in 2011. No research in the IT industry (neither in Bulgaria nor in other countries) has been found to fully reveal the specifics of phenomena and the specific sample of IT specialists. This provides the basis and starting point for the present study to provide some more clarity about the relation and influence of culture and strategic orientation in the IT industry.

## ***METHOD***

For the purpose of the study, a set of two Questionnaires is applied as follows:

- Organizational Culture Questionnaire, consisting of 16 items.
- Strategic Orientations Questionnaire, containing 29 items.

The Organizational Culture Questionnaire, created by Meschi and Roger (1994), is applied to the measurement of organizational culture. It is based on the Model of Competing Values developed by Kim Cameron and Robert Quinn (Cameron and Quinn, 1999), providing an opportunity to measure four types of culture in an organization – clan, hierarchy, market and adhocracy. The organizational culture questionnaire contains 16 items rated with a 5-degree Likert scale (1 = Totally disagree, 5 = Totally agree). The questionnaire is standardized for the Bulgarian environment and shows good psychometric characteristics: Cronbach's  $\alpha = 0,731$  (Ilieva, 2006). In the current study, the psychometric characteristics of the questionnaire are verified by factor and item analysis. The reliability of the whole scale is very good - the Cronbach's alpha is 0.87 for 16 items.

In order to measure the strategic orientations, a Questionnaire developed by Henri Hakala и Marko Kohtamäki is applied and tested for the first time in Bulgarian sociocultural environment (Hakala, Kohtamäki, 2010). The questionnaire measures five constructs - client strategic orientation, technology strategic orientation, entrepreneurial strategic orientation, learning strategic orientation and organizational performance. A five-level Likert scale (1 = Totally disagree, 5 = Totally agree) is used to measure the answers. The items reflect the perceptions of the respondents rather than undeniable facts (Hakala, Kohtamäki, 2010). Strategic orientations are measured with 29 items and five factors, distributed as follows:

- Customer orientation - contains five items;
- Technology orientation - contains five statements;
- Entrepreneurial orientation - contains 12 items;
- Learning orientation - consists of four statements;
- Organizational performance – with 3 items (Hakala, Kohtamäki, 2011, p. 72).

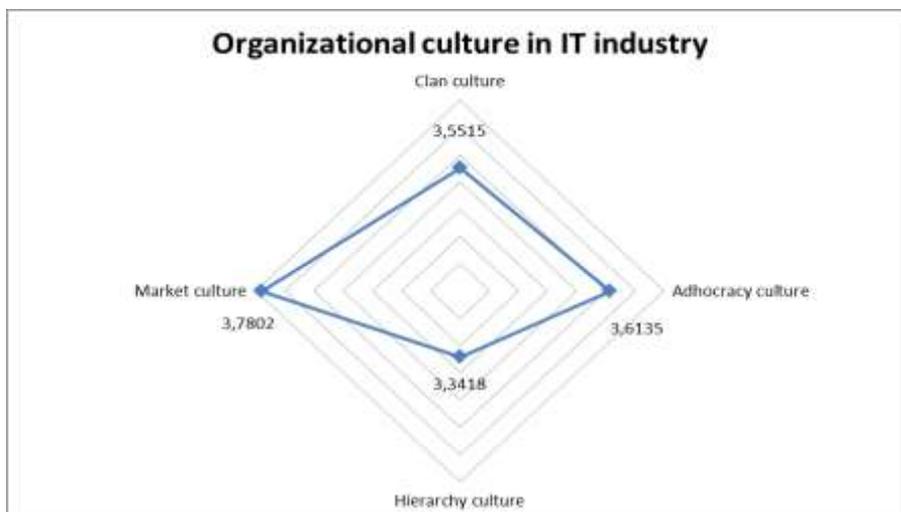
The reliability and validity of the questionnaire in the Bulgarian environment are verified by factor and item analysis. For the purposes of the survey, it was decided to adopt the structure of the original questionnaire and to use five basic scales and three sub-scales for entrepreneurial orientation (Hakala, Kohtamäki, 2010; 2011). The reliability of the strategic orientations scale with 29 items is with Cronbach's  $\alpha = 0.938$  ( $N = 477$ ). The reliability of the different scales is as follows: customer orientation  $\alpha = 0.847$ ; entrepreneurial orientation  $\alpha = 0.899$ ; the technology orientation  $\alpha = 0.871$ ; learning orientation  $\alpha = 0.776$ ; the organizational performance is  $\alpha = 0.740$ .

## ***SAMPLE***

The study focuses on the IT industry in Bulgaria and in particular, on software development companies. A strict requirement is that in the survey participate only software companies. According to various studies in the IT field and the software industry (e.g. Rönkkö et al., 2010), the participating companies in the present study are defined as belonging to the software business if their activity is in class 62 (Computer programming, consultancy and other related activities) according to the International Standard Industrial Classification (2008). In this regard, the final sample consists of 494 participants from 35 software companies in Bulgaria.

## ***PROFILE OF THE ORGANIZATIONAL CULTURE IN THE IT INDUSTRY***

In order to identify the profile of the organizational culture in the IT industry in Bulgaria, a descriptive statistics via SPSS, version 22 for the whole sample is applied (N=481).



*Figure 1: Profile of the organizational culture in the IT industry in Bulgaria*

*Source: Authors' analysis in SPSS*

The results show that the leading culture is market ( $X=3.78$ ). Figure 1 represents the profile of the companies in the sample. IT organizations are oriented towards the external environment where stability is needed. Innovation, entrepreneurship, creativity are valued. The market type of organizations does not rely so much on the traditions, which is understandable for the IT industry and the relatively recent creation of most companies in it. Of particular importance for the industry are the achievement of goals, the drive for excellence and the establishment of world-class organizations. It is important for employees to be inspired for more and more targets, but in this way the environment becomes rather debilitating. Market culture means rather decentralized dimensions and financial indicators, which is a risk but the focus on the profit after all. The main concern is to do the job; the values are finding markets, target achievements and profitability. Such type of culture implies measuring consumer preferences, which is a mature practice. However, it is uncertain whether or not it is applied by the IT companies. Since there is such leading culture in the IT the companies need to have a specific focus on their Human Resources (HR) departments and the managers. HR's role is to be a strategic business partner who must work closely with the company's core business strategy. The main competencies that are needed in the HR are strategic

analysis and guidance and focus on the results. Key management competencies are customer relationship management, team support, and the promotion of competitive capabilities among people.

The second place according to the results is for the adhocracy culture ( $X = 3.61$ ). In the IT field, people take risks, experiment, and want to be first. Success means developing new products and services (Cameron, Quinn, 2011). IT encourages personal initiative and freedom, which can be easily seen in the artifacts and workspaces in the sector. In IT they have informal environment, but combined with desire to achieve goals. It's important in IT to be different, creative, proactive, and a risk-taker. Some of the companies are new and the competitive advantage for them is the speed and the risk. Change is a rule, not an exception. The role of HR is to be the agent of change, to have skills in organizational transformations, to consult and to cooperate. Successful leaders in such environments are ingenious innovators that drive creativity and constant improvement. They draw a vision and impart a clear vision to people.

The third place is for the values of the clan culture type ( $X=3,55$ ), which is associated with the family type of organization. Values supported in clan-type culture are related to trust, decentralization, which is typical for sectors, given the flat organizational structures. The sense of equality is important. The clan type of culture definitely complements the strong external focus form the leading type of culture – the market culture. Core clan values such as empathy, communication and development are probably not so covered in the IT sector. The role of HR in the clan organizations is to respond to people's needs, to develop the management, and to maintain consistency. However, results show that clan culture is not the most common culture for the sample. In clan type quality management is through team building, open communication and empowerment that is likely to be lacking in IT considering the third position of this culture. Clan culture managers can manage teams and interpersonal skills, and take care of other people's development, thereby increasing efficiency. Given the third place in the rankings, it is possible that such soft skills are missing. IT companies must implement special procedures and soft skills training in order to improve their managers' skills. This will help not only the interaction with the team members but also with the clients.

The hierarchy type of culture takes the fourth place ( $X=3,34$ ). A possible explanation is that order and control are not well accepted in the IT industry. Quality control through measurement and reporting are a deficit or not needed as well as process control is lacking and detection of errors. Consistency as a value is the least important in the IT.

At the same time, it is good to ask if they lack how they carry out process continuity and traceability to correct mistakes. According to the results IT HRs should not be process-oriented and administrators, because they will be not accepted and will not fit their environment and needs. IT executives will least be expected to maintain order and control, implementation of procedures and systems for monitoring, measurement and evaluation. Although the hierarchical culture is the last in the results, there may be some elements of it that are useful and their implementation in IT companies can facilitate, organize, and build on results. They are better quality control, company standards for the

projects, and performance appraisal systems among others. Each company, according to various factors, can assess how and how much such orientation is needed.

The results with a leading market culture coincide with the example given by Cameron and Quinn (2011, p.92) that IT companies are oriented towards this type of culture. The discrepancy comes from the second place – for Cameron and Quinn it is for the hierarchy culture and in our study it is adhocracy. According to the results of Karabeliova (2011) for Bulgarian environment in private organizations, market culture prevails, followed by hierarchical. In a study of Stancheva and Ilieva, (2013) in the banking sector, it is also indicated that the leading culture is the market, followed by hierarchical, adhocracy and clan. Thus, the IT sector in Bulgaria differs from what Cameron and Quinn pointed out, as well as from similar other sectors surveys in the country. A study by Abbink (2015) states that the leading type of culture in a Dutch technology company is the hierarchical, followed by the clan, which differs from the current results. When comparing research on culture to innovative teams (López et al., 2016), where the inner focus prevails, the results of our study differ up to certain extent. Differences are also observed in the comparison of results for the IT sector in Bulgaria in 2014 (Alexandrova, 2014). In 2014 the results were a leading market, clan, hierarchical and, lastly, adhocracy culture. It is possible that IT companies today are more innovatively oriented compared to the three years ago situation. One possible explanation is that the competition nowadays is bigger. Now there are even more IT companies on the Bulgarian market that compete with each other and more Bulgarian IT companies that are actively working with clients from all over the world.

In summary, the IT industry has a predominantly external focus, appreciating the results, the speed, the creativity and the innovation. Internal orientation is not in the front line. Given that this is a young sector that is looking for a long-term perspective, it is good to pay attention to people, as well as to assess the extent to which the pace can be sustained for a long time and whether this does not lead to excessive exhaustion. The norm in IT is dynamics and change.

## ***PROFILE OF THE STRATEGIC ORIENTATIONS IN THE IT INDUSTRY***

The descriptive statistics analysis via SPSS version 22 is applied to identify the leading strategic orientations in the sample from the IT industry (N = 480).

The highest score is for learning orientation (X=3,81), followed by technology orientation (X = 3,66) (Figure 2). Third place is for the organizational performance with mean equal to 3,5149. The overall entrepreneurial orientation is on the fourth place (X = 3,3394). Entrepreneurial orientations towards innovation and proactiveness have a similar results, respectively, X=3,4862 for innovation and X=3,4827 for proactiveness. The strategic orientation towards customers (X=3,0565) and the entrepreneurial risk orientation (X=3,0488) have some of the lowest results.

Learning and technology orientations have the best results, and we can assume that a competitive advantage for technology companies in Bulgaria is achieved through a unique combination of new knowledge and technological resources.



Figure 2: Strategic orientations in IT industry in Bulgaria

Source: Authors' analysis in SPSS

According to the framework of Hakala (2011), technology orientation focuses internally on company resources, while customer orientation addresses the dilemma of internal/external environment in terms of positioning on the external market. In the present sample, the understanding and satisfaction of customer needs have the lowest results. It seems that understanding customers' needs, customer service and satisfaction are not important. For the companies involved in the survey, a leading mechanism for coping with the environment is how to internally utilize resources from technology and knowledge, not so much how they are positioned in the external environment.

Orientations help organizations to relate to their processes in a way that provides a balance between internal resources and external markets. However, the external environment prevails. Intermediate position (between technology and customer orientation) turns out to be the entrepreneurial orientation, as it is believed that it can provide growth for the company, it can reinforce the orientation towards learning, which in turn improves efficiency (Hakala, 2010). Exactly intermediate is it result for the entrepreneurial orientations (innovativeness, proactiveness and the overall).

The lower mean points of the entrepreneurial risk-taking orientation can be explained by the fact that security is preferred, according to the company's employees. Risk and atypical suggestions and changes are unaccepted, neither by the employees nor by the companies as a whole. Entrepreneurial orientation towards innovation and proactive actions have a higher result, which is understandable given the dynamic and competitive environment in which IT companies work.

Scientific literature notes that learning orientation has a more direct effect on profit and encourages entrepreneurial research into new markets and technologies. Perhaps the high values of learning orientation fully explain the good results on organizational performance. The two variables correlate significantly in the original study in Finland (Hakala, 2011). Learning orientation and organizational performance are believed to exist independently of each other, but companies can only benefit by combining them in their practice and processes. In the IT industry, if a software company looks for profit and growth, it is good to find a way to actively drive challenging processes of entrepreneurial research and even more challenging learning processes (Hakala, 2010). According to the results for the Bulgarian sample, such initiatives are available. However their application depends on the willingness of each company.

## ***INFLUENCE OF ORGANIZATIONAL CULTURE ON STRATEGIC ORIENTATIONS***

A stepwise regression analysis via SPSS version 22 is applied to verify the impact of the four types of organizational culture on the strategic orientations. Results show that only three out of four types of culture have an effect on the orientations. Hierarchy culture is the only one that has no effect on any of the orientations. A possible explanation is that orientations support adaptation to the external environment (Hakala, 2010), while hierarchical culture is strongly focused on internal processes, order and stability.

*Table 1: Influence of organizational culture on strategic orientations*

Independent variable	Beta	P	R <sup>2</sup>
Customer orientation			
Clan culture	0,267	0,000	0,334
Market culture	0,287	0,000	
Adhocracy culture	0,130	0,019	
Technology orientation			
Adhocracy culture	0,342	0,000	0,347
Market culture	0,199	0,000	
Clan culture	0,144	0,007	
Entrepreneurial orientation - General			
Adhocracy culture	0,470	0,000	0,486
Market culture	0,205	0,000	
Clan culture	0,120	0,011	
Entrepreneurial orientation - Innovativeness			
Adhocracy culture	0,394	0,000	0,375
Market culture	0,194	0,000	

Independent variable	Beta	P	R <sup>2</sup>
Clan culture	0,116	0,025	
Entrepreneurial orientation – Risk-taking			
Adhocracy culture	0,507	0,000	0,334
Market culture	0,116	0,011	
Entrepreneurial orientation – Proactiveness			
Adhocracy culture	0,404	0,000	0,335
Market culture	0,250	0,000	
Learning orientation			
Clan culture	0,364	0,000	0,385
Market culture	0,170	0,000	
Adhocracy culture	0,187	0,000	
Organizational performance			
Adhocracy culture	0,248	0,000	0,230
Market culture	0,187	0,000	
Clan culture	0,131	0,022	

*Source: Authors' analysis of the data in SPSS*

Contemporary studies emphasize that culture influences and determines the manifestations of strategic orientations (Wronka-Pośpiech, Frączkiewicz-Wronka, 2016), as are the results of the present study. Results are represented in Table 1. All the strategic orientations are influenced by the market and the adhocracy cultures. The largest and most significant effect was observed in the adhocracy on the general entrepreneurial orientation ( $\beta = 0.470$ ), on entrepreneurial risk-taking orientation ( $\beta = 0.507$ ) and on entrepreneurial – proactiveness orientation ( $\beta = 0.404$ ). Given that the willingness to risk, experiment and innovate is typical for adhocracy organizations (Cameron, Quinn, 2011), it is logical that the effect of adhocracy culture on the entrepreneurial orientation is bigger. This orientation includes accepting the organization's risk, proactive action for market leadership and competitiveness, introduction of new products and services. Market culture also has an effect on all orientations - on some of them stronger and on some of them weaker.

The strongest is the influence on customer orientation ( $\beta = 0.287$ ), where values such as purposefulness and competitive spirit are related to the pursuit of customer needs and the overall importance of the client to the organization. The clan culture, in which the development of human resources is a focus, has the strongest effect on learning orientation ( $\beta=0.364$ ). Information sharing and learning from one another's experiences typical for learning orientation, are influenced by the values of clan culture.

The pursuit of leading positions and steady growth, typical of adhocracy culture, has the greatest impact on organizational performance in the IT industry. If companies want better results, it is important to encourage the development of unique products and services and the achievement of leadership positions. Organizational culture explains 23% of variations in the variable “Organizational

performance". However, this result differs from what is obtained by other authors, because in their results culture explains larger percent of the changes in organizational performance and financial performance of companies (Han, 2012).

Overall, the results from our study are in line with the conclusions of other authors that culture influences orientations (Wronka-Pośpiech, Frączkiewicz-Wronka, 2016; Hakala, 2011). A study by Baird, Harrison, Reeve (2007) points out that, in order to implement a particular strategy, an appropriate culture must first be built. According to Cameron & Quinn's Competing Values Framework (2011), organizational culture incorporates different aspects such as organizational values, leadership, strategic aspects, such as strategic orientations. In addition, strategic orientations are adaptive mechanisms and are more flexible, while culture is more stable over time, more difficult to change, culture is in the base of the way the organization operates (Hakala, 2011). Setting a proper strategic orientation requires knowledge of the specifics of organizational culture and most of all the values of innovation and goals-setting. With clear goals and the drive for innovation, all strategic orientations can be influenced. It is up to each software company to decide which strategic orientation is leading for them.

## ***CONCLUSION***

In the IT industry, a real reconciliation of competing values can be observed in the terms of Cameron and Quinn (2011). Based on the results for the organizational culture, the external environment is predominant and the internal focus is smaller. Customers are important and the satisfaction of their needs relies on finding technology solutions and good products. Based on strategic orientations, emphasis is on technology, which is an internal resource. Therefore, external and internal environment forms a specific balance, but in a mechanical manner. The leading strategic orientations that help organizations adapt to external environments in the IT industry are related to know-how, knowledge and cutting edge technologies. Of all strategic orientations, learning orientation has the clearest impact on IT teams, which means that the acquisition and sharing of information and new knowledge is crucial for the teams. It turns out that knowledge management and the creation of processes in this direction is a challenge for the software companies.

In order to optimize people's work, it is appropriate to implement some processes and to improve others. Process improvement should be done without complicating the work and without interfering customer needs. The creation and transfer of knowledge and technology are among the leading orientations in the sector. In order to have good team efficiency, the key factor is the development of a more sophisticated mix of values and norms, the development of personal competencies and skills of both leaders and employees in the IT organizations. All these can provide a clear starting point for the development of the industry can make it even more successful and prosperous in the long run and can give sustainability in a constantly changing environment.

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# ***THE IMPACT OF THE GLOBALIZATION ON TOURISM INDUSTRY***

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## ***ABSTRACT***

*Tourism is a rapidly growing global phenomenon and has become one of the largest industries in the world. It plays an important and positive role in the economic, social and political development in destination countries, through employment creation, income redistribution and poverty alleviation. It also has other potential cultural positive impacts. tourism is the driver of cultural exchange and better understanding among people. Economic, technological, demographic, social and political drivers of globalization set the context in which the global tourism industry is developing taking into account the fact that globalization is a continuous process. The trend towards increased globalisation has strong impact on tourism boosting, as people are increasingly 'international' and 'cosmopolitan' in their outlook. Modern tourism is closely linked to development and had turned tourism into a key driver for the socio-economic progress of societies. Revenue growth on a global scale has greatly influenced the creation of a solid basis for the future accelerated development of domestic and international tourism worldwide.*

***Key words:*** *Globalization, Tourism, Drivers, Global marketplace, Global Brands, New Technologies, Multinational Corporations*

***JEL Classification:*** *F60*

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## ***INTRODUCTION***

The conventional definition of globalization implies that the globalisation is the process of opening and liberalization of national financial markets and their integration into the global capital market. But more often today, this term implies "international integration" of goods, services, technology, labor and capital, so we can talk about globalization in a wider sense.

Globalization is the result of the increasing trend of networking and the dependence of national economies around the world. Consequently, globalization allows greater flow and exchange of individuals and ideas, mutual understanding and friendship among the people worldwide as well as the creation of a global civilization.

The issue of globalization surpassed the mere of internationalization of business for a longer period of time. Most authors who wrote on the subject of globalization agree that this is a process that primarily integrates society and culture around the world through a global network of trade, communications, transport and immigration.

The concept of "globalization" has been the subject of considerable debate, which has still not come up with a clear and widely accepted definition. Some authors argue that the key issue behind the process is economic, while others stress political and even technological and cultural aspects. However, there is a certain consensus on defining globalization as a process which has accelerated noticeably in the last decade (Randolph, 2007), which is multidimensional (Martin, 2001; Shademan, 2009), and which affects the world as a whole thus distinguishing it from the other ways in which countries open up to the international arena. As Vujakovic (2009: 5) notes: "Globalization is a process of growing interaction and interdependence between economies, societies and nations across large distances."

Most authors agree that there are three fundamental benefits of globalization: (i) it promotes global economic connectivity, revolutionizing trade flows and conditioning business strategies (Morrison, 2002); (ii) it contributes to the interchange of information, improving comprehension between different cultures and fostering democracy (Bagchi, 2007); and (iii) in the more globalized countries, it generates growth in revenues and in the quality of life of its inhabitants (Randolph, 2007). In addition, positive effects of the globalization process could be identified as a creation of new global market place together with new jobs, better market offer of certain goods and services, lower prices, technological know how transfer, better conditions for innovations and increasing needs for competition.

Some of the major arguments against globalization are: the erosion of national sovereignty and national borders caused by numerous international treaties, the eradication of cheap labor in developing countries, higher prices of goods and services in developing countries, the disappearance of small family businesses in favor of multinational corporations. As stated, in the processes of globalization, the power of multinational corporations constantly increase. Many small and poor countries, in which such corporations operate, become co called subsidiaries of multinational corporations because of the huge financial resources that they own.

The gross national product of these countries can not be even measured with the profit that these corporations are generating. Multinational corporations, however, influence and extend their power to all countries around the world. Decisions made by multinational corporations are made on a global scale, transferring capital or resources from one country to another, influencing (un)employment of millions of people and the level of economic activity in certain countries.

In addition to all of the above, it can be said that the negative effects of globalization especially on local level, may include increasing abuse of vulnerable groups (children, women, youth etc.), lack of social protection and human rights violations, the exploitation of natural resources of underdeveloped and developing countries, pollution of the environment, commodification of cultures etc.

## ***DRIVERS OF GLOBALIZATION***

According to Dwyer (2015), there are five drivers of globalization: economic, technological, demographic, social and political. Globalization process provides economic benefits to national economies, making their markets more efficient, and making their economies more competitive. On the other hand, there is an attitude that, in the short term, costs exceed the benefits of globalization, which complicates the functioning of the national economy. As a last example, the global financial crisis, resulted in the introduction of numerous protectionist measures, which caused the reduction of capital mobility worldwide. The negative sides refer to the great interdependence of national economies, as previously said the loss of national sovereignty and the unequal distribution of income. With benefits, there is a consensus that, under the influence of globalization, there has been a rise in foreign direct investment, technological innovation and economies of scale. Foreign direct investments enable technology transfer, industrial restructuring and the growth of multinational companies. Technological innovations provide output growth, which is achieved with greater efficiency of production. Globalization allows multinational companies to reduce costs and prices creating preconditions for economic growth. This effect can also have a negative effect, because in this case, the competitiveness of small and medium-sized enterprises at the local level is reduced. Large number of local SMEs (mostly family run business) can not stand the sharp market game and stop doing business.

The net effect of globalization on economic growth is an important issue. Previously implemented research has not completely confirmed the strong existence of a systematic positive or negative link between globalization and economic growth of national economy. Some authors have the opinion that the effect of globalization on economic growth depends on the economic structure of the national economy during the process of globalization. The impact of globalization on economic trends may be under the influence of additional effects and factors, such as investment in human capital and the financial system. In this way, additional aspects can play an important role in promoting growth, during the globalization process.

Technology today represents the basis of a better way of life, and it also directs us to new, different and improved models of social and economic adaptability. The globalization process caused lot of technological changes and vice versa, technological improvment speed up the globalization process. Consequently, global market shows increasing demand for highly skilled labour force. This process has strong influence on developments in information and communications technology (ICT) and in transportation industry as well. Technological progress has also negative effects, and implicit, such as a collision in weapons and the production of mass destruction or explicit means, such as global warming. ICT development can provide the necessary tools and methods for more efficient technology development in general terms, not just hardware itself. The Internet and related social media has been a vital development across all industries as consumers use it to gather information on destination, products and services. Improvment in tehnology brings great advantages especially in transport sector that enable the continued rise in mobility of the people worldwide. The application of new technologies has enabled a completely new and different approach to business and new business processes. Furthermore, the expansion of technology, which is facilitated by reducing the cost of communications and improving access to telecommunications and the Internet has also contributed to the acceleration of information and finance flows, enabling a stronger integration of the world economy.

In the last few years, we have witnessed a real revolution in the Internet and new technologies. Until the beginning of the development of social networks, or the emergence of the first social networking page, the very concept of Internet and Web browsing was generally oriented to passive content overview on various websites. At the the beginning of this century, information technology, including the Web, experienced a great expansion. With the emergence of new services such as RSS, XML, blogs or social networks, the Internet has fully and in every sense got a new dimension. The development of the modern marketing concept has influenced the fact that social networks have become an essential element of a promotional strategy for all companies that want to successfully operate on the Internet. New marking approach is based on individual and custom made approach to the each customer. The number of visits to websites has been greatly enhanced since it has been possible to connect to social networks, and to share links or recommendations. Today, social networks can be seen as a way of communication in the 21st century.

In developed countries, globalization has influenced the urbanization of the population (by 2020, it is expected that more than 60% of global population will live in cities), the prolongation of inhabitants' life, the higher level of health care and its aging. On the other hand, developing countries record a population explosion, young people prevail, an increase in the number of workforce (in most cases insufficiently qualified) that will not have employment within the national economies.

Furthermore, World Bank analyzes show that the world's population will grow from the current 6.5 billion to 8 billion in 2030. Europe and Japan will likely experience a reduction in the number of stagnation, and a possible increase in developed countries would result in migration. More than 97% of population growth will refer to developing countries. At the same time, the available labor force will increase from almost 3 billion people, as today stands at roughly 4.1 billion, with the

result of a stagnant workforce being higher than the population growth rate. Today, more than two-thirds of the population live below USD 1 a day, and the share of the poorest fifth of the world's population has declined from 2.3% to 1.4%, and the share of the richest fifth rose from 70% to 85%. For comparison, in 1960, the ratio between 20 richest countries and 20 poorest countries accounted for 18 times, and in 2000 that ratio was 45 times and had a tendency to constant grow. Developed countries of the world face economic and political migration, and in recent years also with migration as a result of war destruction.

Globalisation has produced a generation that is more international in its outlook than any before. This is demonstrated in membership of international organisations, studying abroad, taking part in human rights campaigns and so on.

The political aspect relates to the violated state sovereignty resulting from the signing of international treaties and access to international organizations such as World Trade Organisation (WTO) and the International Monetary Fund (IMF) that facilitate globalisation processes reducing trade barriers (such as tariffs and subsidies) and the deregulation of world financial markets. A global governance system is being created that limits to the existing power of the state, creating the basis for creating a new, super, over national state. Government weakening is particularly noticeable in the area of finance.

## ***TOURISM AS GLOBAL PHENOMENON***

Tourism is a global phenomenon, which represents one of the most important economic and social sectors of our time, an engine of economic growth, investment, general social progress and environmental sustainability. Furthermore, tourism is a major export sector in the many countries. Over the past six decades, tourism has continued to expand and diversify; it is now one of the largest and fastest-growing economic sectors in the world. (Lovreta et. al. 2016). Many new tourist destinations have emerged alongside the traditional ones of Europe and North America. From 1980 to 2016, international tourist arrivals (i.e. overnight visitors) more than tripled worldwide, leaping from 278 million in 1980 to 1,235 million in 2016 (an increase of 46 million over the previous year), corresponding to an average growth of 4.2 % a year UNWTO, 2016). International tourism receipts earned by destinations worldwide have surged from US\$ 2 billion in 1950 to US\$ 104 billion in 1980, US\$ 495 billion in 2000, and US\$ 1,220 in 2016 (UNWTO, 2017a). Tourism is resilient industry, continuing to grow even during the period of economic and political crisis. Year 2016 marks 7th consecutive year of above-average growth with international arrivals incising by 3,9 % (UNWTO, 2017a).

The tourism market has been extensively expanded in recent years and new tourist destinations are emerging. In countries with traditional tourism, the fact that globalization has a significant impact on the expectation and behavior of tourists, as well as on the demand, has not yet been accepted sufficiently. New distribution channels allow everyone to receive the latest information about the best connections

and best prices at the most attractive destinations around the world. However, intercontinental tourism accounts for only 12% of the total turnover (UNWTO, 2016), but increasing trend is noticed and at the same time number of tourists from far east countries, especially the Chinese, Koreans, Indians and the Japanese is constantly growing. The most common intercontinental routes are the North Atlantic route between Europe and America, and the East Asian and Pacific American routes, as well as the route linking Europe with the mentioned areas in East Asia and the Pacific.

Increasing number of countries worldwide have opened up to, and invested in tourism because they recognize that tourism is important driver of socio – economic progress that will bring new jobs, generate revenues and speed up infrastructure development. In addition to receipts earned in destinations, international tourism also generated US\$ 216 billion in exports through international passenger transport services rendered to non-residents in 2016, bringing the total value of tourism exports up to US\$ 1.4 trillion, or US\$ 4 billion a day on average (UNWTO, 2017a). International tourism represent 7% of the world's exports in goods and services, after increasing one percentage point from 6% in 2015 (UNWTO, 2017a). Tourism has grown faster than world trade for the past five years. As a worldwide export category, tourism ranks third after chemicals and fuels and ahead of automotive products and food. In many developing countries, tourism is the top export category.

Economic, technological, demographic, social and political drivers of globalization set the context in which the global tourism industry is developing in a context of continued globalisation. The trend towards increased globalisation has strong impact on tourism boosting, as people are increasingly 'international' and 'cosmopolitan' in their outlook.

Globalization influences the degree of dynamism of national economies, which results in an increase in revenues in general, and the release part of income for traveling. Consequently, the acceleration of domestic and international tourist traffic is noticeable.

On the other side, there are opinions that globalization has effects that greatly reduce the economic impacts of tourism growth. These effects encompasses:

- income inequality,
- economic dependency
- consolidation
- tourism expenditure leakages
- destruction of local industry.

Global character of tourism has caused exchange of economic, social and other influence between the local population and tourists. Changes were also taking place on the side of the tourist offer as well as on the side of tourism demand. Tourism offer is characterised by the different forms of integration within the same or between different activities. On the other side, tourism demand has been changed. Also, competition on the tourism market is being strengthened, among different destinations on a global scale.

Globalization offers new opportunities for tourism development. The development of information technology, communication and traffic has influenced the growth in tourism sector. It has made a special impact on the global tourist offer and the development of central reservation and global distribution systems, which enabled more flexible and efficient operations. It also influenced the reduction of airfare prices, as well as the easier access to remote destinations. The rapid expansion and use of information technology has improved business efficiency, as well as the quality of services offered to consumers. This also influenced the emergence of demand for new, modern services and products, such as: computerized hotels, the possibility of online reservations, video conferences, video brochures, smart cards, electronic money transfers, etc. The increasing use of the Internet in destination marketing management, direct sales and new reservations systems have enabled the expansion of electronic tourism markets. Hjalager (2010) states that globalization in tourism can be expressed in levels, as shown in the following Table.

*Table 1: Levels of Globalization in Tourism*

Features	Low level of globalization			High level of globalization
Level name	Missionaries on the market	Cross-border integration	Fragmentation of value chain	Passing in new value chains
<b>Logically</b>	Access to new profitable markets with existing products	Using a market approach and a profiled brand to a foreign market	Creating profitability in services and accessibility to specific tangible and intangible resources	Adding value by integrating economic logic into other sectors
<b>Tourism manifestation</b>	Tourist Committee for Presentation and Operations on the Market  International marketing cooperation with regional / national tourism enterprises  Market expansion of major tourist companies	Transnational integration through business investment and merge  Import and export business concepts through franchises and licensing	Division of value chains  Flexible human resources and the advancement of the international labor market	Development, production and marketing of knowledge  Selling market position and brand extension  Tourism in the production of global media

*Source: Hjalager, 2007.*

The development of new technologies and media allows potential consumers the availability of available tourist information at any time and in any place. The Internet has enabled the creation of global tourism products that are tailored made and can be bought at lower prices, which has resulted in consumers becoming more

technological and internet-oriented. The influence of the Internet and new ICT technologies is very significant in all activities of the tourism industry and also reduces the need for intermediaries in doing business.

Changes in value attitudes of new consumers (tourists), have influenced the creation of new tourism products. Although traditional mass tourism continues to dominate, it is gradually turning into "new tourism", often referred to as responsible, alternative, green or sustainable. New types of tourism products (or new, modern variations of existing tourism products) that have great potential for the future are: cultural and thematic tourism routes, health, wellness and spa tourism (including the application of new methods and natural resources), natural, educational, gastronomic, virtual, experimental, ethical tourism products, cruising etc. These new needs require the adjustment of tourism products, which is very important from the marketing point of view. The tourism industry is facing the challenge of meeting the needs of new tourists, while at the same time require a shift from the mass market to individual tourists, custom made approach and satisfaction of new tourists' needs.

Globalization represents the tourism industry in a new light by opening numerous questions and creating new challenges. Business operations in tourism are carried out abroad in countries with different cultural, political, economic, technological and legal practices and must be constantly adapted. The complexity of globalization points to the necessity of understanding and adapting to different practices, worldviews, variations in business, as well as differences in national cultures of both employees and consumers (tourists). New tourism managers must develop intracultural communication at a high level and adapt their own business to the environment in which they operate. They also have to accept the possibility of communication difficulties, controlling legal regulations, developing international human resources rules, facilitating cross-cultures when accommodating and transporting tourists etc. The attitude of employees in tourism will vary with changes in the needs and demands of consumers. Today's tourism managers need to be well acquainted with the characteristics of the market they enter - religion, customs, business ethics, language, quality standards etc.

Furthermore, should not be forgotten that future global consumers are children today. It is necessary to influence the creation of their interest in local identity and make them proud of their identities, which is a great challenge. However, they are heavily influenced by the Internet and global trends. The question that arises is whether these children will rise to decide for global values, or to which extent will they keep their local traditional cultural and any other identity. This will largely depend on their intellectual, logical and practical characteristics, which will affect the preservation and protection of local culture from negative effects of globalization.

Globalization has brought great benefits to tourism: globalization contributes to the growth of trade, capital and human flows, generates overall economic growth, and thus creates thousands of new jobs in developed and emerging economies. It has also increased the development and progress of tourism by encouraging investment in tourism infrastructure, especially in underdeveloped regions, which

also contributes to improving their position in the international market. Thus, tourism has benefited from globalization the following global principles of socio-economic, ecological and cultural-sustainable development, which contributes to the improvement of the world as a global place.

Globalization has also created new challenges in the marketing of a tourism destination. Cultural differentiation and segmentation are key tools that will ensure competitiveness for one destination in the future. Marketing professionals will have to be aware of the cultural needs of certain markets, local habits and characteristics of the local market and use it to develop marketing plans for destinations international market. They will have to know how to separate global, international, and subnational cultures. Therefore, destinations will have to build their own cultural identity in order to better position themselves in the market.

*Table 2: Advantages and Disadvantages of Globalization in Tourism*

<b>Advantages of globalization in tourism</b>	<b>Disadvantages of globalization in tourism</b>
<ul style="list-style-type: none"> <li>• Increase in international trade, capital and human flows</li> <li>• Generates growth, and, thus, creates new jobs in developed and emerging economies.</li> <li>• Foreign investment in hotels and tourist attractions</li> <li>• New forms of business and business activities (marketing, etc.)</li> <li>• "Global players" (multinational corporations) and strategic alliances (airlines, hotels, tour-operators)</li> <li>• Global management in tourism</li> <li>• Sustainable development as a quality and main aim</li> <li>• Advantages for tourists - developed technology (lower travel costs), new experiences</li> <li>• Glocalization (global market place)</li> </ul>	<ul style="list-style-type: none"> <li>• Losing local characteristics – creation of a global village</li> <li>• Cultural changes that lead to a global, homogeneous culture</li> <li>• Ecological and environmental degradation</li> <li>• Climate change and their impact on the tourism destinations</li> <li>• Global warming and impact on tourism</li> <li>• Loss of identity and difficulties in operations or shutdown of national companies especially local SMEs</li> <li>• Increased competition</li> <li>• Standardization of tourism products and the disappearance of local standards and products</li> <li>• Internationalization and standardization of tourist infrastructure</li> <li>• Language and cultural barriers</li> <li>• Endangered business of (local) tourist intermediators due to the emergence of new technologies (Internet, CRS, GDS ...)</li> </ul>

*Source: Brdar, 2014.*

## ***INTERNATIONAL TOURISM IN 2016 – KEY TRENDS AND OUTLOOK***

International tourist arrivals (overnight visitors) in 2016 grew by 3,9% to reach a total of 1.235 million worldwide. Since the 1960s, there has been no continuous growth at a stable rate as in the last seven years. The demand for international tourism products, in other words, the international demand has recorded growth in most destinations (except in destinations that have been hit by terrorism, which as a negative global phenomenon has a strong impact on tourism development around the world). In the last few years, it can be said that there is a trend of redirection of tourist demand to some new destination (due to safety and climate issues and challenges), although due to the overall growth of tourist demand and better connectivity and accessibility, most of the tourist destinations retained the previously acquired share.

By UNWTO region, Asia and the Pacific continue to led growth in 2016 with a 9% increase in international arrivals, followed by Africa (+8%) and the Americas (+3%). Europe with recorded increase of +2% remains the world's most visited region. Middle East recorded declined in arrivals by -4%. By subregion, the strongest results were recorded in Subsaharan Africa (+10%), followed by Oceania, North-East Asia and South-East Asia (all +9%), South Asia (+8%) and South America (+7%) (UNWTO, 2017a).

In 2016, international tourism receipts recorded increase by 2.6% in real terms (after exchange rate fluctuations and inflation adjustments) with total earnings globally estimated at US\$ 1.220 billion worldwide (UNWTO, 2017b).

Table 3 shows top 10 countries by the international arrivals ranking in 2016. In receipts, the US and Spain remain at the top, followed by Thailand, which climbed to number 3 last year and China, which is 4<sup>th</sup>. France took 5<sup>th</sup> and Italy took 6<sup>th</sup> position, while the United Kingdom, Mexico and Thailand moved up to 6<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> place in international arrivals. China, the United States and the Germany remain the largest and the most important emitting markets (top expenditure ranking is in that order).

*Table 3: International Tourist Arrivals in 2016*

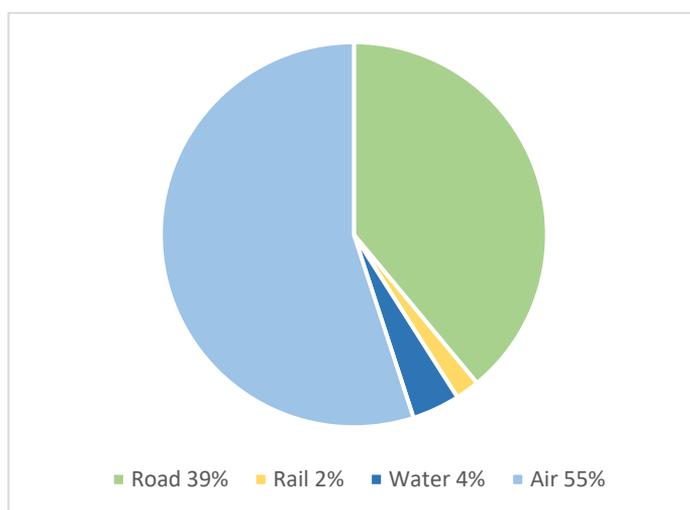
<b>Rank</b>	<b>(MILLION)</b>		<b>(Change) (%)</b>	
	<b>2015</b>	<b>2016</b>	<b>15/14</b>	<b>16*/15</b>
<b>1 France</b>	84.5	82.6	0.9	-2.2
<b>2 United States</b>	77.5	75.6	3.3	-2.4
<b>3 Spain</b>	68.5	75.6	5.5	10.3
<b>4 China</b>	56.9	59.3	2.3	4.2
<b>5 Italy</b>	50.7	52.4	4.4	3.2
<b>6 United Kingdom</b>	34.4	35.8	5.6	4.0
<b>7 Germany</b>	35.0	35.6	6.0	1.7
<b>8 Mexico</b>	32.1	35.0	9.4	8.9
<b>9 Thailand</b>	29.9	32.6	20.6	8.9
<b>10 Turkey</b>	39.5		-0.8	

*Source: UNWTO Tourism Highlights, 2016 Edition, UNWTO, Madrid*

International tourist arrivals worldwide are expected to increase by 3.3% a year between 2010 and 2030 to reach 1.8 billion by 2030, according to UNWTO's long-term forecast report *Tourism Towards 2030* (UNWTO 2010). Between 2010 and 2030 arrivals in emerging destinations (+4.4% a year) are expected to increase at twice the rate of those in advanced economies (+2.2% a year).

The market share of emerging economies increased from 30% in 1980 to 45% in 2016, and is expected to reach 57% by 2030, equivalent to over 1 billion international tourist arrivals.

The 1 billion international arrivals mark in a single year was exceeded for the first time in 2012. This has further increased to 1.2 billion in 2016, with 305 million more international tourist arrivals recorded compared to 930 million in the pre-crisis year of 2008.



*Figure 1: Inbound Tourism by Mode of Transport in 2016*

*Source: UNWTO Tourism Highlights, 2016 Edition, UNWTO, Madrid*

Research shows that over the half of all international tourist arrivals in 2016 (or 53% or 657 million) refer to travel for holidays, recreation and other forms of leisure. Travelling for business and professional purposes accounted for 13% of all international tourists reported and another 27% travelled for other reasons such as visiting friends and relatives (VFR), religious reasons and pilgrimages, health treatment, etc. The purpose of visit for the remaining 7% of arrivals was not specified (UNWTO, 2016).

Expenditure by international visitors on accommodation, food and drink, entertainment, shopping and other goods and services in tourism destinations reached US\$ 1.220 billion (euro 1.102 billion) in 2016. This represents an increase of 2.6% in real terms (i.e. taking into account exchange rate fluctuations and inflation) compared to 2015. Tourism receipts followed the overall trend in international tourist arrivals, though at a somewhat slower pace.

Growth in receipts is computed in real terms in order to avoid the distortions caused by exchange rate shifts between local currencies and the US dollar, although such fluctuations were fairly contained in 2016 (the average US dollar-euro rate hardly varied from 2015). In real terms, tourism receipts increased by 8% in Africa, 5% in Asia and the Pacific, 3% in the Americas and 1% in Europe, while they declined 2% in the Middle East (UNWTO, 2017a).

In macro-economic terms, expenditure by international visitors counts as exports for the destination country, and as imports for the country of residence of the visitor. For many countries inbound tourism is a vital source of foreign currency earnings and an important contributor to the economy, creating much-needed employment and opportunities for overall economic development.

In addition to the tourism receipts earned in the destinations (the travel item of the Balance of Payments), according to the INWTO data, international tourism also generated US\$ 216 billion in exports through international passenger transport services rendered to non-residents in 2016. Added to the US\$ 1.220 billion in tourism receipts in destinations, the value of tourism exports amounted to US\$ 1.4 trillion, or US\$ 4 billion a day on average.

*Table 4: International Tourism Receipts in 2016*

	In US\$				Local currencies	
	(BILLION)		(Change) (%)		(Change) (%)	
Rank	2015	2016	15/14	16*/15	15/14	16*/15
<b>1 United States</b>	205.4	205.9	7.0	0.3	7.0	0.3
<b>2 Spain</b>	56.5	60.3	-13.3	6.9	3.8	7.1
<b>3 Thailand</b>	44.9	49.9	16.9	11.0	23.0	14.7
<b>4 China</b>	45.0	44.4	2.1	-1.2	3.6	5.3
<b>5 France</b>	44.9	42.5	-22.9	-5.3	-7.6	-5.1
<b>6 Italy</b>	39.4	40.2	-13.3	2.0	3.8	2.3
<b>7 United Kingdom</b>	45.5	39.6	-2.3	-12.9	5.2	-1.4
<b>8 Germany</b>	36.9	37.4	-14.8	1.4	2.0	1.7
<b>9 Hong Kong (China)</b>	36.2	32.9	-5.8	-9.1	-5.8	-9.0
<b>10 Australia</b>	28.9	32.4	-8.2	12.3	10.2	13.5

*Source: UNWTO Tourism Highlights, 2016 Edition, UNWTO, Madrid*

International tourism (comprising both earnings in destinations and passenger transport) represents 30% of the world's services exports. It also accounts for 7% of overall exports in goods and services. It is important to emphasize that international tourism has grown faster than world merchandise trade for five consecutive years now.

Regarding export of services, tourism occupies the third place, behind the chemical and petroleum industry, and before the automotive and food/processing industry. In many developing countries tourism is the top export category. For emerging economies as a whole, tourism represents 40% of services exports, well

above the 30% world average. Tourism is increasingly an essential component of export diversification, both for emerging and advanced economies, and often shows a strong capacity to compensate for weaker export revenues in many commodity and oil exporting countries (especially in the conditions of lower oil prices).

## ***CONCLUSION***

Globalization offers new opportunities for further tourism development: new technologies and media, knowledge transfer, the flow of human capital, development of transport, central reservation and global distribution systems which enabled more flexible and efficient operation had a strong influence on current tourism development. It also influenced the reduction of airfare prices, as well as the easier access (especially) to remote destinations. The rapid expansion and use of new technologies has improved business efficiency, as well as the quality of tourism products and services offered to consumers.

Thanks to the globalization, relations between people and countries become more intensive and people begin to think globally and understand the whole world differently. Globalization has certain requirements - continuous investment in knowledge, technology, research and development. Who begins to lag behind in the process of globalization or does not get involved on time, in that contemporary processes, significantly will be lagging behind. Today's world is increasingly "opening" and "decreasing" and hence a well-known reference to the world as a "global village" was created. Globalisation's impacts on tourism cannot be generalised too broadly as well as the subsequent effects on economies, local communities and natural environments. These effects can be positive and negative. More case studies are required to identify the effects in particular locations. The process of globalization still does not show signs of fatigue and slowing down, which additionally represents a major challenge for the future of the tourism.

Tourism industry had to be sensitive to the needs and demand of the 'new tourists' in the process of the creation of new tourism products. At the same time, it is of utmost importance that creators and tourism policymakers at national and local level clearly determine what kind of tourism they want to develop in their communities (types of tourism products), what results they want to achieve and in which type of local community they want to live. On the other hand, they must be aware that not inclusion in global processes can deprive their destination of further economic, technological and any other development. Furthermore, it is expected that the tourism industry in the coming period will play a more important role in the realization of sustainable development goals (17 UN SDGs), especially in developing countries, which can be seriously undermined under the strong effects of globalization.

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# **IMPACT OF MULTICULTURAL BUSINESS ENVIRONMENT ON ORGANIZATION BEHAVIOR AND LEADERSHIP**

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*Imani Silver Kyaruzi*<sup>12</sup>

## **ABSTRACT**

*This paper aims to discuss the impact of multicultural business environment on organization behavior and leadership. It also examines the role of international business environment in the context of global strategy of companies, followed by the role of managers and leaders in managing global organizations. An attempt is made to study the importance of managing a culturally diverse workforce in a global organization. The method of study is primarily literature survey and the websites of some of the organizations. The analysis proves the point that globalization is inevitable in the present economic scenario, hence, companies that can adapt faster to this trend of globalization by adopting suitable management techniques, will have a competitive advantage. In the study, it is concluded that leading a complex global organization requires a different mindset among the leaders and the employees. In an interdependent, networked and global organization, the leader's role becomes very important. The leader must create and communicate proper understanding of different roles, teams and different business units specific to the situation, while being consistent with the organization's core processes, values and purpose.*

**Keywords:** *Globalization, Cultural Diversity, International Business Environment, Leadership*

**JEL Classification:** *D23*

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## ***INTRODUCTION***

In recent years, the terms `globalization` and `multiculturalism` have dominated the studies of business and management. Globalization can be understood as a process which removes physical, political, economic and cultural barriers between different regions in the world, thus encouraging exchange of goods, services, money and people between nations. McGrew (1992) refers to these exchanges as multiplicity of linkages and interconnections that transcend the nation states. The process of globalization results in global integration supported by the “advancements in communications, technology and transportation that have truly made the world a unified global field and have contributed significantly to the globalization process” (Radović-Marković, Vujičić, 2014a). While diversity and multiculturalism have now become the features of modern business environment, the impacts they pose on organizational behavior and leadership have been rarely investigated. Arguably, new technologies have not only made the world a smaller place, but they have altered the nature of work (Radović-Marković, 2008). In other words, they have led to the creation of new leadership practices based on the types of knowledge acquisition and methods (Radovic et al., 2012). At the same time, with increased levels of integration, successfully managing diversity is significantly recognized as an imperative to the contemporary business world. Leaders and managers might find themselves in foreign assignments; managing a workforce that has different needs and exhibits different attitudes towards work. In similar veins, managing global companies pose many opportunities and challenges for the leadership of the company. According to Harvard Business School, managers can take a threefold approach to better prepare to manage on a global level. This includes: “1) to develop a clearer understanding of the challenges of managing people across borders; 2) to instill in new global managers as an awareness of and an appreciation for the vast differences among the cultures in which they do business; and 3) to give global managers the tools and support they need to succeed” (Harvard Management Update, 2006). However, as discussed in this paper, such characteristics can only be accommodated and fit neatly within specific leadership styles.

## ***DEFINITION AND THEORETICAL BACKGROUND***

Organizational culture presents itself in different forms. The contemporary definition of organizational culture includes what is valued; the leadership style, the language and symbols, the procedures and routines, and the definitions of success that characterizes an organization. The World Commission on Culture and Development noted that a society’s culture is “neither static nor unchanging but rather is in a constant state of flux, influencing and being influenced by other world-views and expressive forms” (UNESCO, 2013). Therefore, it has been argued that “...managing in a global environment means you manage people who

are separated not only by time and distance, but also by cultural, social, and language differences," says Devarajan, managing director of Cisco Systems Global Development Center in Bangalore, India. Cisco India has over 1,500 employees and nearly 3,500 partner employees (Radović-Marković et al., 2014).

One of the most popular approaches to analyzing cross-cultural issues is proposed by Hofstede (1980). The model is based on five bipolar dimensions, by which cultural differences can be analyzed: high/low power distance, individualism/collectivism, masculinity/femininity, high/low uncertainty avoidance and long-term/short-term orientation. Later alternative models of cross-cultural analysis were developed and tested by other scientists (House et al., 2004; Schwartz, 1994). For example, Baba (1996) classifies differences in cultures into three categories:

1. Differences in traditional organization structure;
2. Managerial differences;
3. Differences in concept fundamental vision for the organization and in philosophy, on which are based the agreements and laws.

The basic idea in literature is that members of different cultures perceive the world differently and put a different meaning in the patterns of behavior implemented by them. This methodological approach is correct, however, it does not take into account the role of subcultures and some additional factors. It is known that depending on the religion, social status or age, the representatives of the same nation can have opposite sets of values and implement various patterns of behavior (Coon, Kimmelmeier, 2001).

There is a considerable variation in the degree to which leadership styles are exercised and practiced. Looking more closely, there is a great diversity of leadership styles within any one of these countries, making leadership a high-context function. For example, a leader in the U.S., is expected to make quick decisions. In contrast, a Transformative Leadership Philosophy," describes an African philosophy and leadership style. In looking at the leadership wisdoms from many different cultures and societies, it can be concluded that while Western leadership knowledge and practices have been effective in many parts of the world in the past, this approach has limitations in today's global business environment. The nature and structure of the global business environment has been transformed over the years and do not seem to conform to the old traditional leadership styles. Most of the traditional leadership styles are seen to be too slow to accommodate the uncertainties and the changing nature of globalization (Williamson, 2014). However, these changes do not seem to be universal. Taking an example of China it is notable that Chinese business have now become increasingly integrated into the international business arena, but they seem to have maintained most of their business leadership styles. Consequently, any global firms operating in China have to transform and adapt in order to fit in. Hierarchies still exist despite China's new approach to World business by adopting modern institutions.

There are arguments to suggest that a transformational leader is flexible and adaptable enough to accommodate the challenges posed by globalization and respond

well to the concept of multiculturalism. Based on recent studies by Northouse (2012), a transformational leader is seen as an ideal person to manage modern entrepreneurial firms operating in a global business environment. De Kock and Slabbert (2003) have confirmed a number of characteristics of transformational leadership. They believe that transformational leadership is useful for organizations seeking to gain a global status because this type of leadership is visionary, strategic and inspirational in nature and aims to enable, rather than coerce people to perform.

## ***MANAGING A CULTURALLY DIVERSE WORKFORCE AND CREATING THE CULTURALLY DIVERSE ORGANIZATION***

A demographically diverse workforce presents both challenges and opportunities. For leaders, having a diverse workforce means having a pool of talents that could lead to performance. However, as Billing & Sundin (2006) suggest, there is a shift from just managing equality to managing diversity. Managing culturally diverse workforce demands effective leadership in order to guarantee success. Research by Roodt (2001) suggest how important leadership is in a multicultural environment to drive performance forward by meeting the needs of all stakeholders. Arguably, globalization has created a diverse and complex workforce that places a high level of demands on organizations and managers. Managing global companies has many opportunities and challenges for the managers and the leadership of the company. In order to survive in this global economy, managers must foster creativity and competitive growth (Radovic-Markovic, 2011). Important support in facing all these challenges has been provided at cognitive level by management system models and at technological level by information technologies. However, in the knowledge intensive firms, all traditional business models are challenged.

Faced with technology globalization (MacGillivray, 2005) leaders are confronted with more issues other than just having a multicultural workforce. The development of contemporary technologies, especially the Internet on one side, and changes in management practice, communication and the organization of work in companies on the other side, have led in the last years to changes in regard to knowledge type and acquiring method (Radovic et al., 2012). The new way of acquiring knowledge combines formal and informal learning with practical experience.

By using a multi-disciplinary approach, leaders are able to understand the communities where the organization is at present and have the ability to work with and motivate people in the different cultures (Morrison, 2000). A culturally diverse workforce must be valued and managed well by all organizations in order to remain competitive in the present global environment. In the line with this, managers are faced with following challenges (Radović-Marković, et.al, p.27., 2014) :

1. Communication challenges – managers must learn to keep the lines of communication open.

2. Frequent communication-it is essential to success.
3. Need appropriate technological support (video conferencing, interactive groupware, etc.)
4. Technology challenges – all team members must have the same or similar technologies at their locations.
5. Policies and norms for use must be provided.
6. Diversity Challenges – different cultures have different perceptions on time and task importance.
7. Providing the appropriate technologies -for each culture is key.

Based on recent research (Radović- Marković, 2008),” the winners in changeable business environment will be the unbridled firms that are responsive to challenges and adroit in both creating opportunities and capturing them” (p.3). As suggested earlier, the current focus is not on managing equality, but rather managing diversity by capturing all sorts of opportunities that diversity brings to the workforce. For this matter, creating a culturally diverse workforce requires a leader who understand the knowledge or skills gaps of the individuals, the support needed to meet their needs and integration programs to promote engagement. Table 1 below provides a summary of some of the action that could be adopted to creating a culturally diverse organization.

*Table 1: Creating the Culturally Diverse Organization*

Characteristics	Tools
Pluralism	Training and orientation programs
Full Structural Integration	Education, training, affirmative action, performance appraisal and rewards systems, benefits, work schedules
Integration of Informal Networks	Mentoring, Social events, support groups
Absence of Prejudice	Bias-reduction training, focus, task forces
Equal Identification with Goals	Encourage participation of all employees from the diverse workforce in formulating goals, strategies and mission
Minimal Intergroup conflict	Conflict reduction training, survey feedback

*Source: Radović-Markovic et al., 2014.*

To achieve success, multicultural organizations are advised to think and act outside the traditional framework. This implies using new knowledge in the application of the best practical experience, as well as the experience of other organizations which are involved with the same or similar services (Ellwood, 2010). Most companies and organizations define and use one preferred leadership model and set of competencies – which is, typically, strongly influenced by Western management theory and practice. Organizations that develop multicultural leadership are focused on individuals who are skilled at working in various cultural contexts.

## ***CONCLUSION***

In arguing for the relevance of the impact of multiculturalism on organizational behavior and leadership, we acknowledge that these global firms are not homogenous and admit to the fact that they possess their own particular needs and tend to present unique and rapidly changing scenes to run their business. However, there are elements that are common to almost all multicultural organizations – a need for flexibility and adaptability in terms of leadership and management. To achieve success, multicultural organizations should think and act outside the traditional framework. This implies opting for transformational leadership styles that adopt, learn and embrace changes using new knowledge(s) in the application of the best practical experience, as well as the experience of other organizations which are involved with the same or similar services. Most companies and organizations define and use one preferred leadership model and set of competencies – which is, typically, strongly influenced by western management theory and practice. Developing a multicultural organization is a very important step in managing a diverse workforce in a global organization, and it is crucial for sustaining a competitive advantage in the global marketplace. However, while Western leadership knowledge and practices have been effective in many parts of the world in the past, this approach has limitations in today's global business environment. In line with this, there is a need for a new vision of leadership as one “based on eastern, western and tribal wisdom “. The future challenges, shifting this debate to another level, are the arguments as to how does globalization influence multiculturalism. In sum, multiculturalism, as it has been observed in this paper, appears to have a significant influence on organizational behavior and leadership styles.

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# **ORGANIZATIONAL CLIMATE: INFLUENCE ON NEGATIVE AND POSITIVE ORGANIZATIONAL BEHAVIOR**

*Ergyul Tair<sup>13</sup>*

## **ABSTRACT**

*The paper presented a number of studies on organizational climate in Bulgaria that apply a multi-dimensional measure of organizational climate or a short supportive organizational climate scale. The studies traced out influence of organizational climate on negative or counter-productive work behaviour and positive organizational behaviour or occupational well-being (e.g. affective job related well-being and work engagement). In the Study 1 was presented results from survey on a multi-dimensional organizational climate measure and a counter-productive work behaviour in sample of 255 employees mainly from private organizations. According to results some of organizational climate dimensions have significant impact on counter-productive behaviour. First, clarity of organizational goals and formalizations has significant impact on the complaints of the employees. Second, increasing organizational rules and procedures lead to the expression of verbal aggression. Third, the ambiguity of organizational goals and the lack of understanding and cooperation by managers affects absenteeism and delays to work. In Study 2 was presented results from survey on supportive organizational climate and work engagement in sample of 498 employees. The results established significant influence of the supportive organizational climate on work engagement measured as vigor, dedication and absorption of Bulgarian employees. In the Study 3 was presented results from survey on supportive organizational climate and well-being, measured as job related affective well-being, based on sample of 420 employees mainly from public sphere. According to the results the supportive organizational climate had significant influence on both positive and negative dimension of affective well-being. In addition, some limitations of the studies and implications for improvement of organizational climate was discussed.*

**Key words:** *Organizational Climate, Counter-Productive Work Behavior, Work Engagement, Affective Well-Being*

**JEL Classification:** *J20, J24, M55*

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## ***INTRODUCTION***

In today's changing and dynamic work environment many organizations came to realize that employees have become more and more important as a key factor providing a competitive advantage in the globalizing economic world. On the one side, looking for new ways of motivating and retaining valuable employees turn to a necessity for organizations (Sen, Elmas, 2015). On the other side, society is changing and, with it, old loyalties and forms of behavior. Managers have to recruit, select and engage employees and set up policies and procedures that ensure efficient, effective and flexible working. And all this in an economic climate that is demanding and unpredictable, and where staff have ever-increasing demands and rights. In that vein, researches which investigate employees' positive psychological states (e.g. self-efficacy, optimism, hope, and resiliency) (Luthans, 2002, p. 59) and factors improving these states or at least prevent or minimize negative state and behavior became important and have run-up. From these point, there are a number of possibilities to investigate and it is promising to say that a supportive organizational climate is one of them that take attention and would result in positive consequences for employees and organizations (Luthans et al., 2008, p. 226). Therefore in this paper was presented three Bulgarian studies from different organizations that investigated the effect of a supportive organizational climate on negative or a counter-productive behaviour and on positive organizational behavior (e.g. work engagement, affective job related well-being). Also, some implications for improvement of supportive organizational climate in organizations was discussed.

## ***LITERATURE REVIEW***

The notion of organizational culture and climate is one that has fascinated research within the field of psychology and organizational behavior for over half a century (Baltes, Zhadanova, Parker, 2009; cited in Schneider, Enrhart, Macey, 2011) and still continue to attract a lot of attention. Climate research began with analysis at the individual level, concentrating on what is termed psychological work climate (Schyns, van Veldhoven, & Wood, 2009). In this approach, individual co-workers are asked to indicate the climate at their workplace (for an example see Tordera et al., 2008). Later, the concept of organizational climate emerged, which is shared amongst the members of the work or organizational unit. It is measured by averaging the individual scores of psychological work climate (for example Gillespie et al., 2008).

### ***Organizational climate: Definitions and clarifications***

Central to most, if not all, models of organizational behavior are perceptions of the work environment, referred to generally as 'organizational climate' (Rousseau, 1988). Primarily understood as the intervening variable between the context of an organization and the responses and behavior of its members, the concept has inspired many

descriptions and operationalizations (Patterson et al., 2004). At first the use of the term psychological climate was refer to the meaning individuals attribute to their work environment such as their job, pay, leaders, colleagues, fair treatments, and opportunities for development and promotions (James, Jones, 1974). Although climate is nearly always measured and assessed at an individual level through implementing some form of employee climate and attitude survey, is it generally accepted that organizational climate refers to the collective or shared perceptions of employees toward their organizations. More specifically, it is defined as the shared perceptions of the various policies, procedures, and practices that occur both formally and informally within an organization (Patterson et al., 2004).

The term climate can designate descriptions and perceptions at the individual, group, or organizational level of analysis (Patterson et al., 2004). Individual perceptions of the work environment are usually termed psychological climate, and when shared to a level sufficient for aggregation to the group or organizational level, are labeled group or organizational climate. At the broadest level, organizational climate describes how organizational members experience organizations and attach shared meanings to their perceptions of this environment (James & James, 1989; Schneider et al., 2000). In some of the definitions distinguishing between an organizational climate and a supportive organizational climate was also made. Organizational climate is defined as "a set of measurable properties of the work environment, perceived directly or indirectly by the people who live and work in this environment and assumed to influence their motivation and behavior" (Litwin and Stringer, 1968, p. 1 as cited in Hollmann, 1976, p. 562). On the other hand, supportive climate refers to a working environment, in which reciprocal trust, coordination and collaboration is dominant and managers motivate employees towards organizational vision and increase commitment (Rogg, Schmidt, Shull, & Schmitt, 2001, p. 447). In a working environment with supportive organizational climate employees believes that they are valued, their needs are taken into consideration by their organizations and for this reason they do not hesitate to exert effort and devote time in activities related with their organizations (Randall et al., 1999, p. 162).

### ***Organizational climate: measures and dimensions***

Much of the research into organizational climate is grounded in the work of James and Jones (1974) and James and James (1989). In the beginning research on climate has basically followed two paths (Hollmann, 1976, p. 561). First, there are those studies that have essentially concentrated on the development of a taxonomy of climate dimensions and an accompanying measurement instrument (Greiner, Leitch, & Barnes, 1968; House & Rizzo, 1972; Likert, 1961, 1967; Payne & Pheysey, 1971; Schneider, 1972; Schneider & Bartlett, 1968, 1970; Sims & Lafollette, 1975; Wallace, Ivancevich & Lyon, 1975; cited in Hollmann, 1976, p. 562). Second, there are numerous studies that have employed a specific taxonomy to investigate relationships between climate and other variables, such as structure (Dieterly & Schneider, 1974; Lawler, Hall & Oldham, 1974; Payne & Mansfield, 1973 cited in Hollmann, 1976, p. 562), leadership style (Friedlander & Margulies, 1969; Litwin & Stringer, 1968; Schneider & Bartlett, 1970 cited in Hollmann,

1976, p. 562), performance (Downey, Hellriegel, & Slocum, 1975; Lawler, Hall & Oldham, 1974; Likert, 1961, 1967; Litwin & Stringer, 1968; Marrow, Bowers & Seashore, 1967; Pritchard & Karasick, 1973; Waters, Roach & Batlis, 1974 cited in Hollmann, 1976, p. 562) and job satisfaction (Downey, Hellriegel & Slocum, 1975; Friedlander & Margulies, 1969; Litwin & Stringer, 1968; Marrow, Bowers & Seashore, 1967; Pritchard & Karasick, 1973; Waters, Roach, & Batlis, 1974; cited in Hollmann, 1976, p. 562).

Before describing different dimensions of organizational climate we have to point out some clarifications. First, Schneider (1990) suggests that organizational climate perceptions focus on the processes, practices, and behaviors which are rewarded and supported in an organization. Most also agree that individuals interpret these aspects of the organizational environment in relation to their own sense of well-being (James, James, & Ashe, 1990). Second, individuals can describe the organizational environment both in an overall global sense, as well as in a more specific, targeted manner (Patterson et al., 2004). In relation to the global organizational environment, James and his colleagues (e.g. James & James, 1989; James & McIntyre, 1996) describe four dimensions which have been identified across a number of different work contexts: (1) role stress and lack of harmony, (2) job challenge and autonomy, (3) leadership facilitation and support, and (4) work-group cooperation, friendliness, and warmth. James suggests that individuals develop a global or holistic perception of their work environment (e.g., James & Jones, 1974), which could be applied to any number of contexts and industries. The global approach is advantageous in terms of its provision of an overall snapshot of organizational functioning (Ashkanasy, Wilderom, & Peterson, 2000). Therefore, in two of our studies we prefer to measure a supportive organizational climate as a global or holistic perceptions of work environment. The multi-faceted nature of organizations and perceptions also implies that perceptions of the organizational environment can be focused on a wide variety of more specific targets (Patterson et al., 2004). Schneider (1975) suggests that the dimensions of organizational climate will differ depending on the purpose of the investigation and the criterion of interest, and that general measures of organizational climate will contain dimensions that are not relevant for each specific study.

Therefore, in our study on a counter-productive behavior was preferred a multi-dimensional measure of organizational climate to ensure the establishment of the influence of more specific characteristics of work environment on negative or deviant organizational behavior. For the purpose of our study was apply a multi-dimensional measure of organizational climate provided by Patterson and colleagues (2004). It is consistent with the current emphasis on the organizational level in both theory and research (e.g. Schneider, Smith & Goldstein, 2000), and it's a well validated organizational-level measure. The theoretical bases of the measure is grounded on the competing values model, (Quinn & Rohrbaugh, 1983; Gifford, Zammuto, & Goodman, 2002), which presents the relationships between organizational values and effectiveness. The competing values model incorporates two fundamental dimensions of organizational effectiveness into a single model - flexibility versus control and internal versus external orientation (Patterson et al.,

2004). The framework's four quadrants present a set of valued outcomes and a managerial ideology about the means through which they may be achieved. Below was presented short descriptions of values model and the climate scales which was attributed to each of the quadrants represented in the model.

First quadrant is the *Human Relations Model* (internal focus, flexible orientations) has norms and values associated with belonging, trust and cohesion, achieved through means such as training and human resource development. Coordination and control are accomplished through empowerment and participation, and interpersonal relations are supportive, cooperative, and trusting in nature. Climate dimensions that Patterson and colleagues (2004, pp. 8-9) designed to represent this quadrant are: *employee welfare* (the extent to which the organization values and cares for employees); *autonomy* (designing jobs in ways which give employees wide scope to enact work); *participation* (employees have considerable influence over decision making); *communication* (the free sharing of information throughout the organization); *emphasis on training* (a concern with developing employee skills); *integration* (the extent of interdepartmental trust and co-operation); and *supervisory support* (the extent to which employees experience support and understanding from their immediate supervisor).

Second quadrant is the *Open Systems Model* (external focus and flexible orientation) is on readiness, change and innovation, where norms and values are associated with growth, resource acquisition, creativity and adaptation (Patterson et al., 2004, p. 9). Climate dimensions which reflect this orientation are: *flexibility* (an orientation toward change); *innovation* (the extent of encouragement and support for new ideas and innovative approaches); *outward focus* (the extent to which the organization is responsive to the needs of the customer and the marketplace in general); *reflexivity* (a concern with reviewing and reflecting upon objectives, strategies, work processes, and the wider environment).

In the third quadrant is the *Rational Goal Model* (external focus and control orientation) is on the pursuit and attainment of well-defined objectives, where norms and values are associated with productivity, efficiency, goal fulfillment and performance feedback (Patterson et al., 2004, pp. 9-10). Climate dimensions which might reflect this model are: *clarity of organizational goals* (a concern with clearly defining the goals of the organization); *effort* (how hard people in organizations work towards achieving goals); *efficiency* (the degree of importance placed on efficiency and productivity at work); *quality* (the emphasis given to quality procedures); *pressure to produce* (the extent of pressure for employees to meet targets); *performance feedback* (the measurement and feedback of job performance).

Finally, in the *Internal Process Model* (internal focus, control orientation) the emphasis is on stability, where the effects of environmental uncertainty are ignored or minimized (Patterson et al., 2004, p. 10). Coordination and control are achieved by adherence to formal rules and procedures. The internal process model represents the classic bureaucracy. Scales which may reflect this model are: *formalization* (a concern with formal rules and procedures); and *tradition* (the extent to which established ways of doing things are valued).

The second measure in our studies is a short supportive organizational climate scale (Lehto, 1991; cited in Mäkikangas et al. 2007). First, supportive organizational climate was considered as an individual-level construct that refers to individuals' perceptions on the quality of communication and social support in their work environment (Mäkikangas et al. 2007, p. 200). Second, the scale emphasis on general social climate in the organization (e.g. atmosphere, communication) and assistance from colleagues and is a more suitable for investigation on positive organizational behavior measured as an occupational well-being.

### ***Organizational climate and work behavior***

Organizational climate regarded as people's perceptions of their work environment concept is believed to be a critical determinant of behavior at work (Baltes, Zhadanova, & Parker, 2009; cited in Schneider, Enhart, & Macey, 2011; Rousseau, 1988; Schyns, van Veldhoven, & Wood, 2009). Research has suggested that climate perceptions are associated with a variety of important outcomes at the individual, group, and organizational levels. These include *leader behavior* (Rousseau, 1988; Rentsch, 1990), *turnover intentions* (Rousseau, 1988; Rentsch, 1990), *job satisfaction* (Mathieu, Hoffmann, & Farr, 1993; James & Jones, 1980), *individual job performance* (Brown & Leigh, 1996; Pritchard & Karasick, 1973), and *organizational performance* (Lawler, Hall, & Oldham, 1974; Patterson, West, Lawthom, & Nickell, 1977). As a global or summary construct, organizational climate has been related to several important work outcomes (Patterson et al., 2004). For example, Brown and Leigh (1996) demonstrated that perceptions of a motivating and involving organizational climate were positively related to supervisory ratings of performance. Day and Bedeian (1991) showed that employees performed better (as rated by their supervisors) in organizational climates they perceived as structured (unambiguous) and supportive of risk. Domain-specific climate has also been linked with several important work outcomes (Patterson et al., 2004). For example, Schneider and colleagues demonstrated that service climate is related to customer perceptions of service quality (e.g. Schneider, White, & Paul, 1998).

Our organizational climate' research interest is both on negative or counter-productive work behavior (CWB), and on positive work behavior (e.g. work engagement, affective job related well-being). In reference sources CWB have been described as destructive and dangerous behaviour (Murphy, 1993), as workplace deviance (Robinson & Bennett, 1995), antisocial behaviour (Giacalone et al., 1997), etc. In the latter definition, such as Chang и Smithikrai (2010) CWB was described as voluntary or intentional behaviour that works against the interests of the organization. Robinson & Bennett (1995) put attention on workplace deviance defined as voluntary behaviour that violates significant organizational norms and, in so doing, threatens the well-being of the organization or its members, or both. In many institutions, the term CWB is used to cover the whole range of employee acts which have a negative effect in the workplace (Furnham & Taylor, 2011, p.12).

There are different taxonomy of CWB' dimensions (for detail see Tair, Petkova, Velinov, 2016), as proposed from Spector and colleagues (2006) included five dimensions: 1) *violence* (harmful behavior toward others, which hurts people on physical or psychological level by threats, insults, etc.); 2) *work deviance* (failure to do job duties, by the manner they are expected); 3) *sabotage* (damaging of the physical property of the employer, wasting materials, etc.); 4) *theft* (taking something which belongs to the employer, or slowing the working process to gain more paid time); and 5) *withdrawal* (including absences, coming late to work or early leaving job, etc.).

Research suggests a wide range of reasons why employees engage in deviant behavior, ranging from reactions to perceived injustice, dissatisfaction, role modelling, and thrill-seeking (for more information see Tair, Petkova, Velinov, 2016). Further, different factors can lead to CWB such as individual factors (e.g. gender, age, personality traits) and organizational factors (e.g. remuneration, organizational climate). Spector and Fox (2005) specify that CWB is result of the interaction between personality and organizational stressors. Across individual factors have to mentioned personality (e.g. neuroticism, Machiavellianism), demography (age, sex), morality (integrity), organizational experience (tenure, commitment) and self-perceptions (self-esteem, self-concept). The situational or organizational variables included organizational policies, practices, norms, rules, resource scarcity, job autonomy and appraisals (see also Tair, Petkova, Velinov, 2016). Also, there are some research in organizational health framework (e.g. Hart & Cooper, 2001; Hart & Cotton, 2003; Cotton & Hart, 2003) that focus on organizational climate and organizational withdrawal, harassment and negative employment experiences (Cotton & Hart, 2003). Hart and Cotton (2003) argued that the central role of organizational climate can be explained in terms of it reflecting the core organizational behaviors that underpin employees' coping strategies and work experiences. In other words, climate is a cognitively oriented construct that reflects employees' perceptions of what occurs on a day-today basis in their workplace, as opposed to their positive and negative work experiences, which reflect their affect-laden responses to various events occurring in the workplace (Cotton, Hart, 2003). According to this view, organizational climate contributes to well-being, as well as on negative and positive work experiences. As such, we can expected organizational climate to have an influence on both negative and positive behavior at work.

In this regard, we expect organizational climate or how people subjectively perceived the characteristics of their work environment to affect different type of CWB. The climate is influenced by leadership style, formal systems and structures, administrative procedures and rules for decision making. It has been shown that the climate affects job satisfaction, effectiveness and motivation of employees. Therefore, organizational climate refers to the situation as it relates to the thoughts, feelings and behavior of organizational members (Denison, 1996), and therefore would have an impact on the realization of the CWB. As our a multi-dimensional measure of organizational climate includes dimensions such as the structure and standards of the organization, distribution of responsibilities, remuneration system, supporting working conditions, rules and procedures related to the welfare of employees so we can expect significant impact on different types of negative or counter-productive behavior.

The purpose of this article is to propose not only the importance of a supportive organizational climate to decline the negative or counter-productive work behavior, but also to highlight the positive perspective or influence on positive organizational behavior (Luthans, Norman, Avolio, & Avey, 2008). Positive organizational behavior (Luthans, 2002a, 2002b, 2003; Luthans & Youssef, 2007; also see Nelson & Cooper, 2007; Wright, 2003; cited in Luthans et al., 2008, p. 220) is largely drawn from the theory and research in positive psychology (e.g. Seligman & Csikszentmihalyi, 2000) applied to the workplace. Some of the positive psychological constructs are hope, resiliency, optimism, and self-efficacy (for detail see Luthans et al., 2008). However, it was offered other positive psychological constructs to be included in positive organizational behavior such as work engagement (Schaufeli & Bakker, 2004; Schaufeli & Salanova, 2007), psychological well-being (Wright & Cropanzano, 2000, 2004), wisdom, courage and others (Luthans et al., 2008, p. 221). Therefore, in our study were included occupational well-being or work engagement and affective job related well-being.

The well-being at work (or occupational well-being) as an employee's ability to manage the daily workload and is constructed through various issues related to the psychological and physical condition of the person (Viitala, Tanskanen, & Sääntti, 2015, p. 606). The research focus has most often been on psychological (mental) job well-being, which has been measured through negative indicators (e.g. stress, cynicism and burnout) or positive indicators (e.g. job satisfaction, engagement and commitment) (Viitala, Tanskanen, & Sääntti, 2015, pp. 606-607). The present study focused on emotions of employees in workplace and apply an affective well-being model proposed by P. Warr (1987, 1990). According to the model job-related affective well-being was defined by two principal dimensions of pleasure and arousal (see figure in Warr, 1990, p. 195). Using these dimensions P. Warr described both the content and intensity of job-related feelings and depicted affective well-being along three key axes: (1) displeased-pleased, (2) anxiety-contentment (later labeled as comfort), and (3) depression-enthusiasm. The results of exploratory factor analyses performed on the well-being items does not proved in Bulgarian conditions (for more details see Tair, 2010a, 2010b, 2011). P. Warr's (1990) scale of job-related affective well-being in our study consisted of four interrelated factors: anxiety, comfort, depression, and enthusiasm. Thus, the feelings about job were positive (comfort and enthusiasm) and negative (anxiety and depression) as the Bulgarian structure is in line with the results found previously for the structure of the job-specific affective well-being scale in other research (e.g. Mäkikangas, et al., 2007).

Work engagement is a concept of positive psychology designed to measure the positive, fulfilling and affective-motivational side of well-being at work rather than just the absence of well-being (e.g. stress and burnout) (Bakker et al., 2008). The most often used conceptualization of work engagement is based on three sub-dimensions: vigor, dedication and absorption (Schaufeli et al., 2006; Bakker et al., 2008). Vigor is characterized by high levels of energy and mental resilience while working, the willingness to invest effort in one's work, and persistence also in the face of difficulties. Dedication is characterized by a sense of significance,

enthusiasm, inspiration, pride, and challenge. Absorption is characterized by being fully concentrated and happily engrossed in one's work, whereby time passes quickly and one has difficulties with detaching oneself from work. Shortly, an engaged employee is energetic, enthusiastic and often so fully immersed in work tasks that time appears to fly (Macey and Schneider, 2008).

Previous studies have listed predictors of the state of employee well-being as job demands (e.g. De Lange et al., 2004), job control (e.g. Rodwell et al., 2011; Mikkelsen et al., 2005), social support at the workplace (e.g. Kossek et al., 2011; Christian et al., 2011), management and leadership (e.g. Baptiste, 2008; Hammer et al., 2011), work climate (e.g. Kossek et al., 2011; Murray et al., 2010), etc. According to some research the most important organizational factors for satisfactory well-being at work are leadership and superior support (Alimo-Metcalfe and Alban-Metcalfe, 2006; Vanroelen et al., 2009), participation in decision-making (Kivimäki et al., 2000) and social relationships (Vanroelen et al., 2009). On this point of view, we expect supportive organizational climate as concept refers to individuals' perceptions on the quality of communication and social support in work environment (Mäkikangas et al. 2007, p. 200) to represent as a global construct this well-being organizational predictors.

There is also some research evidence on the connections between the features of organizational climate and factors of well-being at work (Harris and Mossholder, 1996; Rose et al., 2006; Park and Kim, 2009; Viitala, Tanskanen, & Sääntti, 2015). For example, Feldt et al. (2000) reported a strong relationship between positive organizational climate and a strong sense of coherence, which in turn was linked to a high level of well-being at work, in their study of four organizations in different economic areas (paper mills, banking, supermarkets and a municipal social and health-care department). Likewise, Viitala and colleagues (2015) based on unit-level analyses from public service sector revealed that different types of organizational climates were connected to different types of job well-being in the unit. Organizational climate types were differentially connected to stress and cynicism, but were not connected to work engagement. In addition, the most positive work climates, measured as "relaxed and friendly" and "encouraging and supportive of new ideas", were more strongly connected to well-being than negative climates.

In sum, we investigate influence of organizational climate measured as a multi-dimensional construct on negative or counter-productive and a supportive organizational climate as a global construct on positive organizational behavior (e.g. affective job-related well-being and work engagement).

## ***RESEARCH TASKS AND HYPOTHESIS***

The objective of the study is to establish influence of organizational climate on negative (counter-productive) and positive organizational behavior (e.g. work engagement, affective job related well-being) in private and public Bulgarian organizations.

The aim of the study is realized through the following tasks:

1. To establish influence of organizational climate on counter-productive behavior' dimensions in Bulgarian employees mainly from private organizations.
2. To establish influence of supportive organizational climate on work engagement measured as vigor, dedication and absorption of Bulgarian employees from private and public organizations.
3. To trace out significant associations of supportive organizational climate and job-related well-being and see how is predicted dimensions of negative and positive affect of job related affective well-being in Bulgarian employees mainly from public sphere.

Based on the results from previous studies we suppose significant influence of organizational climate on negative or counter-productive behavior, as we expect mainly more strong impact of some organizational climate dimensions as formalization, organisational goals and rules on CWB. According to influence of supportive organizational climate on well-being we expect positive influence on affective job related well-being and on work engagement. More precisely, we expected moderately influence both on positive and negative job affects, as well as on work engagement.

## ***METHOD***

Procedure and samples: The Study 1 was conducted via an online platform in March 2016. The sample included 255 employees, of whom 89 male and 166 female (66%). The sample is mostly young people as 60% were under 31 ages and work mainly in a large national or international private organizations in Bulgaria. The Study 2 was conducted between December 2015 and March 2016. The sample included 498 employees, of whom 186 male and 309 female (62%), mostly (87%) high educated and between 20 and 60 years old from different private and public organizations. The sample of Study 3 consisted of 420 employees from different organizations in Bulgaria. Of the total sample 66 were male and 354 (85%) were female. Most of the employees were from public sphere (86%), between 20 and 60 years ( $M=43.38$ ;  $SD 10.43$ ).

The tools of the Study 1 include:

1) Bulgarian version of Counter-productive work behavior - checklist (CWB-C), which consists of 45 items (Spector et al, 2006), to which was added 5 more items from questionnaire of Stieger and colleagues, for example "Made an inappropriate ethnic, religious or racial remark or joke at work" (Stieger et al, 2010; cited in Furnham and Taylor, 2011, pp. 132-134). Respondents noted how often they perform these behaviors using a five-point Likert scale from 1 "never" to 5 "every day." The original CWB-C has good internal consistency ( $\alpha=.89$ ). For this study the internal consistency of Cronbach's alpha is .93.

The questions measuring CWB have been subjected to factor analysis, on the basis of which was developed a five factors' structure explaining 44.6% of the variance. The first factor was titled "*Complaint*" and included 6 items ( $\alpha=.67$ ), related to the dissatisfaction of the people in the organization. For example: "Complained about insignificant things at work"; "Told people outside the job what a lousy place you work for". The second factor was called "*Verbal aggression*" and included 8 items ( $\alpha=.85$ ), which express the intentional verbal insults to other employees in the organization. Sample statements: "Insulted someone about their job performance"; "Said something obscene to someone at work to make them feel bad". The third factor, which also has 8 items is "*Sabotage*" ( $\alpha=.82$ ) and is characterized by statements that are associated with obstruction of workflow or obstruction of the work of colleagues. Sample items are: "Purposely came late to an appointment or meeting"; "Withheld needed information from someone at work"; "Purposely interfered with someone at work doing his/her job" The fourth factor again with 8 items is "*Organizational damage / theft*" ( $\alpha = .70$ ) and is associated with embezzling organizational property or causing damage to the organization. Some of the items are "Stolen something belonging to your employer"; "Took supplies or tools home without permission". The fifth factor has 8 items and describes the behavior associated with delays to work, hanging around and delay of workflow or "*Withdrawal*" ( $\alpha=.89$ ). Sample items are: "Came to work late without permission"; "Taken a longer break than you were allowed to take".

2) Bulgarian version of Organizational climate measure - included 43 statements, divided into 9 subscales of the original questionnaire of Patterson et al., 2004, with 17 subscales. The assessment of the items was by using a 4-point Likert scale of 1 "disagree" to 4 "agree". On the base of our research interest there was chosen a part of the 17 original subscales, as we included more specific subscales related to norms and values that associated with productivity, efficiency, etc., and excluded subscales that had more focus and measured a change or an innovation, where norms and values are associated with resource acquisition, creativity and adaptation. The included subscales in this study are: *employee welfare, autonomy, supervisory support, clarity of organizational goals, effort, efficiency, pressure to produce, performance feedback and formalization*. The reliability of the subscales have satisfactory values of Cronbach's alpha range from .69 to .93.

The tools of Study 2 include:

1) Bulgarian version of the Utrecht Work Engagement Scale with 17 items and 3 subscales: vigor, dedication and absorption (Schaufeli et al., 2006). The responses were given on a 7-point Likert scale ranging from never (0) to everyday (6). Cronbach's alpha is 0.94 for the all scale, as .82 for vigor, .91 for dedication and .87 for absorption subscales (for more details see Tair, 2017; Tair & Trichkov, 2017; Tair, Tsambova, Hristov, 2016).

2) Supportive organizational climate was assessed with four items concerning the general social climate in the organization and assistance from colleagues (for example, "Our workplace is dominated by an atmosphere of openness and solidarity") (Lehto, 1991; in Mäkikangas et al. 2007). Participants were asked to answer each item according to a 5-point scale (1=totally agree, 5=totally disagree). The scale was reverse-scored, so that a high score indicated a good organizational climate.

The tools for Study 3 include:

1) Bulgarian version of job related affective well-being scale consisting 12 items based on Warr's (1990) scale: "Thinking of the past few weeks, how much of the time has your job made you feel each of the following": (1) relaxed, (2) worried, (3) depressed, (4) calm, (5) contented, (6) gloomy, (7) optimistic, (8) tense, (9) enthusiastic, (10) cheerful, (11) miserable, and (12) uneasy. Responses were given on a 6-point scale (1=never, 6=all of the time). More detailed information of the factor structure and reliability analysis of Bulgarian version of the scale in Tair, 2010a, 2010b, 2011.

2) Supportive organizational climate tool was the same as in Study 2.

In all three studies were included also demographic variables such as age, sex, type and size of the organization, etc.

## ***RESULTS AND DISCUSSION***

### **Study 1**

In the study was examined the role of organizational climate as measured by the effort put by the employees, clarity of goals, welfare and others on negative or counter-productive behavior. According to results presented on Table 1 there was established significant links between: First, clarity of organizational goals and all dimensions of the CWB. Accordingly, reducing the clarity of organizational goals significantly increases the behaviors associated with complaint and spreading harmful rumors about the organization ( $r = -.38$ ;  $p = .001$ ), and withdrawal, i.e. being late for work or taking longer breaks ( $r = -.24$ ;  $p = .001$ ). The lack of clarity in the organizational goals slightly increases and the use of verbal aggression ( $r = -.19$ ;  $p = .001$ ) and behaviors related to sabotage ( $r = -.15$ ;  $p = .05$ ), and the organization damage ( $r = -.13$ ;  $p = .05$ ).

Secondly, there are significant links to the efforts required of employees and the dimensions of the CWB. Accordingly, when there is pressure on employees to enhance

the efforts slightly raise the levels of complaint ( $r=-.23$ ;  $p=.001$ ), verbal aggression ( $r=-.26$ ;  $p=.001$ ), withdrawal from work ( $r=-.15$ ;  $p=.05$ ) and the organization damage ( $r=-.14$ ;  $p=.05$ ). Third, the performance feedback from managers again significantly reduces behaviors related to complaint ( $r=-.24$ ;  $p=.001$ ), verbal aggression ( $r=-.18$ ;  $p=.001$ ), withdrawal from work ( $r=-.15$ ;  $p=.05$ ) and organization damage ( $r=-.14$ ;  $p=.05$ ). Similarly, the support provided by management lowers employee participation in activities related to complaint ( $r=-.28$ ;  $p=.001$ ), verbal aggression ( $r=-.23$ ;  $p=.001$ ) and withdrawal from work ( $r=-.16$ ;  $p=.05$ ).

*Table 1: Associations between organizational climate' dimensions and counter-productive behavior' dimensions (N=255)*

Organizational climate/ CWB' Dimensions	Complaint	Verbal aggression	Sabotage	Theft	Withdrawal
Autonomy	-.19**	-.07	.01	.05	.01
Clarity of organizational goals	-.38**	-.19**	-.15*	-.13*	-.24**
Efficiency	.12	.08	-.04	-.09	-.06
Effort	-.23**	-.26**	-.09	-.14*	-.15*
Formalization	-.11	-.13*	-.09	-.11	-.12
Performance feedback	-.24**	-.18**	-.08	-.14*	-.15*
Pressure to produce	.10	-.002	-.10	-.10	-.12
Supervisory support	-.28**	-.23**	-.10	-.11	-.16*
Employee welfare	-.34**	-.21**	-.07	-.08	-.08

*Source: Author calculations (as \* $p < .005$ ; \*\* $p < .001$ )*

The conducted regression analysis of the role of the dimensions of organizational climate on the manifestations of CWB represent firstly, significant impact on the factor "complaint" ( $R^2 = .18$ ), as the presence of the clarity of organizational goals ( $\beta = -.25$ ;  $p = .001$ ) and lowering "formalization" ( $\beta = -.15$ ;  $p = 0.034$ ) results in a slight decrease in the complaints of the employees. Secondly, organizational climate has a significant impact on verbal aggression of employees ( $R^2 = .32$ ), as the increased organizational requirements for efforts ( $\beta = -.19$ ;  $p = 0.016$ ) and "formalization", i.e. increasing organizational rules and procedures ( $\beta = -.14$ ;  $p = .047$ ) lead to the expression of discontent through insults and mockery directed at the organizational members. There are some organizational influences on verbal aggression, such as position, size and type of organization which increase the explained dispersion by 7% ( $R^2 = .39$ ). Thirdly, the organizational climate has a significant but impact on the factors of "withdrawal" ( $R^2 = .34$ ), as a significant influence have "clarity of organizational goals" ( $\beta = -.26$ ;  $p = 0.002$ ), "supervisory support" ( $\beta = -.21$ ;  $p = 0.031$ ) and the "employee welfare" ( $\beta = .30$ ;  $p = 0.010$ ). The results suggest that the ambiguity for the organizational goals and the lack of understanding and cooperation by managers affects absenteeism and delays to work.

Finally, an interesting result is the influence of the "employee welfare" on the behaviors associated with the dimension "withdrawal" was establish. From the bases of our results it follows that, when the organization in Bulgaria cares of its employees, they in return could allow themselves to be late for work or to hang around in the workplace more often. Here the value have individual characteristics,

such as "sex" and "age" which increase the explained dispersion by 10% ( $R^2=.44$ ) or in other words, the described behavior to a lesser extent refers to women and people over 40 years old.

### Study 2

The aim of our second study was to discover the association and influence of the supportive organizational climate on work engagement of Bulgarian employees from private and public organizations as a global measure and its dimensions: vigor, dedication and absorption. There were established significant and moderately positive associations between supportive organizational climate and work engagement as a global sense ( $r=.43$ ;  $p=.000$ ) and its dimensions: vigor ( $r=.42$ ;  $p=.000$ ); dedication ( $r=.43$ ;  $p=.000$ ); and absorption ( $r=.36$ ;  $p=.000$ ). Based on the established weak but positive relationships of the work engagement with some demography characteristics (e.g. sex, age, and length of service; for details see Tair, 2017; Tair & Trichkov, 2017), their joint influence along with the supportive organizational climate on work engagement was examined. On the results from conducted regression analysis presented on Table 2 was obvious that only the supportive organizational climate had a significant influence on work engagement ( $R^2 = .204$ ). In other words, the presence of a supportive organizational climate or a positive atmosphere and assistance and support from colleagues raised moderately the energy and work enthusiasm of employees regardless of sex, age, and length of service.

*Table 2: Results from regression analysis for dependent variable work engagement (N=498)*

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std.Error	Beta		
1 (Constant)	70.679	6.808		10.382	.000
Sex	-5.304	2.703	-.132	-1.962	.051
Age	2.335	1.699	.142	1.375	.171
Length of service	-1.098	2.025	-.056	-.542	.588
2 (Constant)	40.477	7.591		5.332	.000
Sex	-4.681	2.455	-.117	-1.907	.058
Age	.799	1.558	.048	.513	.609
Length of service	.271	1.848	.014	.147	.883
Supportive org. climate	2.067	.302	.423	6.846	.000

*Source: Author calculations*

In the same directions were results of conducted regression analyses for the three sub dimensions of work engagement. Again, only the supportive organizational climate had significant and moderate impact on energy (vigor) of the employee ( $\beta=.41$ ;  $p = .000$ ;  $R^2 = .19$ ). In other words, support and assistance from colleagues, as well as, a good communication increased significantly the mental resilience of the employees, their willingness to invest effort in work, and

their persistence in the face of difficulties. The supportive organizational climate had significant and moderate impact on dedication dimension, too ( $\beta=.43$ ;  $p = .000$ ;  $R^2 = .20$ ) or on the sense of significance of the work, on the feelings of enthusiasm and inspiration. The presence of supportive organizational climate made employees proud from work success and help to see job difficulties as a challenge. The supportive organizational climate had smaller compering to other two dimensions but still important influence on work absorption ( $\beta=.35$ ;  $p = .000$ ;  $R^2 = .15$ ). Yet again, individual perceptions for presence of support from colleagues and supervisor, their assistance in work would raise more than slightly the concentration and commitment of employees on work tasks.

### Study 3

In the study was examined the influence of supportive organizational climate on affective job related well-being. First, were presented the results from a correlational analyses for affective well-being and then the results from conducted regression analyses. Consistent with our expectations all four dimensions of the affective job related well-being have weak to moderate associations with supportive organizational climate. There were traced out positive associations with positive dimensions of affective well-being, as the correlation with enthusiasm was stronger ( $r=.41$ ;  $p<.001$ ) than with comfort ( $r=.26$ ;  $p<.001$ ) feelings at work. Likewise, a weak to moderate but negative were associations of supportive organizational climate with negative dimensions of affective well-being. The lack of supportive organizational climate increased moderately depressive ( $r= -.36$ ;  $p<.001$ ) and slightly anxious ( $r= -.21$ ;  $p<.005$ ) feelings at work.

*Table 3: Results from regression analyses for influence of supportive organizational climate on affective job-related well-being dimensions (N=420)*

Affective well-being dimensions	B	T	R <sup>2</sup>
Enthusiasm	.31	4.77**	.295
Comfort	.27	3.56**	.084
Depression	-.31	4.51**	.212
Anxiety	-.21	3.07**	.076

*Source: Author calculations (as \* $p<.005$ ; \*\* $p<.001$ )*

Following our objectives the regression analyses were conducted to allow an examination of the variance in affective well-being (anxiety, depression, comfort and enthusiasm) accounted for supportive organizational climate when controlling to the age and sex. As shown in Table 3 a supportive organizational climate increased significantly job comfort and enthusiasm among Bulgarian employees and decreased anxiety and depression. Also, have to mention, that influence of a supportive organizational climate on enthusiasm was stronger and explain nearly 30% of variance, when to the comfort is only 8%. Likewise, influence on depression feeling was stronger (21%) than to the anxiety (7.6%). In other words, perceptions of a support from colleagues and supervisor, positive communication atmosphere significantly contributed for positive affects at work and increased work enthusiasm, energy and

optimism feeling of employees, as well as help for decreasing of a negative affect or mostly depressive and worry feeling about work. In other words, the presence of a supportive organizational climate funded work enthusiasm and energy and its absence or when was not enough added for worry and depressive feelings of employees. In sum, a supportive organizational climate contributed to higher job comfort and enthusiasm and lower anxiety and depression at work.

The research data and results presented in this paper are in line with previous studies connected organizational climate to negative or positive organizational behavior. The role of organizational climate on negative behavior and experience was discussed and investigated in other research, some of them in organizational health framework (e.g. Hart & Cooper, 2001; Hart & Cotton, 2003; Cotton & Hart, 2003). Similarly, our results presented that organizational climate, particularly some organizational climate dimensions (e.g. organizational goals, formalization, supervisory support, etc.) have a weak but significant influence on counter-productive work behavior. In details, the organizational goals or their ambivalence have impact on complaint and withdrawal of the employees, and formalization in organization has impact on complaint and expression of verbal aggression at workplace. In addition, may be something distinctive only for Bulgarian organizations (or not) care for employees welfare contributed to withdrawal behaviors (including absences, coming late to work or early leaving job, etc.) but have mentioned, that the described behavior refers mostly male and younger people. Consistent with other research on organizational climate and occupational well-being (e.g. Kossek et al., 2011; Murray et al., 2010; Viitala, Tanskanen, & Sääntti, 2015) our results established significant impact of a supportive organizational climate on work engagement and affective job related well-being. In details, the supportive organizational climate increased the energy and work enthusiasm of employees, their positive feelings at work and decreased negative feeling of worry and depression.

## **CONCLUSION**

The presented three different studies unambiguously demonstrated a significant role of an organizational climate on negative and positive organizational behavior. First, we can resumed that organizational culture had significant influence on counter-productive behavior, in details, it has been found that there is significant impact on how much employees understand organizational goals, how they receive understanding from their superiors, what requirements there are for them or to what extend the work tasks are built on rules and procedures and readiness for *complaint* and use of *verbal aggression* and *withdrawal* of the job. It is crucial in the organizations to pay attention on how much and whence employees perceive the goals and rules of the organization, and how much are they willing to engage with them because it could be argued that these features contribute to manifestations of the CWB. This again means that organizational culture should be developed and passed on to employees in order to better understand, transmit and

commit to organizational goals and values. The results of the Study 1 presented despite its limitation that perceptions about the organization not only limit to the characteristics of the organizational climate, and probably there are other variables that also have an impact on employee behavior. Such characteristics may be other organizational components such as payment, type of work, etc.

Second, a supportive organizational climate contributed significantly to positive organizational behavior or to occupational well-being (e.g. work engagement and affective job related well-being), despite some limitations of our Study 2 and Study 3 (mostly high educated and strongly female-dominated samples; self-reports, etc.). Still, the attendance of a supportive organizational climate or a positive atmosphere and a support from colleagues increased significantly work engagement (energy, enthusiasm, commitment) regardless of sex, age, and length of service of employees. Therefore, investments in assistance and support for employee turn to a necessity for organizations if they want to increase their mental resilience, persistence and inspiration. In addition, a supportive organizational climate contributed significantly for increasing a positive job-related affect (considerably enthusiasm and slightly comfort) and decreasing of a negative affect (worry and depression and slightly anxiety).

The contribution of our studies was mostly on new empirical evidence on the role of organizational climate bot on negative or counter-productive and positive organizational behavior (e.g. work engagement and affective job related well-being). In the light of our results, we can concluded that if the climate in organization was positive and supportive it can help nurture employees' work engagement and affective well-being (e.g. enthusiasm and comfort at work). Correspondingly, if the climate of the organization was supportive it can protect from some counter-productive behavior as complaint, verbal aggression and withdrawal.

The research data and results presented also has certain limitations mentioned previously and should me born in mind when examining the results. The results ware from three different studies and the samples were not a sufficiently large and were strongly high educated employees and female-dominated. Additionally, in studies were apply different but at all self-reports measures, which may have inflated the magnitude of the correlations between the variables studied. Finally, we could not fully analyzed the relationships between organizational climate, counter-productive and positive organizational behavior and some other aspects. Future research should be containing other important factors such as individual differences (e.g. age, sex, personality, etc.) and other organizational characteristics (e.g. type of work, leadership style, etc.).

The practical implications from our results for organizations and specifically for these from public sphere, which we mostly included in our samples, were in few line. First, in the line of other organizational research (e.g. Hart & Cotton, 2003; Cotton & Hart, 2003) interventions to reduce employee complaint and withdrawal behaviors may be are likely to be more effective if they focus on improving the quality of communication, supervisor and leadership support or the quality of the organizational climate. Second, many organizations seem to put

greater emphasis on individual-oriented practices in their well-being development programs (Viitala, Tanskanen, & Sääntti, 2015) but along with this, the supportive organizational climate should be seen as an important factor when developing well-being within an organization. If the presence of supportive organizational climate contributed significantly to work engagement and affective job related well-being, then the lack of supportive climate or negative climate should be considered as a potential threat to well-being, and thus, a serious threat to efficiency, quality and productivity of the employees. Finally, the responsibility for increasing occupational well-being through organizational climate practices refers to all – an every employee, the supervisors, and the senior management, which should keep in mind that investments in organizational climate really payoff.

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## **ALTERNATIVE EXOGENOUS VARIABLES OF SUSTAINABLE DEVELOPMENT**

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### **ABSTRACT**

*Academic literature is increasingly emphasizing the importance of qualitative factors in economic development. The debate between the exogenous and endogenous factors on economic development has been discussed in the arena of development economics for a long time. It is believed that the use of resources, lifestyle and climate is vital to fostering economic growth and development. Today, we can testify that many nations have similar levels of economic growth, or approximate levels of income, but they differ significantly in the levels of quality of life and education, the level of technology and the use of resources. At the same time, some poorer nations have a higher degree of social well-being, better life style, or higher environmental quality than some richer countries. This paper aims to incorporate the geography, climate and economic resource to understand how human values can contribute to the development via both exogenous and endogenous factors. The linkage between economic activity and geography is obvious: both geography and climate represent immovable endowment factors, and economic resources on the other hand characterize the instructional effect.*

**Key words:** *Economic Behavior, Exogenous Variables, Economic Resources*

**JEL Classification:** *Q01*

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## ***INTRODUCTION***

Quantitative and qualitative imbalances in geographic distribution of resources generate different factors of production, different levels of lifestyle and different degrees of development. For a long time, the key to economic development is in adequate use and resource allocation. Due to the failure of traditional factors of economic development, recent research is increasingly turning to additional or alternative factors.

Exogenous factors are distinguished by the characteristic of the place and environment. These are external influences on a place' identity. On the other hand, economic growth is closely linked to all aspects of the environment, and depends on the environment both in the short and the long term. This spread has not always been significant for science, but today it is becoming more and more interesting and more prevalent in scientific research. For decades, numerous economic indicators dominated in the scientific analysis, such as interest rates, capital, turnover and others. They also used education and technology. But no geographical phenomena.

Recently, there's a growing academic interest to understand the cross-nation economic behavior with the endowment of exogenous variables such as geography, climate and shared economic resources (Hibbs, Olsson, 2004; Chou,Olafsson, 2011, Minkov, 2013, p. 12). The complexity of the interplay between geography, climate and resources can be traced back to the French enlightenment. Montesquieu (1748) believes that climate and geography influence the temperaments of a country's inhabitants. Cold climate constrains bodies' fibers, and causes grainier juices to flow through them. Heat, by contrast, expands bodies' fibers, and produces more rarefied juices (Montesquieu, 1748). According to Montesquieu, the quality of a country's soil also influences the form of its institutions. Resource wise, Montesquieu argued that inhospitable and marginal resources fostered the people to be industrious in trade, which in turn brings more liberty (MacFarlane, 2000). Such speculation is still somewhat robust in the present day world development.

## ***LITERATURE OVERVIEW***

. It is today apparent that geography is important for economic development. However, until recently, economic literature has replaced the role of geographical characteristics in explaining income variability. Truth be told, there is no consensus on the relative significance of mechanisms that regulate the influence of geography on the economic development. Nevertheless, today the linkage between economic activity and geography is obvious. Past studies of the relationships between economic activity and geography have been limited due to absence data on economic activity. Endogenous factors were used more than exogenous factors.

Today, the present study introduces new data on global economic activity (called, G-Econ Database). This data give the new opportunities to researchers in different fields, for example, climate changes, global warming, proximity to water or temperature. At the same time, new methodologies are described (Nordhaus, 2005, pp. 1). Earlier, the distance from the equator was not used in economic analysis. Today, this is an important component in the analysis of the growth of the economy. Hence, all serious econometric models and methodologies use distance from the equator in assessing economic growth (Tosovic-Stevanovic, Ristanovic, 2016, pp. 236).

Geographically, Diamond (1997) contested that the broad pattern of human economic history can be understood and described within the context of geographical and environmental conditions facing societies. According to Diamond (1997), a continental landmass with an "east-west axis" hypothetically is more favorable for the rise of agriculture and animal domestications than a continent with a "north- south axis, which also gives these regions advantageous position in economic development. Hibbs and Olsson (2004) combined the geographical variables such as climate measured by favorable conditions to agriculture, latitude measured by the absolute distance from equator, the continental axis of East-West and the biogeographic element of locally available "plants" and "animals" suited to domestication, empirically tested that geography and biogeography alone can explain 50% and 60% of present-day international variation in income per capita. Gallup, Sachs and Mellinger (1999) have also found that in line with theory of geographic latitude, the tropical countries have mean income of \$3,326, the sub-tropical countries have mean income of \$7,874, and the temperate-zone economies have a mean income of \$9,302. The idea of inequality between equatorial tropical regions and temperate zones is widely recognized. Geographically, transportation for trade is another crucial factor that is directly influenced by geography, due to the limitations of coast areas and waterways, which influences the transportation costs, geographic concentrations of productions and services are also found to defer the economic development (Krugman, 1991, 1999). Coastal areas, and regions linked to coasts by ocean-navigable waterways, are strongly favored in development relative to the hinterlands (Sachs, Warner, 1995; Gallup et al., 1999). Therefore, as for geographic constraints of development, both latitude and navigable waters are deemed to be important. However, studying geography alone as the exogenous explanatory for economic development avails the fate of geographic determinism that is vulnerable to the criticism of neo-institutionalism. Geographic components have to be examined via endogenous institutional factors to make impact on economic development. Institutional quality for example is argued to be the most influential variable for measuring the economic development (Easterly, Levine, 2003; Rodrik et al., 2004). Geography in this view simply determines the institutional set up and quality (Rodrik et al., 2004). Geography can have a direct impact on incomes with its influence on agricultural productivity and morbidity. In figure 1. (Rodrik et al., 2004) we showed the influence of geography on the income level (pointer 1), influence of geography on integration (pointer 2), influence of geography on institutions (pointer 3). Other pointers show mutual influences of the income level, integration and institutions.

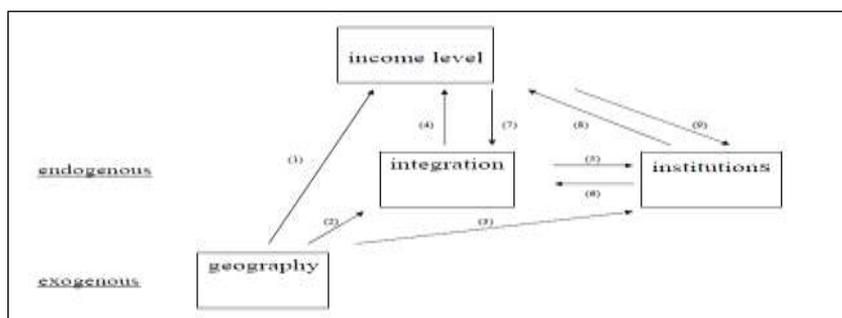


Figure 1: The “deep” determinants of income

Source: Rodrik et al., 2004.

Also, literature offers few articles that investigate the effects of climate change viewed from the gender perspective. This perspective cannot be ruled out given that women all around the world are largely subject to adverse effects of natural disasters (Radovic-Markovic, Grozdanic, 2013). “Women are especially sensitive to the degradation of the ecosystem and to natural disasters since they are more dependent on agriculture and their socio-economic status is lower in comparison with men “(Radovic-Markovic,2010, pp.3).

In terms of climate, temperature affects the agricultural yields and industrial output.

Dell et al. (2009) in their research based on the data from twelve American countries found out that there is a statistically relevant negative relation between the average temperature and income inside countries as well as inside provinces inside countries. They established that temperature increase of 1°C reduces incomes ranging from 1 to 8.5% in different regions.

Dell et al. (2012) in their research examined how annual variation in temperature and rainfalls influences income per capita in the observed countries in the period from 1950 to 2003. They showed that temperature increase of 1°C reduces income per capita for 1.4%, but only in poor countries.

Bansal, Ochoa (2011) examined the relation between economic growth and development of one country and average temperature and established that in average global temperature increase of 1°C reduces income growth for 0.9% with greatest effects for countries located near equator.

Van de Vliert (2007, 2009) proposed that adoption of 22°C (~ 72°F) as a point of reference for temperate climate to examine the demandingness of climate. By gathering the background data on economic growth and the average daytime temperature 43 capital cities around the world, Van de Vliert, Kluwer & Lynn (2000), conclude that citizens of warmer countries are both more competitive and poorer. In terms of adapting to climate change, “economists maintain that richer countries will find it easier to act preventively due to having financial assets at their disposal, which will not be the case with poor countries” (Radovic-Markovic, Grozdanic, 2013, pp.4).

The impact of climate change on output is too expressed, both globally and regionally. Climate change imposes a burden on development and threatens to reverse development gains. These impacts are manifested through the impacts of individual economic sectors, such as agriculture, or certain geo-econ systems (plants, people). One important thing that we must keep in mind is that all geographical variables are changed slowly in relation to economic variables. They change gradually but they have a significant impact on the economy.

The distribution of rainfall according to the historiographic lens, also deserves a special attention for understanding the socioeconomic consequences as it is closely linked to the production of food. A season of concentrated rainfall can deluge the means of transportation, which in turn sabotage trade and communication (Brown & Lall, 2006). Even rainfall pattern in Northwestern Europe, distributed around the year in the Gulf Stream historically support liberal political institutions since the supply of water doesn't need the dominance and servitude of an absolute power (Landes, 1989). Brown & Lall (2006) using the data of GDP and intra-annual variability of rainfall of 163 nations, have established that a statistically significant relationship between greater rainfall variability and lower per capita GDP. Miguel, Satyanath & Sergent (2004) found that current and lagged rainfall growth are both related to income growth over 95% confidence over 41 African countries over the period of 1981-1999. Adverse rainfall shocks an influence economic performance, in turn can cause detrimental civil unrest. To conclude, the interplay between climatic constraints of temperature and rainfall therefore are crucial in shaping the characteristics of atmospheric environment in general.

In essence, the world needs a common economic development strategy of the climate stabilization and economic development that should in essence overshadow the content of the Kyoto Protocol.

## ***RESOURCES, COMPETITIVENESS AND DEVELOPMENT***

Previously, scientific considerations on natural resources were more analyzed from a statistical point of view than indicating comprehensiveness and utility. The use of resources is diverse and allows for a variety of events - sun as energy, drinking water and plants, fruit and vegetable land, construction stone, glass for sand, oil for plastic and energy products, metals for different purposes, etc. Therefore, it is important to provide the so-called "3R" - reduction, reuse, recycling.

Resource wise, economic resource shortage can cause a large allocation of time and effort to appropriative competition for success, which makes individuals maximizing the sum of his current utility and his or her expected future utility, and that he or she obtains current utility from both his current consumption and his current leisure (Grossman, Mendoza, 2003). Thus the effect social consequences of economic resources are immense. Finding new ways of using resources extends production possibilities, which increases the level of utilization of the resources. Numerous analyzes show that countries closer to the equator abound with the largest natural resources, and this represents an absolute advantage for these economies. Economies with advanced technology and more

efficient use of resources gain a comparative advantage. Philippot (2010, p. 13) using the panel regression model showed that countries in transition, during the period of 1990-2003, transforming their economies from planned to market economies, managed to achieve the higher growth rates by using adequate resources. The gross domestic product (GDP) is one of the principal markers of a country's economic performance. It is calculated by either the computation of everyone's income during the period or by adding the value of all final goods and services created in the country during the year. Real GDP growth rate is positively related to human capital, which leads to low fertility and higher level of investment (Barro, 1991). Thus, in return it also gives more economic resources for the residents. Compared the data of GDP, Gross National Income (GNI) and Net National Income (NNI) of 30 countries worldwide, Boarini, Johansson & d'Ercole (2006) have found the consistency of these three data would assume GDP is the most reliable variable for measuring the economic resource of a nation. Therefore, it is safe to say GDP per capita is a vigorous variable for measuring the economic resources a country possess.

## ***SURVIVAL VS. LIFE STYLE VALUES***

Maslow (1943) hierarchy of needs provides a solid foundation for understanding this fundamental human value variation. From the lowest levels of safety and subsistence needs that symbolised by the material possessions and practical solutions for solving the daily survival hardships to the upper levels of needs that belonging, self-esteem and self-actualisation, national developments are also empirically tested in the social aspects such as nutrition, political rights, safety, education and confirmed its validity (Hagerty, 1999). In the World Value Survey conducted by Inglehart and Baker (2000), listed "survival versus self-expression values" as one of the primary parameter for social value differences, which taps the syndrome of trust, tolerance, subjective well-being and political activism.

All these aspects are stronger in industrialised nations with an emphasis on life quality, while low in the developing countries whereas the physical and economic security are more important. Societies emphasize survival value show relatively low self-reported health, well-being, more intolerance of out-groups than the societies of self-expression (Inglehart, Baker, 2000). On the aggregated societal level, survival and self-expression parameter can also be expressed by the materialistic accomplishments of the societies. In materialistic environment, institutional priorities are about fighting the inflation, promoting economic growth and maintaining the social order while in the post-materialistic settings, idea of intellectual curiosity, freedom of speech and aesthetic satisfaction are highly values by its people (Inglehart, 1997). However, the weakness of survival-self expression dimension has assumed the direct linear relationship between economic development and value change; the meaning and items for measuring of survival and self-expression are heterogeneous and do not measure specific normative prescriptions (Haller, 2002). This leads to the consideration of the anthropological distinction of Masculinity and Femininity, which measures the ego-boosting versus

ego-effacing emotional roles of the societies (Hofstede, 1998; Hofstede, 2001). Survival qualities like being ambitious, goal orientation and being materialistically successful are more important for people from the Masculine societies than the people from feminine societies (Schwartz, 1994). Feminine qualities value life quality and relationships (Hofstede, 2001). Societies with dominant feminine values are more life-style conscious.

Today, we can testify that many nations have similar levels of economic growth, or approximate levels of income, but they differ significantly in the levels of quality of life and education, the level of technology and the use of resources. At the same time, some poorer nations have a higher degree of social well-being, better life style, or higher environmental quality than some richer countries.

## ***CONCLUSION***

To design a sound research, it is rational to decide what is the causality and what is the result. As it is already argued throughout this research, the interplay between the climate, geography and resource is said to be main exogenous factor for institutional factors via human societal values. Thus, we have first taken from the World Bank GDP per capita from year 2009-2012, World Bank Average precipitation in depth data, the average latitude and longitude for countries data taken from the CIA world fact book, Populations remote from coastline or major navigable river data from the Gallup, Sachs and Mellinger (1999), and summer-winter temperature variation from the base temperature of 22°C, taken from Parker (1997) to form the cause stimuli factors of the human values. As for the other side of the spectrum, to faithfully measure the human values, we have taken survival/self-expression data from Inglehart and Welzel (2005) in combination with the score of Hofstede's femininity and masculinity measures.

Earlier analyzes were based on quantitative indicators, while the last decades of the analysis included several qualitative indicators of development. The modern approaches of the development analysis rely on the renewable resources, such as land, water, air, forest, natural heritage, biodiversity. More and more attention is paid to climate change, sustainable development, quality of life. This gives a new dimension to development, both globally and nationally.

Through this work we have managed to show the significance of exogenous factors in economic growth. Also, we have seen that the position of the economy, the use of resources, environment and the quality of life are important components of development. At the same time, we have shown that relations between these variables are two-way.

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# **MULTICULTURAL AND (INTER)CULTURAL COMMUNICATIONS – EDUCATION FOR NEGOTIATIONS**

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## **ABSTRACT**

*In the 21st century globalized society being able to negotiate effectively across cultures is a crucial aspect of many inter-organizational relationships, including strategic alliances, joint ventures, mergers and acquisitions, licensing and distribution agreements, and sales of products and services. As leaders of the multinational companies are responsible for ensuring the effectiveness and control of the operations in international market, they are involved in negotiations in the cross cultural environment. As more companies expand their operations abroad, they face the challenges of training their leaders to negotiate in the cross-cultural environment. Effective negotiations in the intercultural context require more than negotiating skills, knowledge, experience and preparations – they require cultural intelligence and cultural competence. The lack of cooperativeness and willingness makes intercultural negotiators less likely to engage in integrative negotiation processes that lead to mutually beneficial result. The question is: how can negotiators overcome these obstacles? Is there an individual difference characteristic which affects intercultural negotiation effectiveness? Or is there a way to learn to be culturally intelligent?*

**Key words:** *Communication, Education, International Market, Cultural Environment*

**JEL Classification:***A20*

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## ***INTRODUCTION***

Due to the rapid scientific and technological progress different cultures around the world are closer than ever before. Increased mobility of people, information and goods requires constant and intensive cooperation between members of different cultures, which, to be successful, must be based on mutual respect as well as knowledge and appreciation of cultural differences.

Leaders of the multinational companies engage in the multicultural and intercultural communications every day. Besides the cultural competence in communication with company stakeholders, they need to develop strong negotiating skills in the cross-cultural environment. Negotiation is an activity that people engage in every day. According to Kennedy (1998, p.5) negotiation is a “process by which we search for terms to obtain what we want from somebody who wants something from us”. It is therefore clear that negotiation is a form of communication and that it varies depending on the character and number of participants involved (Kennedy,1998). It is also clear that, as all other forms of communication, it depends on the culture.

International business negotiation has become frequent as many companies operate on the international market. The success or failure of the business negotiations depends on many factors, but one of the most important is certainly the culture of the negotiators, i.e. on the knowledge that negotiators have on the differences in the laws, politics, authority, economics, ideology and many other cultural and other social differences between nations. Successful negotiation depends on the cultural sensibility and competence of the negotiators.

Cultural diversity may be the source of creativity, but also can be a source of conflicts. Cultural differences are one of the sources of conflict and may impact the success of the negotiation process, as well as the cooperation between partners. Negotiation strategies include integrative or cooperative and positional or competitive approach. Given that the partners in the business negotiations aim to build the strong foundation of the long term relationships, integrative strategy is more suitable. Thus, culturally competent negotiators are efficient in integrative negotiations involving parties from different cultural backgrounds.

## ***CULTURE***

Culture is a set of different beliefs and values that characterize and distinguish one social group, nation or a society from others. Hofstede defines culture as collective programming of the mind which distinguishes the members of one group from another. Macionis (2013) states that culture incorporates values, beliefs, and material objects that form a way of life of a certain group. Culture defines not only what people are doing, but also how they think and feel, and what is considered wrong or right in a certain society. Culture includes language, beliefs, values,

norms, behavior and material objects. Material culture includes the material objects that distinguish one group of people from others, such as art, buildings, weapons, utensils, equipment, hairstyles, clothes and jewelry. Intangible or symbolic culture is a way of thinking and functioning of the group of people, including their common patterns of behavior, their language and communication (Kavalchuk, 2011). The problem is that every man sees its own culture as “normal” or standard, and does not recognize the problems resulting from the differences beyond the visible ones such as language and material culture.

According to Solomon (2013), “culture is a society’s personality”. Besides language, tradition national values, and many other features, culture involves much more – “shared meanings, rituals, norms, and traditions among the members of an organization or society” (Solomon, 2013, p.525). The culture is important for the organizations as it affects the consumer behavior. Culture shapes the attitude and the perspective of the consumers. For example, consumers will buy at the stores which offer the shopping experience that “resonate with a culture’s priorities” (Solomon, 2013, p.525). For the organizations which plan to expand their business in the foreign market, understanding of the culture is very important.

According to Hall (1976) there are high and low context cultures. People in low context cultures prefer to exchange information explicitly, and the messages are clear, without hidden meaning. In a high context culture, communication is based on the unspoken information, rather than on what is said.

Uncertainty reduction and anxiety reduction theory (Gudykunst, Hammer, 1988) explains the necessity of stress in achieving acculturation. Strangers to the culture react as strangers to a partner in communication which results in anxiety. The anxieties drive the need for uncertainty reduction that accompanies communication relationships. If the stranger to the culture feels the anxiety is manageable, his adaptive response is to take action to reduce the danger. However, if the danger seems to be too large to handle, or danger reduction strategies are absent, fear reduction takes over and the danger is ignored or rationalized out of salience (Gudykunst, Hammer, 1988). Such responses to new cultures would result in maladaptive seclusion and conflict.

## ***CULTURE INFLUENCES NEGOTIATION STYLES***

According to Salacuse (1998) “a preference for a written contract in contrast to relationship-building as a negotiating goal, an integrative (win-win) as opposed to a distributive (win-lose) bargaining approach, and high rather than low tolerance for risk-taking” in negotiations tend to be similar among the “persons from the same cultures and occupations”. The result of the study show that culture, among other factors, can influence negotiating style. Some of the features of negotiations that are under particular impact of culture differences are:

- time orientation – differences between monochronic and polychronic cultures result in different approach of negotiators toward time of the meeting, duration of the negotiations, timing of breaks, flexibility towards being late and similar.
- space orientation – is visible in the surface of the personal space, attitude towards closeness of other people and toward touching, hugging, kissing and even looking at other people. For example, while some cultures prefer to maintain eye contact, others may find it insulting.
- nonverbal communication – using hand gestures, mimics and other “nonverbal” symbols requires preparation and excellent understanding of the cultural differences, because many signs do not have the same meaning everywhere.

To illustrate the impact of culture on negotiations Salacuse (2006) also provides examples such as:

- Negotiators from different cultures interpret the negotiations goals differently – some cultures perceive contract to be the goal, while others think that the result should be a relationship.
- The Japanese approach the negotiations as the process in which both sides should gain, so called win-win attitude, while Spanish prefer to be the (only) winning side (win-lose attitude).
- The Americans do not respect the formalities as much as the Japanese, for example,
- The Americans or Israeli prefer direct communication while some cultures find this rude.
- Displaying emotions is perfectly normal for Latin Americans, and the Germans and the British are considered to be the least emotional.
- The Japanese team leader will make decision with the members of his team, and they will all come to negotiations with, most likely, one American (more practical and more efficient).
- The Americans do not mind the risk, while the Japanese and Russians tend to be extremely cautious.

Negotiators need to understand how uncertainty is reduced across cultural boundaries (Gudykunst, Kim, 1992). For example, Japanese negotiators are collectivistic and use less verbal and more non-verbal means of communication than Americans. American negotiators reduce uncertainty through verbal codes and objective forms of communication (Gudykunst, Kim, 1992).

According to Hofstede’s model (1994), there are several dimensions of national culture differences:

- Power distance – high score means that the people accept the inequalities amongst individuals and the fact that the power is distributed unequally. People accept a hierarchical order in which everybody has a place and which needs no further justification. This implies that in negotiation, only one person will make the decision.

- Individualism – low score means that the society is a collectivistic one. This results in the strong relationships between the individuals and the groups they belong to. This also means loyalty and commitment to organizational goals. However, this also means that employer - employee relationships are perceived in moral terms (and often emotions and personal relationships or preferences) which affects all other aspects of the business.
- Masculinity – low scores on masculinity dimension means that the culture is considered to be “feminine” society. While masculine cultures are driven by competition, achievement and success, feminine society dominant values are caring for others and quality of life. For negotiations, this means that conflicts are resolved by compromise and striving to achieve win-win situation.
- Uncertainty avoidance – high score on this dimension means high preference for avoiding uncertainty, which also means that people tend to stick to tradition and are rather closed towards new ideas. In such societies, precision and punctuality are the norm.
- Long term orientation – high score on this dimension implies that the society values tradition but is capable of introducing a more pragmatic approach when needed.
- Indulgence – low score means that the culture is one of restraint, and has a tendency to cynicism and pessimism. This means that people believe that indulging themselves is somewhat wrong.

## ***LEADERS IN MULTINATIONAL COMPANIES***

Communication is the process that leaders use to interact with subordinates, peers, supervisors, customers, suppliers, owners, the general public, and others (Lewis et al., 2007, p.292). This means that global leaders require not only social competence but also high level of understanding of cultural differences. Therefore, theorists agree that expatriation is necessary to develop deep understanding of the cultural differences which is enabling global leaders to feel and think like their employees (Evans et al., 2010, p.308).

“Communication is an important element in building the perception of leader effectiveness” (Aon Hewitt, 2012). The transformational leader is able to communicate so enthusiastically that the result is pulling people to commit to the vision of the leader (Hanson, Middleton, 2000). “Human resources systems, managerial viewpoints, and other aspects of organizational life can lead to sharp inter-organizational conflict” which means that the ability to integrate culturally is more important to international business success than financial or strategic factors (Harzing, Ruysseveldt, 2004, p.90). For example, international joint ventures, common in the international business, are particularly difficult to manage efficiently because their success is based on the integration and combination of different corporate cultures and different national cultures because the cultural

distance increases the difficulties, costs, and risks associated with cross-cultural integration (Harzing, Ruysseveldt, 2004, p.91).

Cultural differences impact the communication between the partners. Lack of understanding of the cultural differences may lead to miscommunication and conflict, especially when people come from national cultures which are significantly different (Zeira, Shenkar, 1990). Trust and collaboration in the cross cultural environment are under influence of cultural differences.

To diminish the potential negative effect of culture on the success of the multinational businesses, companies with a geocentric staffing policy choose the best person for the job, regardless of the nationality. International staff can be recruited from the parent country, host country and third country. If leaders are recruited from the parent country (so called expatriates), the advantages are that they are familiar with the companies' values and vision, and will ensure higher level of control and better communication with the headquarters. On the other hand, they will have difficulties in adapting to the local cultural, social, economic, legal and political environment. Also, this approach may be expensive for the company, and may jeopardize company's efforts in building positive public image in the foreign markets.

Pre-departure assistance to leaders includes basic language training, cross-cultural training, and, if necessary, specialized job-related training in the parent company, preferably at least a year before the transfer. Language training requires more time than other trainings. Duration of the trainings depends on the expected period of employment in the foreign country, and the cultural differences between the host country and the foreign country and can be delivered through different levels of language trainings, cultural briefings, role playing, case studies, simulations, sensitivity training and similar (Dowling et al. 2013, p.179). Also, during the pre departure assistance, the company should organize preliminary visits to the foreign subsidiary. Post arrival assistance is based on the technical pre departure assistance and ensures that the chosen manager has everything he needs to live and work in another country. It is also necessary to engage an interpreter, organize meetings with government representatives and staff, as well as with important business partners.

If the company chooses leaders from the host country, advantages are that they are familiar with local culture, know how the business is done, and are more likely to be accepted as the leader by the local employees. Pre-departure assistance consists only of corporate culture training and specialized job-related training. Post arrival assistance is also limited to technical details. As main disadvantages of this approach are potential problems in control and communication with the mother company, the training should be performed in the company, over the longest possible period of time, and through repeated visits to headquarters, under constant monitoring of the senior managers.

Hiring of third country leaders is similar to hiring of parent country leaders, but requires more attention to potential national animosities and legal limitations. Pre-departure assistance includes language training, cross-cultural training, corporate culture training and specialized job-related training. Post departure assistance is necessary, as

leaders may wish to return to their home countries after their assignments are over. The duration of the culture training depends on the cultural differences, while corporate culture training should take place before and after the departure, both in the mother company and in the foreign subsidiary. For managers from the third country visits to both headquarters and a subsidiary should be organized.

Leaders are involved in negotiations with employees, local authorities, partners, government bodies, and other stakeholders. They need to possess the knowledge of the business practices, traditions and ways of communication.

## ***CULTURAL INTELLIGENCE AND NEGOTIATIONS***

In the 21<sup>st</sup> century globalized society being able to negotiate effectively across cultures is a crucial aspect of many inter-organizational relationships, including strategic alliances, joint ventures, mergers and acquisitions, licensing and distribution agreements, and sales of products and services (Adler, 2002). Effective negotiations in the intercultural context require more than negotiating skills, knowledge, experience and preparations – they require cultural intelligence and cultural competence.

The concept of cultural intelligence was first introduced by Early and Ang (2004). Cultural intelligence is defined as a person's capability to successfully adapt to new cultural settings and to both receive and process messages effectively across diverse settings and make reasonable judgments in reaction to new and different cultural contexts. Cultural intelligence is determined by (Early, Ang, 2004):

- Metacognitive cultural intelligence is mental ability to acquire and understand cultural information,
- Cognitive cultural intelligence is ability to understand norms, styles and other manifestations of varying cultures as a result of experiencing that culture,
- Motivational cultural intelligence is the willingness to work across cultural gap,
- Behavioral cultural intelligence is ability to exhibit appropriate spoken and unspoken behaviors when interacting with people from different cultural backgrounds in a different contexts.

Cultural intelligence is related to the concept of cultural competence, which can be defined as the ability to work effectively with people from a variety of cultural, ethnic, economic, and religious backgrounds (Miranda, 2014). Cultural intelligence is a strong predictor of intercultural negotiation effectiveness (Imai & Gelfand, 2010). Negotiators achieve significantly less joint profit when negotiating across the cultural divide than when negotiating within their own culture (Adler, Graham, 1989; Brett, Okumura, 1998). This is explained through the existence of a number of psychological and behavioral challenges that negotiators in intercultural contexts face (Adair, Brett, 2004). For example, negotiators in intercultural

contexts are less likely to be cooperative and to have equal and high concerns for reaching mutually beneficial outcomes than negotiators in intracultural contexts (Adair, Brett, 2004). According to Kumar (2004), intercultural negotiators are more competitive than intracultural negotiators.

Challenges in intercultural negotiations are also more challenging as they hold the potential to promote negative intergroup dynamics leading to anxiety and fear (Stephan, Stephan, 1985) and lower cognitive flexibility (Baas et al., 2008). Ethnocentrism, defined as judging another culture solely by the values and standards of one's own culture, is associated with rigidity in thinking (Cunningham et al., 2004). According to Gelfand et al. (2001), negotiators from different cultures tend to exhibit culture-specific schemas, as well as behavioral strategies and styles specific to the negotiators culture (Adair et al., 2001) during the negotiations. As found by Adair et al. (2001), negotiators from low context cultures exchange information directly through stating issue priorities, while negotiators from high context cultures exchange information indirectly by implying their own issue priorities through the use of multi-issue offers. Such cultural differences in normative negotiation behaviors suggest that in intercultural contexts, negotiators may have a more difficult time engaging in effective, coordinated sequences of integrative negotiation behaviors than in intracultural contexts (Imai, Gelfand, 2010).

Thus, the lack of cooperativeness and willingness makes intercultural negotiators less likely to engage in integrative negotiation processes that lead to mutually beneficial result. The question is: how can negotiators overcome these obstacles? Is there an individual difference characteristic which affects intercultural negotiation effectiveness? Or is there a way to learn to be culturally intelligent?

According to Imai & Gelfand (2010), personal traits are not significant factors of intercultural negotiations effectiveness. Characteristics such as cognitive ability, emotional intelligence (Elfenbein et al., 2007), openness (Ma, Jaeger, 2005) and extraversion (Barry, Friedman, 1998) are important for all negotiation processes, but do not significantly impact the effectiveness of integrative negotiation processes. Cognitive ability and emotional intelligence may help negotiators to process certain types of information, but may not be necessarily helpful for facilitating social interaction specifically in intercultural contexts (Early, Ang, 2004). The conclusion is that personal characteristics are important, but not as much as the fit between the particular individual difference characteristic and the specific negotiation context i.e. intercultural or intracultural negotiations (Imai, Gelfand, 2010). This also implies that the companies can choose and train their leaders to be more effective in intercultural negotiations.

On the other hand, according to Ang et al. (2007) high cultural intelligence enables negotiators to make more accurate cultural judgments. Additionally, leaders with higher cultural intelligence perform better in cross-cultural environment (Ang et al., 2007). Expatriates with high cultural intelligence adjust easier to the new environment (Templer et al, 2006) and are accepted into multicultural work teams in shorter time (Flaherty, 2008).

## ***STRATEGIES AND TACTICS FOR DEVELOPING CULTURAL INTELLIGENCE***

Cultural Intelligence program is based on a well-structured learning strategy combining experiential development exercises, communications training, and diversity management. First, assessment of the current level of cultural intelligence is needed. Next, companies are recommended to assign future expatriates to the short term jobs in a foreign country which is a part of experiential learning. Taking an assignment in a different culture will motivate leaders to learn how to adapt to their future surroundings and people.

Cross-cultural education involves gaining knowledge of the target culture. This may include practical information about living conditions, political climate, historical and cultural moments, social systems, and economic climate. Education should also include knowledge on the country/culture's norms, values, and prominent belief systems (Wachtell, 2015).

Next step is to learn appropriate communication patterns and language. Perfect fluency is not necessary, but writing and speaking should be on the level that ensures efficient communication. During the training, special attention should be given to symbolism, etiquette, body gestures, and facial expressions of others. Training should also include improving psychological capital –hope, efficacy, resilience, and optimism, which not only helped to elevate cultural intelligence, but also improve attitude towards the job and diminish the stress caused by the change. Experiential development exercises include contingency planning, goal setting, attitude toward success, adaptive resiliency (Wachtell, 2015).

Future expatriates are also advised to communicate with other expatriates and use their experience and knowledge in the process of pre-departure preparations. They can provide information relevant to the customs, traditions, and every day practices in other cultures. Finally, personal development programs aim to maintain the level of accepted behaviors, competencies, capabilities, and capacities.

According to Earley and Mosakowski (2004) improving cultural intelligence means working on three parts of cultural intelligence: a head, a body, and a heart. First, it is necessary to devise learning strategies to find entry points into the new culture which serve as the clues to the culture's shared understanding. These are the things that puzzle people and a good point to ask questions or otherwise get more information. Next, the way to improve the ability of people to reason about culture and develop their cultural intelligence is to involve them in working and reading case studies. Thus, they will gain knowledge about basic rules of interaction.

After the "head" is prepared, Earley and Mosakowski (2004) suggest to learn to use the body, i.e. to move in the same way members of the other culture do. Imitating the gestures and mannerisms used by the members of another culture will show respect and concern. When "body" is trained, "heart" becomes the focus of the training. Expatriates need to believe that they can adapt to the new culture, which will help them overcome the stress and the frustration of being different. When expatriates are

challenged and think to themselves that “These people don’t make sense!” they have to remember that they do make sense to each other. Confidence increases with training and practice – engaging in simple activities, like asking people for directions, and mastering them makes people feel better about themselves.

Finally, it is important to have in mind that being exceptionally good is not the objective – people are usually not particularly good even at interacting with people from their own culture, let alone from different culture. What is important is the effort – fitting in means acceptance, and people accept and respect others who put an effort into understanding and respecting them.

## ***CONCLUSION***

Given the importance of leadership communication skill and their negotiation skills, and the increase in the international business operations, many multinational companies are concerned about developing leaders who will be equally effective in intracultural and intercultural surroundings. As quality leaders are often difficult to recruit in the emerging markets and developing countries, many multinational companies choose to assign managers and leaders from the parent countries to lead the business operations in the foreign markets.

This approach requires especially designed training and education of leaders, which surpass the standard leadership training, as they have to improve candidates’ cultural intelligence. Cultural intelligence development programs include language, standard leadership skills, sharing experiences with other expatriates and reducing the anxiety and the stress of the change.

Cultural intelligence is particularly strong factor of integrative negotiations efficiency, which is important for expatriates who will find themselves negotiating in the intercultural surroundings on every day basis.

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## **MOTIVATION IN VIRTUAL TEAMS**

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*Ljubica Pantelic*<sup>19</sup>

### **ABSTRACT**

*Virtual communication has become an integral part of everyday life both for private and business communications. It is hard to imagine a global, or even a local company, without long threads of emails, telephone and video meetings, online presentations and real-time data conferences with shared texts and graphics – all the things that constitute a lifecycle of a virtual business team. The globalization of modern society as well as the rapid development of technology lead large organizations to increasingly use virtual teams for the realization of their projects. However, leading a virtual team is a very challenging job since people are not physically present in the organization and that there is no face-to-face communication, all communication is done through modern technology. Virtual organization structure requires a democratic decision-making environment which works on the majority votes. This system enables everyone to take part in decision-making by expressing his/her point of view about the specific decision. This type of decision making usually increase the innovation and exchange of useful as well as creative ideas. The purpose of this study is to examine whether there is a difference in motivation between traditional and virtual organizations, and how relationship develops in virtual circumstances.*

**Key words:** *Motivation, Virtual teams, Technology, Leadership*

**JEL Classification:***M12*

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## ***INTRODUCTION***

In contemporary business environment, a basic resource of any organization is composed of people and their skills, which contribute to achievement of organizational goals. Their creativity, innovation and motivation are the characteristics which make them different from other resources in enterprise. Professional, educated workers with adequate skills and abilities are the framework of every organization and they contribute to creation and maintenance of the organizations' competitive advantage. Such workers do not represent only common labor force, but the capital of the organization, which allows it to create an additional value. That is why the human capital management has become an imperative for many companies.

In order to achieve customers' satisfaction, it is quite necessary to firstly achieve the employees' satisfaction. Since the employees are, so called, internal consumers of companies, without their satisfaction in everyday activity performance, it is impossible to create and deliver superior value to final customers.

Motivation has been recognized as important element of human resource management. For this reason, all successful companies have focus on development of techniques and systems that will be able to influence the motivation of employees. Organizations should identify factors which are crucial for employees' motivation and their commitment to the achievement of defined objectives.

The use of virtual teams in business environment has started nearly 25 years ago, and the business justification for it is strong. Using virtual teams helps cross time and distance boundaries; draw talent quickly from different functions, locations and organizations; extend companies' market opportunities; broad team members' careers and perspectives; cut down travel costs as well as time and human costs of being away from home (Duarte, Snyder, 2006).

However, leading virtual teams is a very challenging task and in many cases requires greater competence than leading traditional teams. Earlier research in this field was for the most part concerned with the impact of technology on productivity and communication in such teams. However, while problems related to technology get settled along with the technological progress, problems related to communication, team building and team trust, leadership in the team, all this in the conditions of physical absence of employees – still remains.

By using the method of description, with empirical research it will be determined which factors are certain for employees motivation in virtual teams and the role of leaders in that process.

Therefore, the aim of the study is to recognize and describe the importance of certain factors in motivating employees in virtual teams. In accordance with the defined goal of the research, two hypotheses have been defined:

1. Awards and recognitions are the best ways to support and draw attention to good and efficient behavior of employees, their self-satisfaction and contribution to the achievement of defined goals either in virtual or traditional team.

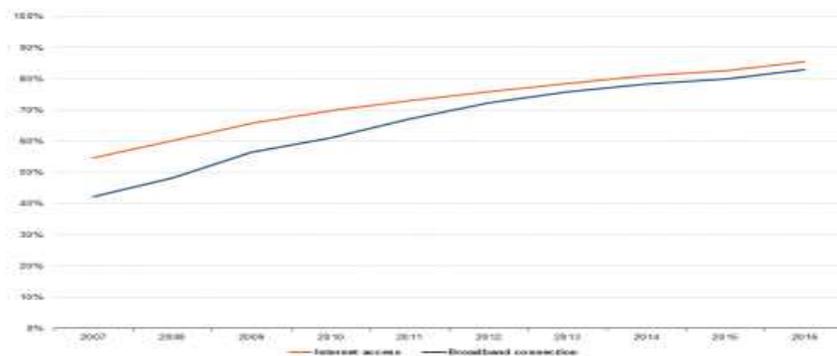
2. The role of the team leader is to clearly define the goals of the organization and the responsibilities of each team member. Finding the ways of efficient use of communication technology at all levels significantly reduces the potential for conflict within the team and duplication of functions.

## ***CHARACTERISTICS OF VIRTUAL TEAMS***

The rise and continuous development of information and communication technologies have facilitated the creation of new mechanisms for coordinating work and, subsequently, new collaborative organizational forms, business models and working practices. Information and communication technologies are based on collaboration and contribute to competitive advantage, innovation, and economic growth as they enable global access to individual capabilities, best skills, and core competencies (Romero & Molina, 2009). In organizational setting throughout the world, there has been an increasing reliance on information and knowledge diffusion through electronic means rather than through traditional face-to-face communication (Olson-Buchanan, Rechner, Sanchez, & Schmidtke, 2007).

When we talk about the growing importance of modern technology, it is important to take into account statistics regarding the growing use of the Internet for private and business purposes.

In 2016, 85 % of European households had access to the internet from home. This share has been gradually increasing since 2007, when only 55 % of households had access to the internet.



*Figure 1: Households with internet access*

*Source: Eurostat, 2016*

In the EU, 71 % of all individuals used the internet every day or almost every day. Age and level of formal education have a significant impact on the use of internet by individuals: differences revealed the existence of 'digital divide' across generations and educational attainment. 96 % of individuals aged 16-24 were regular internet users against 57 % in the 55-74 age group. Individuals with a higher level of education were almost all regular internet users (96 %), while less than 60 % of individuals with a lower level of education used the internet regularly.

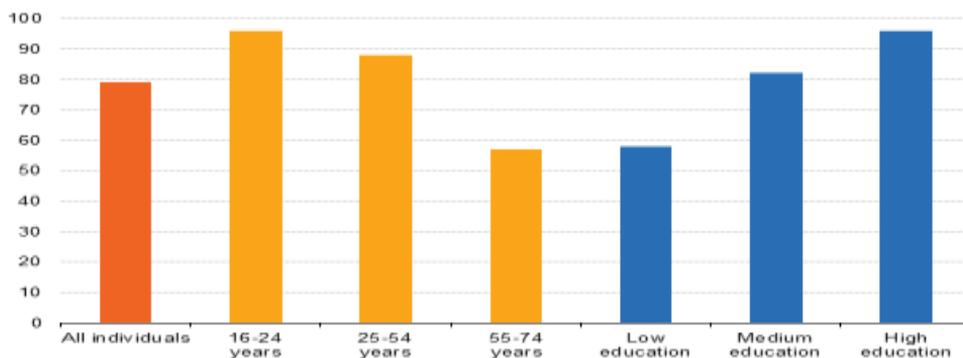


Figure 2: Individuals who used the internet on average at least once a week, by age group and level of formal education, EU-28, 2016

Source: Eurostat, 2016

In addition to these parameters, the difference in the use of the possibilities of modern technology depends on the degree of development of a particular country. If we take the countries of the European Union into account, the Eurostat survey shows that developed countries are making greater use of these opportunities, in contrast to less developed countries.

The modern technology brings many opportunities for organization and their teams (traditional or virtual) through faster and more efficient reaching of defined goals. Even though the era of new technology has begun, people still needs interactions with other people. The ultimate goal for managers is to find way to overcome the traditional understanding of communication among team members and thus provide a good conditions for the functioning of virtual teams.

Traditional business is based on using structured paper documents in well-defined and generally accepted communication between the participants in the business process. Modern digital technologies enable more efficient business, without the use of paper documents and without direct contact between participants in the business process. Business in which business transactions are primarily realized electronically is known under the name e-business. In virtual organization, unlike the traditional hierarchical structures, there are no employees who act on a predefined, common physical one location. It is created and disappears according to needs of individuals who make up. A virtual organization is defined as "a group of geographically dispersed members who carry out independent tasks toward a common goal"(Bosch - Sijtsema and Sivunen 2013).

Virtual organizations can be organized as:

- **Telework** – it means working at distance (homework, satellite office, mobile office, tele center)
- **Virtual offices** - includes offices for telework and classic offices in organization (hot desk environment, hoteling, touchdown office)
- **Virtual teams**

Facing increasingly global demands, more and more businesses are expanding globally, and there is a trend for organizations towards physically dispersed teams. In other words, it is getting more common to combine talents, skills and expertise from different locations and even time zones. People who work in this kind of teams, in most of cases, do not physically meet each other, instead their communication is established with the help of modern technology.

Virtual teams are "groups with members collaborating from geographically distant locations, using electronic communication media, and reflecting recent trends of globalization and interdependent teamwork." (Hertel et al.,2004). Unlike traditional teams, a virtual team do not know for space and time, and organizational parts are linked by means of communication technology. Virtual teams do not include permanent employees. Typically, virtual teams are formed to perform certain tasks or to achieve defined goals. These goals and tasks can be a short-term or long-term character, but the common characteristic of all virtual teams is that after reaching the defined goals they dissolves.

When drawing up a team, special attention has to be paid to its composition. The composition of the virtual team must be such that all the necessary characteristics of the members of the team, to fulfill the defined projects, are complementary.

However, managing virtual team is not an easy task, because it includes managing people who are physically separated not only by time and space, but also culturally, sociologically and linguistically. Therefore, it is very important for managers to coordinate the team in the way that will ensure success. In the line with this, managers are faced with the following challenges (Radovic- Markovic et al., 2014):

- Communication challenges – managers must learn to keep the lines of communication open
- Frequent communication
- Need appropriate technological support
- Technology challenges – all team members must have the same or similar technologies at their locations
- Policies and norms for use must be provided
- Diversity challenges – different cultures have different perceptions of time and task importance
- Providing the appropriate technologies – for each culture is a key

Apart from these problems, there are also problems related to the motivation of employees that arise as a result of the physical distance between team members compared to conventional teams.

It is important for global managers to identify and understand differences that exist and monitor how these differences affect motivation, success and interaction within their staff.

## ***VIRTUAL VS CONVENTIONAL TEAMS***

At a time characterized by rapid and dynamic changes in technology and hence business processes, quick responses from the organization are also required. Namely, each organization must be ready to respond to ongoing innovations on the market and thus not allow its products and services to enter the phase of obsolescence. That is why organizations must have a good system of research and development, based on modern technology, in order to respond to market demands, expand their market and customer base. This calls for constant improvements in their working methodologies. With the development of modern technology, many companies are trying to explore virtual platforms as close as possible in order to bring together experts from different fields and thus compose a team that will respond to all modern challenges. However, in business as well as in life, not everything is black and white. It is clear that both virtual and traditional teams are extreme for themselves and that there must be some solution that will give the best results by combining these two options. Finally, it clearly depends on the kind of work one is doing. However, what is not clear is which factors are decisive for the success of virtual teams.

Quite simply, a team is a group of individuals working together to achieve defined goals. Unlike traditional teams where members are physically present on one place and where face-to-face communication is included, virtual teams involve a group of physically dislocated individuals who share common interests. Generally, the virtual teams are composed of different experts who are geographically, culturally and temporally separated. The interactions among the members of a virtual team are mediated by the technology.

*Table 1: Comparison of challenges facing virtual and traditional teams*

CHALLENGES	VIRTUAL TEAMS	TRADITIONAL TEAMS
Communication	<ul style="list-style-type: none"> <li>• Multiple zones can lead to greater efficiency and communication difficulties</li> <li>• Communication dynamics (non-verbal) are altered</li> </ul>	<ul style="list-style-type: none"> <li>• Teams are located in same time zone. Scheduling is less difficult</li> <li>• Teams may use richer communication media</li> </ul>
Technology	<ul style="list-style-type: none"> <li>• Team members must have proficiency across a wide range of technologies</li> <li>• Technology offers an electronic repository</li> <li>• Work group effectiveness may be more dependent on alignment of the group and technologies used</li> </ul>	<ul style="list-style-type: none"> <li>• Technology is not critical, and tools are not essential for communications</li> <li>• Electronic repositories are not typically used</li> <li>• Task technology fit may not be as critical</li> </ul>
Team Diversity	<ul style="list-style-type: none"> <li>• Members typically come from different organizations or cultures which makes it:               <ul style="list-style-type: none"> <li>- Harder to establish a group identity</li> <li>- Necessary to have better communication skills</li> <li>- More difficult to build trust, norms, etc</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Because members are more homogeneous, group identity is easier to form</li> <li>• Because of commonalities, communications are easier to complete successfully</li> </ul>

*Source: <http://www.thelowdownblog.com/2012/03/virtual-teams-can-outperform.html>*

There is a fact of advantages for traditional teams, some of them we have recognized as most important:

- **Human Communication.** People working in organizations can easily get in direct contact with each other, both through formal meetings and through informal socializing during breaks. It often happens that the main directions for resolving a particular problem occur precisely at such informal meetings of employees.
- **Facilities.** Facilities are centralized and shared so costs can be lower. Centralization of organizational activities in one place can contribute to significant savings in both costs and time needed to solve a particular problem. On the other hand, the maintenance of such an object requires a certain amount of costs, so that from this aspect it is not possible to accurately determine the cost efficiency.
- **Been Done.** Awareness of the way of doing business and the appearance of the work environment is what people are learning from a small age, and

traditional organizations are those that support their perceptions. People naturally choose what they know and where they feel safe.

On the other side, there is also a list of disadvantages linked to traditional teams:

- **Cost of Office Space.** As previously mentioned, in this case, the degree of deficiency can not be accurately determined. The main disadvantage is the cost of maintaining space that does not exist with virtual teams.
- **Cost of Commuting.** The known cause said that time is money. In this case, there are significant costs if we talk about the time it takes to arrive and leave the organization.
- **Cost of Attracting Talent.** For organization it is very important to retain existing workers and to attract new talented labor. In order to succeed in this, managers of organization need to create a flexible environment that will give more freedom to employees, and on the other hand, try not to hurt the business flows of the organization.

Some of this factors made progress in developing virtual teams that were originally created to improve the effectiveness of organization. Employee expectations are expected to change with the increasing demand for more flexible working arrangements. This also coincides with the increased globalization of many organizations. Some of advantages that we recognize through researching are:

- **Flexible working conditions.** Globalization and the modern way of living lead to increasing digitization in all spheres of life and business. From doing a job from home, buying from the chair, without going to the store, to the electronically account payment. Working from home gives the possibility for employees of bigger flexibility in organizing their own time, which is especially important for people who have children. Virtual teams are those who fully meet these requirements.
- **Self-Management.** Employees in a virtual team do the job without the direct supervision of the manager. This allows employees to create a sense of responsibility towards the job, thereby reducing the non-productivity of the work. Carrying out pressure-free jobs can encourage workers to get out their own ideas and try to put good ideas into action.
- **Potential to hire remote workers who do not want to work in one place, in office.** It is considered that it is easier to attract a good workforce when employees are given the opportunity to choose the place and time when they will work, as is the case with virtual teams. It is also possible to engage foreign workers, if necessary.
- **Part time workers.** Due to the flexibility of time and place, it is possible to engage experts who already have permanent jobs to perform certain tasks. Teams thus gain greater expertise, and employees are given the opportunity to perform two jobs simultaneously.
- **Preexisting Equipment.** It's almost unthinkable that today's business can be imagined without a computer. It is considered that most if not every employee has his / her own computer, which reduces the cost of equipment procurement. If we have in mind that in addition to the cost of renting and

maintaining space this is the highest cost for a traditional organization, then it is clear why this represents a significant advantage of virtual teams. Appropriate policies are needed to separate employee and company owned equipment and software.

The requisite of forming virtual teams is clear. Benefits from such teams stand as on the side of the employees as on the side of the company. Employees are given the possibility of more flexible work, part time work, the possibility of exchanging opinions with experts from other countries. As already mentioned, the company allows a significant reduction in costs. However, the formation of such teams is not easy. There are also some disadvantages of this form:

- Communication. For the functioning of each team, and especially the teams where there is a physical distance, good communication is crucial. As already mentioned, nonverbal communication is very important in the business world, because some answers can be obtained only by observing the other side. Another communication problem is conflict resolving, because team members are forced to use technology for such needs, which can lead to significant misunderstandings. If we could see and hear each other over the internet, a large part of this need for human interaction might be reduced.
- Physical meetings. The written word does not have the same meaning as the word said live, so it is important to make direct team meetings from time to time. However, finding an adequate space in a short time frame is not easy.
- "Seems unprofessional." This problem arises precisely because of the lack of business space, so that potential clients may have the impression of lack of professionalism and mistrust in the team for work at home conditions.
- Opportunity for abuse. Abuse opportunities are much higher in virtual than in traditional teams. Due to the lack of senior managers, work from home, family presence etc, it can happen that employees neglect their responsibilities.
- Employees work environment. When it comes to work from home, it is necessary to separate the working space from other parts of the house and other members of the household. A particular role in this job is self-discipline, because distorting concentration is much easier than when you are among colleagues who are also working.
- Training. In traditional organizations, trainings are performed in the space envisaged for these purposes within the organization. One of the solutions for virtual teams is renting out space or appropriate training seminars, but this involves higher organizational costs, as well as a time costs for employees who need to travel from home to the point and back.
- Updating technology. Updating hardware and software for each team member using their own machine can be difficult. Namely, it can no longer be an operation that will allow updating hardware and software of all employees at a same time, such as in traditional organizations. Also, virtual team members may not have the same access to certain technologies, or dates of software release may be very different in different countries.

## ***MOTIVATION IN VIRTUAL TEAMS***

The virtual environment and its various communication technologies have created a new challenge for leadership. Virtual leaders lead organizations that are other than physical, and they inspire people from distance to develop self-management capabilities (Kerfoot, 2010).

Organizations are made up of different individuals with different characters and personalities. Every employee in an organization is motivated in one way or the other. Despite the fact that virtual organizations are completely new and different from the normal traditional organizations, motivation is an important aspect to the organizations effectiveness. When we talk about motivation, we can talk about different sources of motivation. Namely, there are two groups of people, the first one being made by people who are inter - motivated, these are people who personal success and achievement is the one that counts and another group of people who are motivated by some external factors such as rewards and money. It is the responsibility of the virtual leaders to figure out which primary source of motivation drives each team member. This can be achieved by listening or talking to the employee. However, the basic problem is that employees really do not know what motivates them. Therefore, in the interaction with employees, the role of the leader is very important. Leaders must be able to see the invisible and hear of what is not said if they want adequately to respond to the expectations of their workers. Even if a person is highly intrinsically motivated, there is a threshold for extrinsic motivation factors below which they will not go. Such a person for instance may love the content of their work but exit the situation if yearly salary increases are too low or opportunities for advancements do not exist (Carroll,2008). What is important for leaders is personalized approach for each employee in order to meet their needs better. To achieve this, leaders also must be good psychologists because many answers are hidden in non-verbal communication. In line with this, knowledge and the possibility of combining different sources and ways of motivation represent the key of the success for each leader, enabling the retention of existing and attracting new employees. Therefore, managers should strive to set specific, adequately challenging goals in order to keep their employees motivated.

Effective leader communication is considered to be the key to high performance. As a form of strategic verbal communication, motivating language a powerful form of leader speech, which is directly associated with employee performance and their job satisfaction (Mayfield, 2009).

Communication and organizational culture together are both important for achieving the projected goals of the organization and adaption to the changes in the organizational culture, because they encourage adequate participation of workers and the achievement of organizational goals.

The lack of physical contact is one of the worrying factors when it comes to running virtual teams. Namely, managing such teams, many problems can arise which can lead to a loss of focus of the team members, and instead of working towards the achievement of a common goal, they seek to achieve their own goal. To overcome this challenge, it is vital that managers create a virtual team culture.

- Allowing casual, friendly, non-work conversation to occur.
- Promoting givers, discouraging takers. “Takers” are employees who are selfish, seek to achieve personal satisfaction through competition with team members, ignoring team spirit. On the other side “givers” are individuals who contribute to the team without ulterior motives and support team culture that will keep employees happy and motivated.
- Do not allow arguments to happen over email. Due to lack of physical communication, any discussion via email can lead to misunderstandings and counterfeits. One way of resolving this problem is to encourage team to call one another and work out problems or miscommunications.
- Assign team mentors. These are the people who will serve to maintain a team spirit through the establishment of team culture and trust among the team members.
- Trust the team. Trust the team is crucial for virtual team success. It can be defined as: the expectation that arises within a community of regular, honest and cooperative behavior, based on commonly shared norms, on the part of the members of the community (Fukuyama, 1995).

Virtual professional teams are consisting of self-motivated people with a collective vision, enabled by technology to collaborate in achieving a common goal – an innovation – by sharing ideas, information, and work product development, within not just any organizational work process; but a process highly dependent on creativity (Brown, Eisenhardt, 1995). Moreover, this way of doing business, requires a very high level of trust and loyalty to the set business objectives. This means that we need highly motivated members of the virtual team. To create such a team, good communication is must. Clearly define roles, expectations and goals. Create an atmosphere that will enable each team member to express themselves and freely share their ideas without fear of any prejudice.

After establishing good communication and trust among team members, the most common way of motivating teams are rewards. Therefore, managers must have the ability to objectively observe the performance of each team member and, accordingly, define an appropriate way of rewarding them. Thanks to technological development and the increasing use of the internet, numerous web sites have been developed that enable the promotion of team success and performance and thus represent one of the most cost-effective ways of promoting team spirit. Team leaders have a number of material and non-material stimulants available that can be used to increase the performance of their team. The responsibility of the leader is to make such a combination of stimulus, in accordance with his expertise and knowledge of each individual, which will enable both team members' satisfaction and reaching the goals of the team itself.

Effective leaders understand that not all team members will be happy all of the time. Sometimes there are demands on the team that prevent each individual from getting precisely what they want. Therefore, a good leader must find a way to keep the focus and motivation of his team at an adequate level at the moment when their expectations about regarding are not met.

## ***CONCLUSION***

As we confirmed during this research, owing to the increasing competition in the marketplace, decentralization and globalization of work processes organizations have evolved and become more flexibly on every level of business function.

Virtual teams become more and more important in order to meet demands A virtual team allows the company to hiring talents at the global labor market and to choose those who are best performed respect the budget cost level. Adopting new organization form using virtual teams, organization create new wave of cost benefit approach of business at same way expanding working hours over all world time zones and sharing knowledge and created values. But critical factor of motivation stays un-doubtable.

Our first hypothesis stood for material compensation that are more efficient than any other has to be discard as we saw that nonmaterial stimulation can be even more important in process of creating a successful virtual team and make competitive competence for it. At the same time, the role of team leader is even more important than in face to face teams, and his competence can improve performance and increase effectiveness. The unique leadership style and his willingness has shown significant impact to performance of virtual team compared to face to face teams. This especially means that successful leaders have to improve their own skills and sense to understand and motivate the members of teams.

Beside the professional competence, a global leader should be able to manage different social, cultural and even emotional habit of the team members so he should create strong connections among team members and encourage them to share the team values. During this research, we recognize three challenges that prevailed among others in successful virtual leadership.

1. Clear goals and target - The main focus of virtual leader must stand to realize goals and meet target in defined timeframe. In order to achieve this objective the leader should provide clear role for every member of the team. This means that every single one should well know what are his responsibilities, working tasks and hierarchy line of reporting. Also communication on project progress should be on daily basis.
2. Create a team value - According to the this, the role of leader is to motivate and inspire the members. This means that team leader must be recognized as highly competence and respectable in both professional and human values. This is highly required for successfully sharing of knowledge as well as creating a committed team.
3. Conflict managing - Often the project progress is downgrade and team leader is under pressure of deadlines. Even in this case leader should stay flexible and find way to reorganize tasks among team members in order to ensure compliance with realization of predefined objectives.

At the beginning of creating of virtual teams, in the formative stages, should be conducted a team identification process. This can be an introducing email, voicemail or videoconference where every member should be introduced with other members of team, their roles and objectives and also corporate culture and team values. This helps to establish shared virtual team culture and values within the bigger organizational culture. It acts as an integrating force for the team.

Trust is a critical factor of successful virtual team. This means that leader should create a high level of trust between member of team on the start so in situation when problem arise they can be able to solve it in the undeveloped stage to prevent damage of team process. All members should be able to express their frustrations, admit if there some troubles in working progress, seek for help and inform leader and other members about any disadvantages of team. Since virtual teams rather sit on different continent than same office and hardly get in physical interaction, the important role is on technical equipment and tools for meeting in virtual space. The everyday communication on working tasks as well as informal chatting is a way of building and improving team relationship which create efficient, loyal and committed members. It is highly recommended to provide some joint platform for communication such as blog or some way of social network for discussion, sharing knowledge and even for relax to members. In that way both leader and team members could develop interaction and trust beyond the required tasks and create well human occasion for improving social and emotional relationship.

Awards and recognitions are not the best ways to support and draw attention to good and efficient behavior of employees, their self-satisfaction and contribution to the achievement of defined goals in virtual teams. There is a fact that it is still important factor of motivation but not critical for successful of virtual team.

On the other hand, the role of the team leader is even more important than we presumed. The virtual team leader has to adopt a unique approach tailored by differences between member of the team and to creating team spirit that can build the trust and well working habits. At last, there is no one-size-fit-all leadership style when it comes to managing virtual teams.

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*Part II*

***LEADERSHIP VS. MANAGEMENT STYLE AND  
STRATEGY***





# ***THE IMPACT OF LEADERSHIP STYLE ON EMPLOYEES PERFORMANCE: THE VIETNAM PERSPECTIVE***

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## ***ABSTRACT***

*Contemporary organisations are fast paced and tend to ignite the need for dynamic and versatile leadership styles to deploy strategies. The employees' performance, on the other hand, is reciprocal to the vision coined by their respective leadership styles. Current research accommodates the views of various researchers over the past decades by drawing experiences from various businesses, especially in globalisation phase characterised by competition and changes in the global marketplace. The intended outcome of this research is to provide theoretical foundation of the effects of leadership styles on employees' performance from a Vietnam perspective, proposing adequate leadership styles to enhance employees' performance and attaining goals and objectives set by all stakeholders.*

***Key words:*** Leadership, Performance, Organisation

***JEL Classification:*** M12

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## ***INTRODUCTION***

Leadership is considered as one of the key components of the success or failure of any organisation, whereby leaders play the essential role in the fulfilment of specified corporate goals and the enhancement of employee performance by influencing, directing and motivating them to perform efficiently. Furthermore, in today's globalization phase, organisations have been expanding overseas and Vietnam has become an ideal destination for these enterprises. This trend leads to significant changes in the leadership style adopted in Vietnamese organisations, especially in the private business sector. In recent research, Cox et al. (2014) suggest several leadership styles that are employed in the majority of Vietnamese enterprises, such as self-protective, team-oriented and human-oriented ones. However, the priority order of these styles is different among sectors, whereby state-owned companies favour classic leadership that has been existing in Confucian countries, as self-protective and human-oriented one, whereas private or joint-stock firms prioritize team-oriented leadership that concentrates on the efficiency and effectiveness of works.

Self-protective leadership emphasizes the safety and security of individuals and groups, which involves face-saving, status-conscious and procedural behaviours. Although this kind of leadership can help organisations avoid uncertainties and risks, it would restrict the innovation and creativity of employees, as well as prevent firms from obtaining considerable successes. Human-oriented leadership refers to a patient, supportive and considerate approach, which includes sympathy and generosity. This type of leadership may enhance collaboration and relationship among individuals, which would result in the improvement of employee performance. Nevertheless, to maintain human-oriented leadership, it will be a time-consuming process that may lead to a decrease in productivity (McCleskey, 2014). In contrast to self-protective and human-oriented leadership, team-oriented leadership puts emphasis on leaders' roles that seeks to observe the team and take essential actions to achieve team effectiveness and mutual objectives. This type of leadership style is often manifested through teamwork, unification, diplomacy, goodwill and administrative competence (Northhouse, 2013). On the one hand, team-oriented leadership method can deliver team efficacy and acquire shared goals, thanks to prudent and accomplished leaders. On the other hand, this leadership approach can lead to inappropriate decisions made by leaders which can potentially affect the entire operating system.

Otley (2016) suggests that there is no specific leadership style that is ideal and fit for all organisations, and varies depending on situations. Thus, to propose an effective leadership, it requires analysing various aspects of the context, such as internal factors (position power, task structure, and leader-member relation), and external factors (culture, ethnicity, belief, and value, etc.). Based on the context of Vietnamese working environment that is influenced significantly by cultures, team-oriented leadership would be an effective and suitable approach. According to Hofstede's model, Vietnamese organisations record high scores of power distance,

collectivism, and long-term orientation, reflected in people tending to engage in teamwork and take responsibility for fellow members, obey direct commands of leaders and work toward long-term targets (Geert Hofstede, 2017). These features seem to match with a team-oriented leadership style that pursues the efficiency and effectiveness of work. If this kind of leadership is implemented and adjusted flexibly, it may result in the improvement of employee performance.

## ***LEADERSHIP STYLE AND EMPLOYEE PERFORMANCE***

Leadership is interpreted in numerous ways depending on researchers' outlooks and contexts. Although it has altered over time, the meaning of leadership is built on traits, behaviours, effects and role relationships of managerial positions. Leadership is the behaviours of an individual that directly affects the activities of a team working towards a shared goal (Hemphill and Coons, 1957). However, Schein (1992) insists that leadership displays the capability to break boundaries and bring evolutionary changes which are more versatile. Furthermore, leadership is the competence of an individual to influence, inspire and empower employees to contribute to the accomplishment and effectiveness of an organisation (Northhouse, 2013). Nevertheless, leadership has different meanings to different individuals. In most conducted researches, the following common characteristics can be deduced: leadership is a process, impacts a group of people and seeks to accomplish a common goal.

Employee performance is the successful execution of assignments by individuals who are monitored by an overseer, which desires to attain efficiency and effectiveness of exertion by exploiting existing resources in a variable environment. Employee performance includes the presence of a workload, quality and amount of output as well as its timeliness, efficient and effective levels of the work fulfilled (Carter et al., 2013). However, Karatepe (2013) states that irrespective of the outcomes of employee behaviours, the meaning of performance is exclusively linked with the behaviours themselves. Despite various viewpoints on employee performance, one argument cannot be dismissed; motivation has a critical role in job performance. Thus, inadequately driven forces produces high employee turnover, negative morale, upsurge in expenditures and waste of management's time.

## ***TEAM-ORIENTED LEADERSHIP***

Team-oriented leadership is considered as an ideal approach for an organisation that prioritises the results of tasks more than other factors, in which leaders break down a project into sub-components, set up the project timelines and ensure milestones are met. It is described as emphasising loyalty, pride, and cohesiveness among team members, appreciates highly the effectiveness of team building and implementation of common goals. This type of leadership style

involves administrative ability, diplomacy, collaboration, integration, and non-malevolence, whereby leaders are responsible for taking decisions, proposing short and long-term strategies, guiding and training followers to perform efficiently their assigned tasks. Besides, certain actions that managers could undertake to resolve issues within the team and strengthen team efficacy have been expressed in Hill's model for team-oriented leadership (Keskes, 2014). Managers strive to attain organisational goals by examining internal and external situations and then filter out and recommend suitable actions to guarantee team effectiveness. Furthermore, Wang et al. (2014) stresses that a successful leader should have the capability to determine which feedback options and leadership interventions are the most vital one in order to rectify difficulties the team faces.

Clarity of organisational goals and task definitions are two remarkable strengths of team-oriented leadership style. Leaders communicate and explain where they want to take the company, organise teams for specific tasks and ensure that every team member perceives precisely their individual roles. Thus, the efficiency of teamwork and achievement of shared goals are met thanks to prudent and accomplished leaders. Besides, strict schedule adherence to stated objectives is also another advantage of team-oriented leadership. This kind of leadership is well suited to the structured working environments where repeating well-defined processes may lead to consistent increases in both quantity and quality, or fit for stringent organisations where attention to details and meeting milestones are prioritised (Iqbal et al. 2015).

Although team-orientated leadership style delivers significant benefits, it also has drawbacks that should be considered. The first weakness involves the anxiety of breaking rules and regulations among team members, which may trigger a shortage of innovation and creativity, low enthusiasm and high rate of turnover. Individuals who are anxious about breaking rules would not take risks, which may mean that innovation would suffer (Ross, 2014). Eventually, creative employees may be disheartened and leave the company to look for other chances elsewhere. In unstructured working environments, such as rapidly growing small businesses or start-up companies, innovation and creativity play vital roles in the achievement of success. Otherwise, enterprises operating in highly competitive industries, such as food or retail suppliers, must have the ability to respond to opportunities and challenges. These imply that employees should be able to acquire initiatives and take calculated risks; therefore flexibility and adaptability are essential in the organisation. Besides, this leadership approach can result in inappropriate decisions made by leaders which can potentially affect the entire operating system. Furthermore, studying and assessing team issues is a procedure that entails the leader to devote time to complete.

## ***EFFECTS OF TEAM-ORIENTED LEADERSHIP ON EMPLOYEE PERFORMANCE***

Most research on the relationship between leadership styles and employee performance suggests that leadership has important influences on employee motivation and performance that can be favourable or unfavourable determined by styles leaders implement. Constructive leadership is a factor that augments the quality of management and employee performance by linking workers' needs and rewards. Leadership techniques used by administrators to show care, concern, and respect for staff can increase employees' interests in work and inspire them to perform better (Otley, 2016). This shows a positive correlation between leadership styles and employee performance.

Direct behaviours and strategic decisions are two main approaches utilised by leaders to influence workers' performance (Ojokuku et al., 2012). Direct behaviours employ leadership behaviours to directly affect individuals and groups, which include task, relationship, and change-oriented behaviours. While task-oriented behaviour's intend to boost the efficiency and reliability of the process, the relationship-oriented behaviours are applied to develop human relationships and resources. The change-oriented behaviours are applied to elevate innovation and adaptability to the external environment. Strategic decisions are utilised to make choices about organisational structure, management programs, and competitive strategies. Top administrators have primary responsibilities and authorities over decisions about competitive strategies, formal structures, and programs. However, coordinated efforts by leaders are required at every position of management to ensure the effectiveness of strategies, improvement programs or management systems.

Both methods are complementary forms of leadership effect theory. Direct behaviours can improve the successful possibility of executing new programs and strategies in an organization. Leaders can motivate staff to partake in programs to develop their skills. Furthermore, when leaders explain why change is imperative and how it may profit the organisation, notable changes in the strategic system are more likely to be supported. Additionally, influences of direct leadership behaviours can be magnified by management strategies and programs. Development and success of new products or processes can be boosted by a well-made program which can generate and animate pioneering ideas (Cunha et al., 2013). However, programs and structures may impede the effects of direct behaviours in some features. Complicated principles and standard regulations in the workplace may bring out problematic perceptions for leaders to empower employees. Equally, objectives and rewards of an organisation judged by the number of customers served, meaning quicker service but lower service quality makes it harder for leaders to promote employees and enhance their customer service quality. For certain direct behaviours, management programs and strategies can be a replacement. Rather than detached components of leadership, they supply a scheme to guarantee that collective tasks are managed in a persistent and effective system (Tsigu, Rao, 2015).

Besides two general methods presented above, Alhassan et al. (2014) cite six particular steps that may be undertaken by team-oriented leaders to improve employee performance, such as employee ownership and accountability, clarity of goals, managing employees' satisfaction, communication, recognition and incentive, and innovation. Firstly, employee ownership and accountability can be enhanced through building teamwork, arranging meetings and establishing schemes. Secondly, leaders should demonstrate precisely what teams desire to attain and how to carry out by delivering essential information on goals and current situations of projects to followers. Thirdly, in order to meet employees' satisfaction, leaders should employ both human and material resources to provide employees with opportunities to acquire advanced knowledge and skills (Keskes, 2014). Fourthly, as regards communication, open conversations should be applied to enhance the trust between leaders and subordinates. The fifth step is recognition and incentive, whereby leaders can stimulate and encourage followers by recognising and rewarding their efforts, which may boost their morale and provide motivations for other individuals. The last step of the model is innovation that is important to the enhancement of employee performance and development of the organisation, in which leaders should establish an innovative working environment where team members can discuss and exchange ideas.

However, during the process of leadership, leaders may have some difficulties that prevent them from improving employee performance, such as organising leadership across levels and subunits, trade-offs and synergies. As regards organizing leadership across levels and subunits, it reflects a complicated process in which leaders at all levels and followers involved. These leaders coordinate to propose decisions that would be delivered and undertaken by subordinates. Though, these decisions are not always identical and compatible, which result in the chaos and decrease in employee performance. Therefore, Iqbal at al. (2015) suggest that in order to ensure long-term success, organisations should establish a working environment where different leaders can share and explain their decisions. With regard to trade-offs and synergies, leaders may meet challenges in balancing performance factors, as improving one determinant can affect others or lead to unintended outcomes. Thus, in this case, leaders should suggest an appropriate balance that illustrates the priorities of performance elements and possibility of developing them.

## ***IMPLEMENTATION OF TEAM-ORIENTED LEADERSHIP IN VIETNAMESE WORKING ENVIRONMENT***

According to Nguyen and Dao (2015), Vietnamese leadership styles have been changing over time and are different among sectors. Globalisation is a key determinant for these changes, whereby national and regional economies, cultures and societies have been incorporated into the global network of trade, immigration, transportation and communication. Thanks to advantages of human resource and geographic location,

Vietnam is considered as an ideal option for foreign companies to locate subsidiaries. However, differences between leadership styles of Vietnam and other countries may lead to difficulties for leaders in operating companies. Thus, in order to ensure the business efficiency, leaders should adjust managerial approaches to balance disparities, simultaneously provide opportunities for employees to develop their skills and knowledge. These regulations are applied in not only joint-venture companies but also local firms, especially in private sector.

In recent research, Cuong and Minh (2017) find that while private and joint-stock enterprises gradually diversify leadership styles, state-owned companies maintain traditional ones, such as self-protective and human-oriented leadership. To be specific, leaders of state-owned companies believe that human relationship plays important roles in a firm's success; therefore they concentrate on building relationships between leaders and followers, and among members. Moreover, these leaders have a tendency to avoid taking risks and pay attention to other people's attitudes and face-saving issues. However, in the context of a Vietnamese working environment, drawbacks of these traditional leadership styles seem too overwhelming advantages due to time-consuming process and restrictions on creativity and innovation (Cox et al., 2014). Being aware of these disadvantages, private and joint-stock companies have adjusted and implemented other leadership styles in their workplaces, typically team-oriented leadership that may remedy weakness of the current ones and is suitable for Vietnamese cultures. With regard to remedying drawbacks of traditional leadership styles in Vietnam, team-oriented leadership appreciates highly the outcomes of works, which is conducted through collaborating and integrating team members, therefore the efficiency and effectiveness of works would be ensured. As regards the extent to which team-oriented leadership is fit for Vietnamese cultures, based on Hofstede's model, there are several main points that can be considered. Firstly, Vietnam scores high on the power distance dimension, which reflects that employees expect and accept hierarchical model, they favour being told what to do without further justification. Secondly, a low score on individualism dimension implies a collectivistic society, in which people prefer to work in groups rather than individually, and the groups would take care of members in exchange for loyalty. Thirdly, Vietnam scores high on the long-term orientation dimension, which refers to a pragmatic society where individuals attach special importance to future, thriftiness, and perseverance are highly valued. From these points, it seems that team-oriented leadership would become an appropriate approach for Vietnamese organisations to enhance employee performance.

## ***METHODOLOGY***

PG Bank (Joint Stock Commercial Petrolimex Bank) is considered as an ideal organisation for Vietnamese employees, which will be utilised as a case study for the research. There are six main types of leadership style developed by House et al. (2004) that will be investigated in this study, namely charismatic, team-oriented, human-oriented, participative, autonomous and self-protective leadership. The whole population of the research is 1422 staffs, from which a sample of 200 is drawn. A structured questionnaire is used in collecting relevant data from permanent staffs of PG Bank. 39 closed-ended questions related to types of leadership style and employee performance are sent to receivers via emails, filled and sent back to the researcher. Once data is gathered, SPSS technique would be applied to generate results that reflect the relationship between leadership style and employee performance.

## ***MEASURING INSTRUMENT***

A leadership scale suggested by Slemp and Brodrick (2013) is employed in this study, whereby each statement of leadership behaviour proposes five answers that are equivalent to five levels of expression, as: “strongly disagree”, “disagree”, “neutral”, “agree” and “strongly agree” scored by Likert’s five-point scoring. Samples of questions are: “My supervisor focuses on team building”, “My supervisor spends time on building relationships amongst members”, “My supervisor encourages me and the others to share ideas and opinions”, “My supervisor has absolute authority and control over decision making”, “My supervisor is careful of taking decisions and actions to avoid losing face”, “My supervisor stimulates me to think about what I have never questioned before”, “Regardless of difficulties, I often fulfil tasks that are allocated to me”. With regards to measuring the scale’s reliability, Cronbach’s Alpha of this study is 0.767 which is higher than 0.7, which implies that the research instrument is reliable.

### **Findings and Analysis**

The study covers 137 responses from participants, in which the numbers of male and female respondents are equal (54.7% and 45.3%, respectively), and the majority of them are in 26-30 age range (29.9%), have bachelor degrees (59.1%) and 6-10 years of experience (32.8%).

Figure 1 presents the findings of six types of leadership style adopted in agencies of PG Bank, whereby the majority of respondents agree with the existence of team-oriented (mean: 4.02, S.D.: 1.29), participative (mean: 3.50, S.D.: 1.38) and charismatic leadership (mean: 3.22, S.D.: 1.38) in their organisation, and disagree with autonomous (mean: 2.59, S.D.: 1.31), self-protective (mean: 2.71, S.D.: 1.43) and human-oriented leadership (mean: 2.90, S.D.: 1.27). Besides, more than a half of participants agree with the development of employee performance (mean: 3.71, S.D.: 1.40).

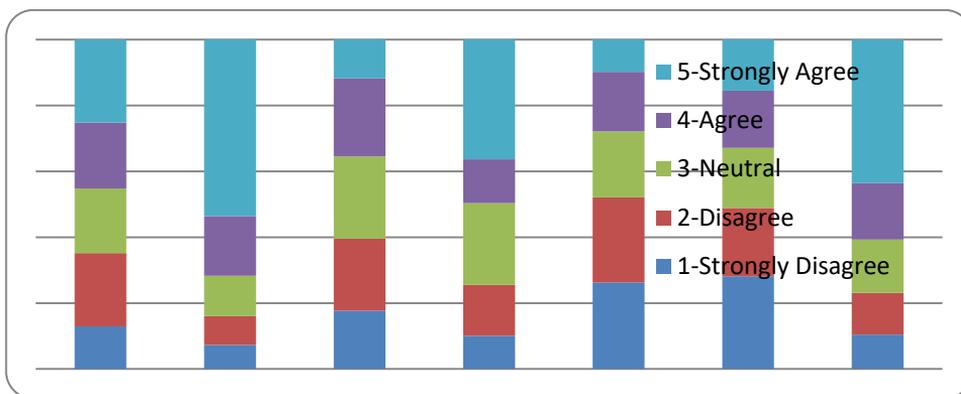


Figure 1: Descriptive Percentage of Six Types of Leadership Style and Employee Performance

Table 1: Pearson correlations between leadership styles and employee performance

Variables	Mean	S.D.	1	2	3	4	5	6	7
Charismatic Leadership	3.22	1.38	1.000						
Team-Oriented Leadership	4.02	1.29	.708**	1.000					
Human-Oriented Leadership	2.90	1.27	-.633**	-.635**	1.000				
Participative Leadership	3.50	1.38	.785**	.872**	-.627**	1.000			
Autonomous Leadership	2.59	1.31	-.794**	-.897**	.751**	-.888**	1.000		
Self-Protective Leadership	2.71	1.43	-.780**	-.912**	.705**	-.909**	.978**	1.000	
Employee Performance	3.71	1.40	.638**	.765**	-.435**	.701**	-.677**	-.710**	1.000

\*\* Correlation is significant at the 0.01 level (2-tailed).

Table 1 illustrates the results of analysis of Pearson correlation between leadership styles and employee performance. To be specific, employee performance has positive correlations with team-oriented, participative and charismatic leadership styles with ( $r = 0.765, 0.701, 0.638$ ;  $df = 137, P < 0.001$ ), respectively, whereas negative associations with self-protective, autonomous and human-oriented ones with ( $r = -0.710, -0.677, -0.435$ ,  $df = 137, P < 0.001$ ), respectively. A positive relation indicates that the leadership style may boost employees’ morale and induce them to perform as expected; the opposite is true to a negative correlation.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.793 <sup>a</sup>	.629	.611	2.583

a. Predictors: (Constant), Self-Protective Leadership, Human-Oriented leadership, Charismatic Leadership, Team-Oriented Leadership, Participative Leadership, Autonomous Leadership

Table 3: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1467.510	6	244.585	36.665	.000 <sup>b</sup>
	Residual	867.205	130	6.671		
	Total	2334.715	136			
a. Dependent Variable: Employee Performance						
b. Predictors: (Constant), Self-Protective Leadership, Human-Oriented leadership, Charismatic Leadership, Team-Oriented Leadership, Participative Leadership, Autonomous Leadership						

The results in table 2 and 3 reveal that six leadership style dimensions (self-protective, human-oriented, charismatic, team-oriented, participative and autonomous leadership) are joint predictors of employee performance ( $F = 36.635$ ; Adjusted  $R^2 = 0.611$ ;  $P < 0.05$ ). The predictor variables jointly explain 61.1% of the variation in employee performance, while the remaining 38.9% could be due to the impacts of other factors.

Table 4: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.931	5.769		.335	.000
	Charismatic Leadership	.010	.136	.011	.077	.939
	Team-Oriented Leadership	.465	.089	.715	5.251	.000
	Human-Oriented leadership	-.221	.188	-.098	-1.177	.241
	Participative Leadership	.337	.111	.285	3.041	.003
	Self-Protective Leadership	-.355	.185	-.551	-1.923	.047
	Autonomous Leadership	-.411	.279	-.434	-1.469	.144
a. Dependent Variable: Employee Performance						

Table 4 indicates that only team-oriented, participative and self-protective leadership styles are considered as meaning predictors or affecting remarkably employee performance due to their Sig. ( $P < 0.05$ ). To be specific, the Beta of team-oriented and participative leadership styles are 0.715 and 0.285, respectively, which implies that there are significant increases of 71.5% and 28.5% in the performance of employees whose immediate supervisors employ team-oriented and participative leadership. In contrast, employee performance may decrease

considerably by 55.1% if the supervisors adopt self-protective leadership. Thus, this suggests that while team-oriented and charismatic leadership possess the greatest advantages of leadership, such as developing and stimulating members, which may result in the expected employee performance; the opposite is true to self-protective leadership.

The aim of this study is to investigate the significant impacts of leadership style on employee performance. The results outlined in the four tables above indicate that the model set up for the sample enables to infer for the whole population, in which employee performance has positive associations with team-oriented, participative and charismatic leadership styles, whereas negative correlations to human-oriented, self-protective and autonomous ones. This means that employees prefer to be directed, supported and inspired by leaders rather than spending time on building relationships or involving issues. Though, only team-oriented, participative and self-protective leadership styles are significantly independent predictors of employee performance. In brief, the findings deduce that leadership styles have both positive and negative impacts on employee performance depending on the type of leadership style adopted by leaders.

## ***CONCLUSION***

This study has explored the consequences of leadership style on employee performance in the perspective of Vietnam. Based on the results of this study, it can be deduced that leadership styles have both positive and negative effects on employee performance. The research discovers that while self-protective, autonomous and human-oriented leadership styles have negative impacts on the improvement of employee performance, the opposite is true to team-oriented, participative and charismatic ones. These leadership styles induce employees to feel accepted at their workplace, execute higher accountability with minimal supervision. Furthermore, followers are assisted to accomplish their visions and needs, which may increase organisational efficiency. However, among these three leadership styles, team-oriented one is considered as the most effective approach to the development of employee performance in PG Bank thanks to its cultural suitability for Vietnamese context. Thus, in order to be stronger in a global financial competitive environment, PG Bank should focus on implementing and developing team-oriented leadership style in its working environment, in which leaders play essential roles in directing and supporting teams toward the achievement of a common organisational goal.

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## **LEADERSHIP STYLE AS A PREREQUISITE FOR BETTER BUSINESS OF LOCAL MEDIA AFTER THE PRIVATIZATION PROCESS**

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### **ABSTRACT**

*Privatization in Serbia was conducted with the aim of increasing efficiency, turnovers and development of domestic capital markets. Regarding the privatization of media, it was conducted for the sake of market orientation and bigger objectivity, in other words reducing the influence and pressure on the media and with the aim of reducing budget allocations. Effective governance is a prerequisite of every successful business. If activities are well-designed, the performance of every individual employee will contribute to achieving organizational goals. This paper aims to explore leadership styles and how they affect organizations' functioning in order to better understand the employees' behaviour and apply that knowledge to improve the efficiency. The research topic is the analysis of the leadership style of local media in the municipality of Vrbas by the method of determining the style of management labour collectives of V. P. Zakharov and Zhuravlev A. L. Methodology includes interviewing 30 employees, 15 managers (superiors), 15 doers, in other words subordinates, and conversations with employees and representatives of the managing authority. Obtained results indicate problems management of local media in municipality of Vrbas face and actions which should be taken in order to improve business.*

**Key words:** *Leadership, Local Media, Privatization, Efficiency*

**JEL Classification:** *L33, D23*

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## ***INTRODUCTION***

Managers' task is to direct organizations towards the accomplishment of their goals, and managers are responsible for combining and using organization's resources in order to ensure a successful mission of their organization. (Certo, Certo, 2008, p. 7).

Even though they are different, management and leadership are not two opposite approaches to task realization. Leadership is on the top and is firmly relying on management. By creating vision and mission, by defining goals and strategy for their realization and by motivating employees, leadership makes efforts and results that surpass effects that would be achieved by management. Leader defines approaches and objectives of his team and leads it towards their realization. With the aim of achieving that, leader has to create vision of the future and has the respect and trust of his team so they would follow him voluntarily. Respect is gained by making the job done. Actions speak louder than words, and results louder than actions. People respect leader's abilities and professionalism. Trust comes from sincere relationship and openness, as well as from actions corresponding with words. It is also gained by readiness to cope with problems. (Sprenger, 2000, pp. 76-78) Leaders are appreciated for their actions, not words, because actions are examples to be followed by the team (Piling, 2008, p. 22).

In a situation when managers encourage employees to achieve certain goals, they are being leaders, and when leaders are making plans, organizing, staffing, managing and controlling, they are being managers. Both management and leadership imply the process of influencing a group of people in the aim of realizing certain objectives. (Northouse, 2008, p. 8). The difference between management and leadership is that management traditionally deals with planning, organizing, staffing, managing and controlling, and leadership is more focused on the overall process of influencing.

Ability of managers to influence employees is based on formal governance referring to that position. On the contrary, leaders are appointed or come from different work groups and have the ability to influence others which doesn't stem from formal authority.

Likewise, not all leaders can be managers. Hence, an individual can influence others, have his own followers, but that doesn't mean he can plan, organize or control. A leader first has to master all functions and knowledge closely related to management (Pavlović, 2013, pp. 24-26).

## ***LITERATURE REVIEW***

Adizes believes that management, if it wishes to manage its organization well both in the short term and in the long run, has to accomplish four roles (Adizes, 2013, pp. 24-27). We can define management with the help of these four roles, because each of them is needed, and all four of them necessary for having good management. This means that if all four roles are accomplished organization will have good and efficient business in the short term and in the long run.

First role management should realize is the production (**P**) of desired results, which makes organization effective in the short term. Those results are the satisfaction of clients' needs without whom organization wouldn't exist. Producer's task is to satisfy that need. Client satisfaction can be measured based on the number of people coming back to buy those products or services.

Second role is administrating (**A**) which implies a systematization of organizational processes. Administrating refers to the existence of necessary procedures and realization of events in the right order and with adequate intensity. Administrator's role is to ensure efficiency in the short term. If clients' needs are satisfied at a price larger than the satisfaction (**P**>**A**), then an organization will be profitable in the short term.

But, in order to achieve long term results, management would have to realize a visionary role that would enable one organization to move in the right direction. This role demands an organization to react proactively in comparison to constant changes in environment, which will make it effective in the long run. This role, i.e. role of entrepreneur (**E**) puts creativity together with readiness to take the risk. If the role is successfully realized, organization will be able to offer products and services that future clients will want and ask for.

Fourth role of management is to integrate (**I**) which means to create climate and system of values that will motivate employees to work together in a way nobody is irreplaceable, which will ensure company's long term efficient business.

These four roles are necessary for efficient management regardless of the size of organizations, conditions technology is in or organizational culture. Management will not be good even if only one function is not performed well.

Adizes thinks that there is no ideal manager. Reason why not one manager is an ideal manager each company desperately needs is that managerial roles are not compatible in the short term, which means they cannot be performed simultaneously (Adizes, 2013, pp. 28-30).

Since an ideal (**P, A, E, I**) manager doesn't exist, Adizes lists nine important characteristics a leader should look for within himself: (Adizes, 2013, pp. 38).

- **Self-awareness** – successful leader has to be aware of what he or she is doing, style they belong to and their own personal style of managing.

- **Awareness** – leader has to understand the consequences and objective of his actions, as well as to understand the influence of his behaviour on behaviour of other people.
- **Good comprehensiveness** – in (**P, A, E, I**) a successful leader's style there must not be a zero in any of the four elements.
- **Knowledge of weaknesses and strengths** – So as to be able to come up with an effective team, leader needs to have clear opinion about himself, his strengths and weaknesses, so that he could decide what type of people he needs to be complete.
- **Accepting weaknesses and strengths, as well as uniqueness** – leader first has to be aware of his weaknesses in order to fix them.
- **Possibility of discovering excellence or weaknesses in others** – leader needs to be able to notice excellence in other people especially in those fields he himself is not more than average
- **Accepting and respecting differences in others** – leader needs to be aware that he cannot be superior in all possible roles. In ideal conditions, his subordinates have to be more superior to him in some segments. He needs to accept that without having to feel threatened.
- **Ability to relax and restrain oneself in difficult situations** – good leader should know how to disagree without being rude.
- **Creating a learning atmosphere in which conflicts can be solved by inspiring and showing mutual trust and respect** – leader who isn't capable of inspiring and showing trust and respect is not capable of helping when conflict occurs and it will eventually occur even in the most complementary team.

In the mid-1970s there came one more notion that should make a difference between successful and unsuccessful managers – leadership. Leadership should be a new way of thinking of responsible people in organizations unlike previous classical principles and managerial activities. Changes that occurred in business environment dictated a different way of thinking and performance of people at the head of one organization – leaders. This concept occurred as a response to incompleteness of the existing theory and in order to set new principles, functions and techniques (Jevtić, 2007, pp. 14-15).

Leadership is a relationship between superiors and inferiors, and it implies team work and demands leaders to work in a team and guide it, as well as to have a certain level of authority. It further demands and implies certain connection between superiors and employees they are guiding, as well as mutual respect of staff in their leader.

Leadership, as a sub-process of the management process, covers several individual stages and activities, and those are: (Berić et al, 2011, p. 13) directing and coordinating employees while doing their work, motivating employees, monitoring and evaluating work efficiency, making decisions, etc. Leadership implies a relationship between superiors and inferiors, i.e. managers and doers, whereas managers are directing workers towards doing their jobs as good and as

efficient. In this regard, good and efficient communication, as well as motivation of employees, are of extreme importance. Leadership implies a complex process of mutual communication between superiors and employees. Leadership also demands constant decision-making.

By looking at different approaches to this problem, Yukl stated the following five definitions (Yukl, 1998, p. 2):

- Leadership is the behaviour of an individual who directs activities of the group towards a common goal
- Leadership is an additional influence through and above managerial compliance with the routine of directives in the organization.
- Leaders are the ones constantly giving an effective contribution to social order and the ones who are expected to do so.
- Leadership is a process of influencing activities of an organized group towards the accomplishment of objectives.
- Leadership is a process of giving the meaning and direction to collective efforts and of causing voluntary action in order to be successful in realizing goals.

According to a group of authors (Stoner et al, 1997, p. 431), leadership can be defined as a process which is used to direct activities of group members towards task accomplishment.

Milisavljević defines leadership as an act and behaviour which influence others, i.e. leadership is a process in which an individual influences a group or organization to achieve mutual goals (Milisavljević, 2000, p. 297).

Stefanovic et al state that intelligence, self-confidence, decisiveness, integrity and sociability are key characteristics an individual should have if he wishes to be seen as a leader (Stefanović, Stefanović, 2007, p. 5).

Contemporary managers create personal, efficient and flexible communication styles. Way of communicating and decision-making defines manager's leadership style. Successful managers nurture a more open and flexible communication style where all information go through two-way channels, from managers to doers and from doers to managers. This type of communication contributes to the process of harmonizing and coordinating activities and tasks and it improves staff management. Successful communication must be based on good-quality information system enabled by modern information technologies. (Berić et al, 2011, p. 86).

In today's knowledge-based, high-tech environment, managers have to accept that education, experience and skills become outdated very quickly, sometimes even before they are ever put to use. If they want to be leaders they must involve emotions in their own way of managing. In a two-way partnership recognition channel emotions are given and received. (Baltezarević, Baltezarević, 2015, p. 330).

Kyaruzi et al conclude that in terms of communicating with subordinates, frequent and supportive communication was important, to both highlight issues in the work flow, or the task at hand, and to let employees know how they were doing on a task, or in their role on a project in general. (Kyaruzi et al, 2016, p. 358).

Leadership style is a way relationship between superiors and subordinates is established, i.e. way in which leaders influence behaviour of doers and direct them, as well as resources used in those situations. In classical theory of leadership Hawthorn and Iowa studies are known as the initiators of the scientific approach to leadership. These studies researched three styles of leadership and those are (Petković et al, 2003. p. 301):

- Autocratic style,
- Democratic style,
- Liberal style

In case of autocratic leadership style, manager makes decisions on his own. Coercion is used as a tool for modelling subordinates' behaviour. All important information and all leverages of power are in the hands of one man. Formal authority is what makes him influential. Autocratic style is highly non-flexible with limited possibilities of adjusting. This style is most often found in small enterprises in which the founder is at the same time the owner, where he himself creates patterns of behaviour, strategy and structure. In such companies, independency and self-initiative are not very much appreciated, but rather obedience of subordinates and bureaucracy. Autocratic style is an extreme form of authoritarianism and it has positive effects only in short terms. As practice has showed us, it is efficient only in critical situations and in larger organizations.

There are two sub-types within autocratic leadership (Petković et al, 2003, p. 301):

- Charismatic leadership – relies on personal characteristics that make him different than others;
- Paternalistic leadership – he strengthens his power based on the vision that the company and employees are his family.

Weber claims that charisma is one form of authority, where the source of charismatic leadership is believing in leader, who is of extraordinary quality. Characteristics of charismatic leadership according to Milisavljevic (Milisavljević, 1999, p. 78) are:

- Vision,
- Excellence in the similarity of communication,
- Ability to inspire trust of group members and stakeholders,
- Ability to persuade group members they are capable,
- Energy and action orientation,
- Emotional expressiveness and warmth,
- Readiness to take the personal risk,
- Using non-conventional strategy to achieve goals,
- Self-promoting personality,
- Ability to turn up during crisis,
- Minimum intimate contacts.

Democratic style of leadership implies participative and decentralized decision-making that implies that managers listen to different opinions, or comment and go through different suggestions, look for consensus, etc. He trusts his employees who are very much involved in problem solving, they participate in creating new solutions, realizing tasks and decision-making. Important characteristic of this style is that top managers disown a part of power that he then passes on to lower level managers and specialists for solving certain problems. Democratic leadership style enables flexibility of the system and is most often met in large and medium enterprises.

Laissez faire, i.e. liberal leadership style implies complete involvement and freedom, hence trust in decision-making of all employees. This style is characterised by passivity, certain social withdrawal and non-involvement of managers. According to professional estimates, this style is applied in small and large enterprises organized in teams, in which team members are highly educated individuals with sophisticated knowledge and where leader is only one amongst equals. He coordinates team work with an agreement full of respect for his subordinates. Some research show that laissez faire style is lethal to motivation, but good side of this style is that managers don't threaten the autonomy of employees.

According to Cerovic (Cerovic, 2009, p.336) leadership styles depend on three group of factors or strengths:

- Strength within managers;
- Strength within employees;
- Strength within the situation.

## ***RESEARCH METHODOLOGY***

Leadership style comes from person's character and temperament, it is a complex phenomenon in which other elements gained in education and experience exist. By confronting different people, problems, situations and challenges, managers are gaining experience which can, to some extent, influence personal characteristics, expand and diversify range of knowledge manager has. Considering different organizational structures and motivational profiles, it can be said that a universally best managerial style doesn't exist. Opposite to the opinion that one managerial style is better than other, Vroom and his associates (Vroom, Yetton, 1974) think that the most efficient style is the one meeting the requirements of the given situation. It is especially emphasized if we bear in mind that efficiency implies quality of a decision and motivation of employees to realize it properly.

In order to get relevant data on leadership styles in media on the territory of Vrbas Municipality, Serbia, a survey was conducted. A total of 30 employees was interviewed, 15 managers, i.e. superiors and 15 workers, i.e. subordinates and a conversation with employees and representatives of the management bodies was carried out. It is about a method of determining leadership styles with the help of

labour collectives of V.P. Zakharov and A.L. Zhuravlev. Basic method consists of 27 groups of statements that represent different aspects of interconnectedness between leadership and personnel. This method is focused on determining leadership styles by labour collectives. Survey consists of 16 groups of claims reflecting work qualities of managers. Each group consists of 3 statements out of which employees have to choose the one that corresponds with their opinion about managers.

Research task covers an in-depth analysis of leadership styles in local media in Vrbas, observed from two aspects. From employees' point of view, i.e. subordinates' and from managers' point of view, i.e. superiors'.

As a result of that survey we can get three components, i.e. three leadership styles:

- Direct (authoritarian) style,
- Liberal (Laissez-faire) and
- Collegiate (Democratic) style.

Results are shown in graphs and are pointing out to discrepancy between the perception of employees and managers which creates bad organizational climate and represents significant obstacle to increasing efficiency and effectiveness of recently privatized enterprise. Therefore, choosing a manager with key characteristics and unique leadership style is a precondition for improving this company's business.

## ***RESULTS AND DISCUSSION***

Direct or authoritarian style is oriented towards personal opinion and evaluation, tendency towards power, confidence in oneself and personal abilities, tendency towards strong formal discipline, hence great gap between managers and subordinates. It is characterized by rejecting to admit to one's own mistakes, ignoring initiative and creative activities of subordinates. Managers makes all decisions on his own. He controls activities of subordinates. Authoritarian style in an enterprise implies that one person decides everything. In case of our enterprise that person is the director. Director owns all necessary information and all sources of power. When it comes to authoritarian leadership style, manager (director) carries out a strong system of control, supervision and checkout, he more often uses sanctions and repressive measures when motivating subordinates than positive incentives such as praise, recognitions and rewards.

Laissez-faire style is characterized by condescension to employees. Manager (director) is not demanding, he doesn't look for strong discipline or control and has a liberal relationship with subordinates. In case of this style, we often have a division of responsibilities in making decisions. Laissez-faire (from French: laissez-faire, lit. "let everybody do what they want and let everything go its course") implies that people should behave the way they want to. When it comes to this style, leaders do not act as leaders, rather they give all the freedom to their employees. Their interaction with employees is limited to asking and answering

question and making sure they have necessary resources. In this style, leader practically doesn't use his power, and employees have great freedom, they are independent while working and making decisions.

This leadership style gives good results when doing creative and research jobs, e.g. journalist researcher. For example, for the reporters of "Vrbas" radio station and "Backa" TV station research freedom is important for the accomplishment of excellent business results. Nature of journalist personnel research jobs demands freedom and comfort. Nonetheless, unlimited freedom sometimes results in being late with the realization of pending tasks. According to many authors, this leadership style is the highest level of democratic leadership style. However, research has shown that productivity and group unity suffer due to this kind of behavior.

There are scientific opinions that laissez-faire style leads to anarchy, lack of control, that it gives priority to individual interests over interests of the organization. It strengthens informal, mutually opposing clans and centers of power. It implies chaotic management of internal resources, lack of systematic procedures for problem-solving, as well as complete disintegration of the system which results in inefficiency of employees. This leads to a conclusion that laissez-faire style doesn't mean giving autonomy to employees that has a positive effect on motivation, but rather that it is lethal to motivation, hence to the accomplishment of goals.

Democratic style is the joining of requests and management control on one hand, and initiative and employees' creativity when performing certain tasks on the other hand. There are frames and rules both sides have to abide to: respect for the discipline, readiness to delegate tasks and responsibilities, as well as to be democratic when making decisions. Democratic leadership style is based on active participation of employees in creating and realizing organizational tasks and objectives. Businesses of organization are openly discussed about, but there is also personal responsibility when it comes to achieving organization's mission.

This style and climate demand emotionally mature, creative, self-aware, independent and educated personnel. Employees have to be open for permanent learning and ready to face the challenges and changes.

In the local media of Vrbas we have a significant number of educated, independent and emotionally mature personnel, but who in most cases are not ready to further learn, and are also not ready to accept certain challenges for which there are several reasons. One is high average age of employees and other low and irregular salaries. Other reason are slightly less important for the realization of this leadership style.



*Graph 1: Leadership styles at an organizational level*  
*Source: Authors*

At the level of entire organization, 46% employees think that what they are having is direct or authoritarian leadership style, 27% say democratic and 27% laissez-faire.

Large number of employees believe that the manager (director) in information centre “Vrbas” makes all decisions alone because he doesn’t have faith in his workers and often uses coercion to shape their behavior, while he gains influence by using formal authority. Their impression is that only the manager has all important information and all sources of power that he doesn’t want to share. System of control, supervision and checkout by the director and sector managers are said to be very strict which burdens employees and creates negative emotions which cause resistance when performing tasks. Workers state that managers often use sanctions and repressive measures. For some workers that is a motive to perform their job well, while others feel that has a completely opposite effect. Positive incentives, such as praise, recognition and rewards, are not that common. Large number of employees think that they are primarily asked to be obedient, not independent and self-initiating, hence they have bureaucracy. Workers, above all else, want to achieve personal goals, while they show little or zero interest in company’s goals.

However, we should mention that this style implies some other aspects that are not marked as negative in advance, like organizational, directive style and style focused on work process and results. In other words, it covers a connection of different mutually agreeable styles. Therefore, we can with a high level of probability presume that a manager who prefers directive leadership style is focused on work process and accomplishment of objectives and that he uses sanctions in the aim of motivating his employees to work harder.

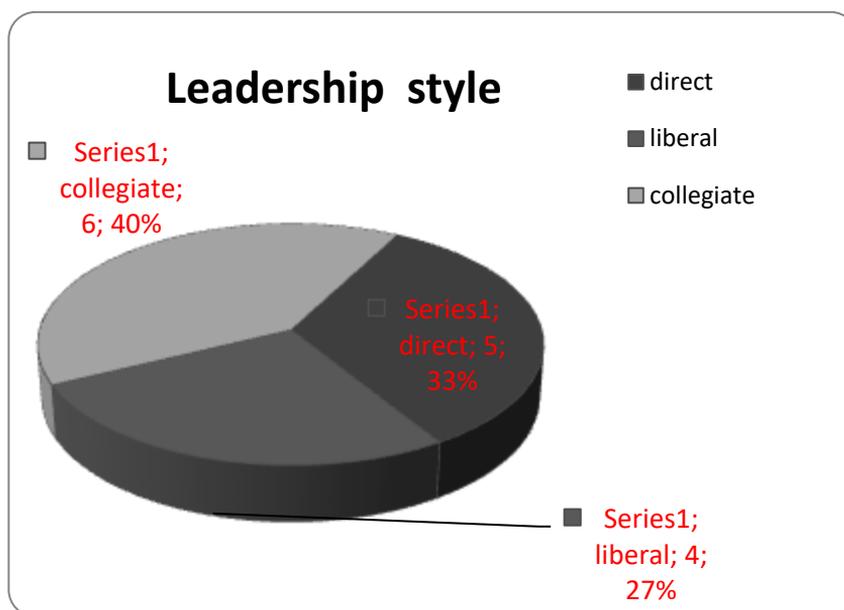
Autocratic style is an extreme type of authoritarianism. It can produce positive effects only in the short term, while in the long run it only brings negative effects. What should be especially emphasized is negative selection as a consequence of appreciating adulation at the expense of competitiveness and expertise, as well as poor information due to filtration and distorted information. Negative effects are also spending one's energy to get a better position, conflicts and bad interpersonal relationships. Results of such relationship are gossiping, befooling at the expense of quality and creativity, atmosphere of fear and dissatisfaction and so on. Autocratic style is applied in small enterprises and is efficient in critical situations. If we can call the situation in local media of Vrbas, in the period after privatization with inadequate financing, irregular and very low wages, critical, then this style of leadership could possibly give positive effects in the short term. When crisis is overcome, with growth and development of the company, this style has to be transformed in a style more adequate for the newly occurred situation.

In some situations and conditions authoritarian style encourages motivation, for example: (Milivojevic, 2009, p. 249)

- Depending on employees' attitudes. Namely, workers who have an authoritarian frame of mind are more appreciative of a direct leadership style.
- Depending on the nature of work. For example, in fields demanding great attention, awareness and preciseness, work is done better under the supervision of authoritarian personnel.

Size of work groups has an important role in manager's motivating power. Small work groups in which social relationships are more common, intense and informal are better off with democratic and consensual management. Authoritarian style has proved to be better with large groups.

Authoritarian style has to be consistently carried out at all hierarchical levels in order to be successful. Authoritarian style is efficient for the achievement of necessary motivation and improvement of performances when there is a short term objective to be achieved. This primarily refers to critical situations.



*Graph 2: Leadership style as seen by managers*

*Source: Authors*

When it comes to company's managers, even 40% think that what they have is a democratic leadership style, 33% say authoritarian and 27% laissez-faire. Democratic, i.e. collegiate leadership style is, according to managers' opinion, present in the local media of Vrbas. This style is based on active involvement of employees in creating and realizing work tasks. Management thinks that subordinates are given enough freedom to openly discuss their work, to make arrangements about tasks and their realization with personal responsibility when it comes to achieving goals and mission of the company. According to them, there is a base for this kind of leadership style in their organization because they have creative, self-aware, autonomous and educated personnel that has a potential to face new challenges and changes. Positive effects of a democratic leadership style are loyalty to organization and dedication to work which are important factors of success.

One of important characteristics of democratic management is participation in decision-making. Instead of having decisions imposed by the top management, workers actively participate in their making. It is one of the principles in the information centre, but not always. In other words, employees don't have the possibility of actively participating in the process of making all decision, especially not the crucial ones that refer to company's strategy and development. However, they can make decisions on how they will realize their tasks, what their priorities are, when they will start to realize them, with personal responsibility that all has to be done in accordance with daily, weekly, i.e. monthly and annual plan and program of company's work. Reasons for that are that they know the details of the process of realizing those decisions, hence it is thought that in that way they will be more engaged in their realization. Participation in decision-making comes in

various forms, e.g.: listening to different opinions, considering suggestions, elaborating decisions with the help of information and arguments, defining problems and difficulties or searching for a consensus.

Personality is a strong determining factor of direct management. It is typical of authoritarian temperament managers not keen on showing confidence to others. Unlike that, situation and competences of subordinates are factors influencing the adoption of participative style. Presumption is that employees are capable of having work autonomy and are in charge of relatively independent tasks.

Employees are really only interested in decisions important to them, their department, as the case is in the surveyed company. They are interested in things related to their assignments and performances and they show little or zero interest in general decisions concerning the entire organization. Level of their engagement also plays an important role: they will be more interested in being involved in making decisions if they are ambitious and dedicated to results or they will be more inclined to authoritarian leadership style if they have authoritarian personality.

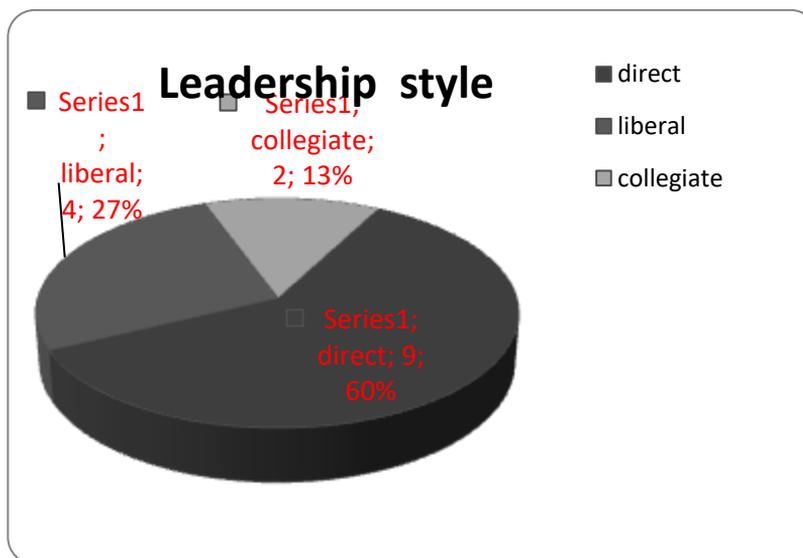
For the achievement of greater clarity and usability of participative leadership model, factors of uncertainty can be classified into three categories (Milivojevic, 2009, p. 254):

- Differences between managers and employees,
- Nature of set goals,
- External limitations.

First category implies that managers and employees don't always have the same level or types of competences, or the same level of motivation. If the manager is much more competent or has more expertise for organization's line of work, it can be counter-indicated to use participative style.

Second uncertainty factor is present when an organization doing business on a turbulent market makes more profit from the participation of employees in all levels of decision-making for two reasons: 1. Discussion, i.e. exchange of opinions, it stimulates creativity; 2. Gaining information on the necessity of timely and adequate response to technological and economic changes mitigates resistance to changes. However, when an organization has direct, practical and relatively stable objectives, direct management is more efficient.

According to third category of uncertainty factors, characteristics of an organization should be taken into consideration from several points of view. Participation costs can be larger than the profit because we should train managers who, most often, are not used to that type of management. It can happen that the majority in the process of participation pressures the ones thinking differently, marginalizes them and weakens their motivation. Participation can also lead to having specific norms not necessarily in accordance with the strategy of organization.

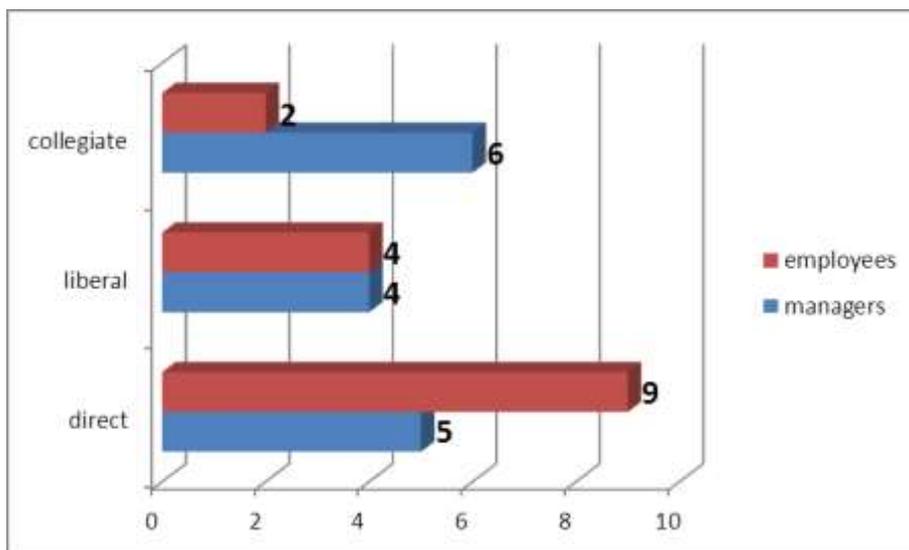


*Graph 3: Leadership style as seen by employees*

*Source: Authors*

Employees, i.e. subordinates in majority of 60% think that what they are having is a direct leadership style. Employees in the percent of 27, same as managers, think that they are having a laissez-faire leadership style, while 13% think they are having a democratic leadership style.

Measures managers are taking employees find directed against their interests. They can't see the purpose of being involved as much as they are asked to be because they are primarily not stimulated with an appropriate salary, and in the period after privatization their work engagement has been uncertain. The question is whether they will actually work or their position will be revoked due to rationalization, if they stay what job they will perform and under what conditions. In a situation like that, all efforts made by the manager to direct employees' behaviour towards the accomplishment of a certain goal are felt as a form of coercion, disrespect to their knowledge and experience.



*Graph 4: Comparative analysis of managers and employees*

*Source: Authors*

Comparative analysis of managers and employees shows that the majority of managers believe their leadership style is democratic, i.e. that employees are also involved in the process of making decision and that are all equally valuable to the organization. On the other hand, majority of employees think the leadership style is direct, i.e. they think their opinions and ideas are not much appreciated and that they are only expected to complete the task given to them by the superiors. This gap between how they see their leadership style is the result of bad communication between managers and employees which results in having bad results and poorer engagement of employees. Likewise, bad communication causes bad climate in organization which then further affects all aspects of work. This gap is also to a great extent result of the situation in which the company is in, and that is the period after the privatization. Uncertainty and insecurities affect both managers and employees. Bad communication is only one of negative results of the situation they are in.

Neither workers nor managers get along well with the newly occurred situation. Even though everybody is aware they have to change their habits and work method, and invest further efforts to help company achieve good business results, they prefer not to change anything. Obstacle in the way of changes that would bring progress and enable transformation to an efficient private company is high average age of employees, but also the fact that current managers in this work group have been there 15, 20 and even more years. They've acquired certain habits, routine and all think they are irreplaceable, hence everything is allowed to them.

Workers don't want to understand why they have to change their work method, habits, why be more efficient and of better quality. Problem of irregular and low wages is one of the reasons of employees' severe resistance to changes and managers' methods.

Doers, on one hand, think their opinion and ideas are insufficiently taken into consideration and, on the other hand, they themselves would rather speak about their ideas than concretize them and put them into actions, they think somebody who is paid better should do that. Such attitude further unsettles relationship inside the group, tightens the situation and the results become weaker and weaker. Response from the management is not adequate, although the question is what you can do in such situation to motivate employees.

Management think they can't, due to abovementioned attitude of doers, have enough trust in them. Their opinion is that employees can't participate in the decision-making process more than they have in the previous period. Reason for that is the tendency of employees to make more mistakes than in the previous period, they are late with their assignment, they perform tasks with inappropriate quality in larger percent, etc.

In this company, in the period after the privatization, leader mostly makes all decision by relying on available information in the given moment. Sometimes however, in accordance with the situation, he asks his employees for necessary information. Then, like in the previous case, he solves the problem alone and makes the decision. Role of subordinates is obviously in collecting information. Manager uses coercion by having the influence that comes from formal authority, and there is no flexibility. Directive behaviour of superiors is necessary to achieve positive effect on subordinates because the task ahead is of great importance. This type of leadership style is effective in critical situations, like the one we presume this company is now, when you need to get the maximum in very unfavourable work conditions.

## ***CONCLUSION***

At the level of the entire organization, 46% of employees think they have a direct leadership style, 27% say democratic and 27% laissez-faire. Large portion of employees think that the director in "Vrbas" information centre makes all decisions alone because he doesn't have enough trust in associates and often uses coercion as a means of forming their behaviour, while his influence is achieved through formal authority.

Comparative analysis of interviewed managers and employees shows that the majority of managers think their leadership style is collegiate, i.e. that employees are involved in the decision-making process and that all are equally valuable to the organization. On the other hand, majority of employees think the leadership style is direct, i.e. they feel their opinion and ideas are not taken into consideration, but rather that they are expected to simply perform the task given to them by the superiors. These misconceptions in perceiving leadership style are a reflection of bad communication between managers and employees which results in having poor results and lower engagement of employees. Likewise, bad communication causes bad psychological climate inside the organization which further on affects all aspects of the business.

Problem of the local media in Vrbas is that there is no cohesion between employees in the company. Members are primarily focused on simple task realization, and management is focused on efficient job realization and oversees individual needs and desires. Employees are not very well acquainted with one another and spend little time together outside of work. Mutual interaction is limited to time spent at work. Likewise, big problem is that employees, especially the ones in lower positions, think their prepositions are not sufficiently thought through, that top management doesn't want to or doesn't have time to listen to them. Therefore, they feel less valuable and don't give their maximum. Employees are not adequately motivated because their salaries don't depend on their work efficiency and the quality of their work. In other words, management hasn't put aside a percent of the budget to be used for stimulating employees with exceptional results and special efforts. Likewise, great challenge is staff politics. Even though more than the optimal number of employees is employed, the company lacks sufficient number of professional, creative and ambitious young personnel.

If the company wishes to solve their problems, it has to start from the management that should think about the mood of the employees, to talk more with subordinates, hear out their prepositions and persuade all workers they are equally important and that all of them have an important role in the organization that contributes to top achievement of company's mission. Likewise, workers should have more freedom in working, their prepositions should be appreciated, and managers should encourage creativity so workers can express themselves through their work which will make them more productive and satisfied.

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## **THE MANAGERIAL STYLE AS A DETERMINANT OF EMPLOYEES WORK ENGAGEMENT**

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Ramiro Gomez<sup>26</sup>

### **ABSTRACT**

*The main topic of this article is the widespread in the organizational psychology notion work engagement. The research aims to present the results of the authors' investigation focused on the process of influence that the managerial style exercise on the levels of employees engagement and more precisely to check with the help of statistic procedures if the empowering or the controlling managerial style could be defined as a predictor for the level of employees commitment and work behavior in two different teams of a big business organization.*

**Key words:** *employees engagement, employees satisfaction, employee commitment, managerial style empowering style, controlling style*

**JEL Classification:** *M12*

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## ***INTRODUCTION***

Employees' psychological connection with their work has gained critical importance in the contemporary organizational life. In the business world of firms and institutions to compete effectively, companies not only must recruit top talent, but must also inspire and enable employees to apply their full capabilities to their work. Contemporary organizations need employees who are psychologically connected to their work, who are willing and able to invest themselves fully in their roles, who are proactive and committed to high quality performance standards. They need employees who are engaged with their work (Bakker & Leiter, 2010). Commitment is what makes people engage or continue to act when difficulties or positive alternatives are forcing the person to abandon his work or organization" (Ilieva, 1998). This definition of commitment distinguishes two types of affection: forced commitment and full personal involvement. The personal commitment involves the full dedication to a decision or the conduct of a particular behavior, while forced commitment concerns past events that force the individual to do the work.

The employee's commitment is one of the most explored topics in organizations. Why this topic is so important? It is believed that the more affiliated the employees of the organization are, the higher goals will be achieved. This is also the reason why this variable is so important and central part of the investigations of many researchers in the fields of organizational psychology. Before deepening our understanding of how commitment influences the results, it is relevant to know in what consist the work engagement, how to build, maintain and develop employees commitment.

In English language psychological literature, the notion of commitment is usually interpreted as engagement. Engagement is the emotional attachment to the organization and the achievement of its goals (Kruse, 2013). Engaged employees are thus genuinely interested in their work. They do not do it for being payed, or for the opportunity for promotion.

Work engagement is most often defined as a "...a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication and absorption"(Schaufeli & Bakker, 2010; Schaufeli, Salanova, Gonzalez-Roma, & Bakker, 2002, p.74). In essence, work engagement captures how workers experience their work as stimulating and energetic and something to which they really want to devote time and effort(the vigor component); as a significant and meaningful pursuit(dedication); and as engrossing and something on which they are fully concentrated(absorption).

Research has revealed that engaged employees are highly energetic, self-efficacious individuals who exercise influence over events that affect their lives (Bakker, 2009). Engaged employees enjoy other things outside work. Unlike workaholics, engaged employees do not work hard because of a strong and irresistible inner drive, but because for them work is fun (Gorgievski, Bakker & Schaufeli, 2010).

Engagement has been criticized for being no more than old wine in new bottles (Jeung, 2011). Consultancy firms have conceptualized engagement by combining and relabeling existing notions, such as commitment, satisfaction, involvement, motivation, and extrarole performance. Mercer said that, "Employee engagement – also called 'commitment' or 'motivation' – refers to a psychological state where employees feel a vested interest in the company's success and perform to a high standard that may exceed the stated requirements of the job" (www.mercerHR.com).

Kahn defined personal engagement as the "harnessing of organization members' selves to their work roles: in engagement, people employ and express themselves physically, cognitively, emotionally, and mentally during role performances" (Kahn, 1990, p. 694). He conceptualized engagement as the employment and expression of one's preferred self in task behaviors. Although important for the theoretical thinking about engagement, the Needs-Satisfying approach has only occasionally been used in empirical research (May, Gilson & Harter, 2004).

The Burnout-Antithesis Approach rooted in occupational health psychology views work engagement as the positive antithesis of burnout. According to Maslach & Leiter engagement and burnout are the positive and negative endpoints of a single continuum (Maslach & Leiter, 1997). More specifically, engagement is characterized by energy, involvement and efficacy, which are considered the direct opposites of the three burnout dimensions exhaustion, cynicism and lack of accomplishment, respectively. The second, alternative view considers work engagement as a distinct concept that is negatively related to burnout. Work engagement, in this view, is defined as a concept in its own right: "a positive, fulfilling, work related state of mind that is characterized by vigor, dedication, and absorption" (Schaufeli et al., 2002, p.74), whereby vigor refers to high levels of energy and mental resilience while working, the willingness to invest effort in one's work, and persistence even in the face of difficulties; dedication refers to being strongly involved in one's work, and experiencing a sense of significance, enthusiasm, inspiration, pride, and challenge; and absorption refers to being fully concentrated and happily engrossed in one's work, whereby time passes quickly and one has difficulties with detaching oneself from work. To date, most academic research on engagement uses the Utrecht Work Engagement Scale (UWES), a brief, valid and reliable questionnaire that is based on the definition of work engagement as a combination of vigor, dedication, and absorption (Schaufeli, 2012).

There is no one common framework or theory to describe and engage in. There are theories that point to different aspects, but they can not unite around a common idea (Schaufeli, 2013). Here are some of them:

**Needs Approach** - Kahn assumes that employees engage when there are three psychological needs: meaningfulness, psychological safety and capability. Sense refers to the importance of the employee's job as well as the roles and roles that it entails. Psychological safety is determined by the social environment - **style of management**, relationship with colleagues, social norms, etc. Employability depends on the individual's skills and how they contribute to the tasks assigned to them.

**Resource-based approach** - multiple engagement surveys have used this model as an explanatory framework. This model implies that engagement is a result of the motivating nature of resources such as: working resources that help

achieve goals, reduce job demands, or stimulate learning and development; personal resources that are related to sustainability and relate to the ability to influence and control the environment of another person.

**The Satisfaction-Engagement Approach.** According to the Gallup Organization: “The term employee engagement refers to an individual’s involvement and satisfaction with as well as enthusiasm for work” (Harter, Schmidt & Hayes., 2002, p. 269). Thus, like the definitions of other consultancy firms, Gallup’s engagement concept seems to overlap with well-known traditional constructs such as job involvement and job satisfaction. Nevertheless, the Satisfaction-Engagement approach has had a significant impact in academia as well, because Gallup’s research has established meaningful links between employee engagement and business unit outcomes, such as customer satisfaction, profit, productivity, and (Harter et al., 2002).

It is important to state the differences between the three psychological constructs- **job satisfaction, job engagement and organizational commitment.**

## ***SATISFIED EMPLOYEES***

Job satisfaction is related to what people like or dislike in their work. For this reason, satisfaction or dissatisfaction can occur in any work situation. Satisfaction is a combination of positive and negative feelings that employees feel about their work. Job satisfaction is the extent to which expectations are and correspond to actual awards. Satisfaction with work is closely related to the behavior of individuals in the workplace. Satisfaction is a sense of achievement and success at work, and is directly linked to productivity and personal well-being. The feeling of satisfaction implies a sense of satisfaction with the work done. Accompanying emotions are enthusiasm and happiness. Satisfaction can be a key point in fostering financial well-being, promotion, recognition, and so on. It is a set of feelings that individuals feel about their current work. Satisfaction can be considered a key factor in achieving organizations' efficiency and effectiveness (Aziri, 2011).

The main factors that directly affect satisfaction are the payment, the job itself, opportunities for development, management, working conditions, the team, etc. It is believed that affection and commitment can only exist if there is satisfaction (Ilieva, 1998).

## ***EMPLOYEES’ COMMITMENT***

Committed employees work towards the effective and efficient execution of a particular task. This is a kind of responsibility for the wellbeing of the organization as a whole. This could be the responsibility of a product, department, facility, etc. The success of the company is dependent on the level of commitment of employees to achieving specific goals. The commitment of the staff is based on

the satisfaction of fulfilling a given task. The responsibility and commitment of managers is to create a friendly and safe environment for employees. Another definition of affection: "the commitment expresses the desire of the person to engage and identify with something greater than himself - family, group, organization, community" (Ilieva, 1998). Affection is part of the individual's need for loyalty to someone and / or something.

## ***ENGAGED EMPLOYEES***

Engaged employees are fully enthusiastic about their work. They are emotionally tied to the organization and always work towards achieving the vision of the company. Commitment affects employees' way of thinking. Engaged employees work with confidence in raising the company to higher market levels. Confidence is backed by knowledge, skills and abilities. Commitment is defined as a positive state of mind associated with work that is characterized by vitality, dedication and ingenuity (Bakker, 2008). Life is characterized by high levels of energy and mental resistance at work. The dedication is to be extremely involved in one's work and to have the sense of significance, enthusiasm and challenge. Ingratitude is characterized by the full concentration in one case, happily swallowed, time passes and difficulties in breaking away from work. Engaged employees share that their energy and enthusiasm for work also manifest after working hours. Engaged employees are not addicted to their work. They are interested in other things outside the job, do not like workaholics, work hard, because they are entertained, not because they have an inward compelling urge.

**The Multidimensional Approach.** Saks defined employee engagement as "a distinct and unique construct consisting of cognitive, emotional, and behavioral components that are associated with individual role performance" (Saks, 2006, p. 602). This definition is quite similar to that of Kahn because it also focuses on role performance at work. The innovative aspect is that Saks distinguishes between "job engagement" (performing the work role) and "organizational engagement" (performing the role as a member of the organization). Although both are moderately related ( $r = .62$ ), they seem to have different antecedents and consequences. Despite its intuitive appeal, the multidimensional approach (i.e., the distinction between job and organizational engagement) has hardly been taken up by the research community

Taken together, these four approaches each stress a different aspect of engagement: (1) its relation with role performance; (2) its positive nature in terms of employee wellbeing as opposed to burnout; (3) its relation with resourceful jobs; and (4) its relation with both the job and the organization. Probably the most important issue in defining engagement is "where to draw the line". Or put differently, what elements to include and what elements to exclude from the definition of engagement. In their seminal overview Macey and Schneider proposed an exhaustive synthesis of all elements that have been employed to define engagement (Macey & Schneider, 2008). Their conceptual framework for

understanding employee engagement includes: (1) trait engagement (e.g., conscientiousness, trait positive affect, proactive personality); (2) state engagement (e.g., satisfaction, involvement, empowerment); and (3) behavioral engagement (e.g., extra-role behavior, proactivity, role expansion). Consequently, as Saks has noted in his critique, for Macey and Schneider, “engagement” serves as an umbrella term for whatever one wants it to be (Saks, 2008). In contrast, Schaufeli and Bakker proposed a more restrictive model that describe work engagement as an experienced psychological state which mediates the impact of job resources and personal resources on organizational outcomes (Schaufeli & Bakker, 2010).

Using a meta-analysis that included over two hundred articles Christian et al. (successfully tested a similar model (Christian, Garza & Slaughter, 2011). They included autonomy, task variety, task significance and feedback as job resources and conscientiousness and positive affect as personal resources. In addition, **transformational leadership** was included that had a direct impact on in-role and extra role performance as well as an indirect effect through work engagement. So it seems that the model is supported by empirical research. Moreover, the definitions of engagement as a psychological state by Kahn (1990) and Schaufeli et al. (2002) both academic conceptualizations agree that engagement entails a physical-energetic (vigor), an emotional (dedication), and a cognitive (absorption) component. The similarity between both definitions is further illustrated by their operationalisations. Based on the work of Kahn and May, Gilson, & Harter developed an engagement inventory that consists of three dimensions: cognitive, emotional and physical engagement (May, Gilson & Harter, 2004). The items that are included in this inventory show a striking resemblance with those included in the absorption, dedication, and vigor scales of the UWES (Schaufeli et al., 2002), respectively. It appeared particularly that the cognitive engagement and absorption scales are strongly related, whereas the physical engagement and the vigor scales are only weakly related, with the emotional engagement and dedication scales somewhere in between (Viljevac, Cooper-Thomas & Saks, 2012).

**Engagement as a unique construct-** based on a meta-analysis, Newman, Joseph and Hulin showed that engagement is closely related – or perhaps even a constituting element – of what they dubbed “the A (attitude)-factor”, a combination of job satisfaction, job involvement, and affective organizational commitment (Newman, Joseph & Hulin, 2010). And what is more, engagement shows different patterns of correlations with other variables as compared with satisfaction, involvement and commitment. For instance, Christian (Christian et al. 2011), also using a meta-analysis, showed that engagement predicted in-role as well as extra-role performance, after controlling for job satisfaction, job involvement, and organizational commitment. This means that the explanatory power of engagement goes beyond that of the three attitudes. So although engagement is positively related to work-related attitudes such as job satisfaction, job involvement, and organizational commitment, it nevertheless seems to be a distinct concept that is more strongly related to job performance, job behavior and behavioral intentions. It appears that engagement is only moderately and negatively related to turnover intention, as is attested by the meta-analysis of Halbesleben (Halbesleben, 2010).

In a study using four independent samples Schaufeli and Bakker (Schaufeli&Bakker,2004) showed that work engagement mediated the relationship between **job resources and turnover intention; the more resourceful the job, the higher the levels of engagement, and the lower the level of intention to quit.** In a similar vein, Schaufeli and Salanova (Scaufeli& Salanova, 2008) showed in a Spanish and Dutch sample that job resources are related with proactive behavior via work engagement. This means that the more resourceful the job, the higher the levels of engagement, and the more personal initiative is shown by employees. More specifically, it seems that the obsessive aspect of workaholism is its most toxic component. The underlying work motivation of engaged and addicted employees differs fundamentally. Engaged workers are primarily intrinsically motivated, they work for the fun of it, whereas workaholics are primary driven by external standards of self-worth and social approval that they have internalized (Van Beek, Hu, Schaufeli et al., 2012). They work because their self-esteem depends on it and because they do not want to fail in the eyes of others. In conclusion, it seems that engagement and burnout are two distinct and opposite concepts.

In addition the evidence that “good” (engagement) and “bad” (workaholism) forms of working hard can be distinguished seems rather convincing. And finally the inverse relationship of engagement with boredom is not yet well-established and needs further investigation Various types of well-being, including burnout, boredom, satisfaction and engagement can be mapped using the circumplex model of emotions (Russell, 2003). This model assumes that all human emotions may be plotted on the surface of a circle that is defined by two orthogonal dimensions that run from pleasure to displeasure and from activation to deactivation. For instance, employees who experience mainly negative emotions may suffer from burnout, boredom or workaholism, whereas employees who experience mainly positive emotions may feel satisfied or engaged. In addition, employees may either feel activated, as in workaholism and engagement, or deactivated as in burnout, boredom and satisfaction. Personality as indicated above, engagement has also been associated with personality traits, most notably with conscientiousness (Macey, Schneider, 2008).

As would be expected, engagement is related significantly and in meaningful ways to job related attitudes, behavior and intentions on the job, employee health and well-being, and personality traits. It seems that compared to similar, alternative concepts engagement is related in a rather unique way to job demands, job resources and performance. Engagement reflects an independent and unique psychological state that employees might experience at work.

If we examine cases when work is important for the employees, when they are engaged, they put additional effort into their work. Together with extra efforts they make, involved employees stay longer in the organization. Engaged employees care more than those unengaged, work harder, and help reduce costs with their long-term work for the company. In other words, the more people leave the company, the more costs the company gets - selection, training and staff development, etc. Even if the organization has the best strategy in the world if employees are not interested, it does not matter.

Each organization wants to achieve the highest level of engagement with its employees, as this will have more positive consequences than efforts would be made to build it. Engagement has a direct impact on the organization's performance as well as on labor behaviors in the performance of the job role.

Let's look at some ways that would aid the future development of engagement (Bridger, 2015):

- Most organizations do not discuss with their employees what engagement means for them. They only report the impact of engagement on the results and measure it. There are very few organizations that take into account the individual motives for inclusion.
- A good collegial approach is needed. As part of this approach, it is the collective shared responsibility of each member of the team without the need for anyone to check the work done afterwards. For many companies, the lack of a collegial approach is an obstacle to bringing their strategy into action.
- Organizations must listen to staff. Listening is different from bilateral communication and is much more than one study. Organizations and people working for them must be very good at listening.
- The difference between "I say" and "do" - in many organizations, leaders say they have no time to work on the engagement of their subordinates. Is it really that or is it just an excuse? What the leaders say and what is happening in practice differs. In order to develop and maintain a high level of employee engagement, leadership should work towards making words and cases consistent.
- Employee Involvement - In this way they will be pleased with the fact that they contribute to the organization's development and will feel this as their own creation.
- Happiness at work is a "dirty" word - despite the numerous evidence that workplace happiness can bring positive business results, it is still a "dirty" word in many organizations.
- Commitment is still measured by a poll, and this is the preferred method by organizations.

To summarize - engagement demonstrates the desire of individuals to identify themselves with something great. It is an internal need that individuals need in order to be loyal and to make efforts. Commitment, however, is also part of so-called social norms, values that relate to behavior.

Surveys show that 70% of employee engagement is determined by their relationship with their supervisor. **"People join organizations but leave their managers"** (Kruse, 2013). For managers, this is a clear signal that they should take responsibility for the engagement of their subordinates. Certainly there are many factors that are beyond their capabilities and control. The engagement of individuals is determined by various incentives. Younger employees will be more motivated by training and opportunity for development, others would like more recognition. **The role of managers is to understand for each of their direct subordinates what motivates them and makes them feel involved in the work and organization.**

According to research (The Open University, 2016), engagement occurs in three cycles. Young employees between the ages of 18 and 24 demonstrate the lowest levels of engagement, motivation, and job satisfaction. This is not surprising, as these individuals begin their professional career at times in which frequent workplace changes are not unusual, on the other hand this can also help hierarchical growth. Employability among young employees increases with training and development opportunities as well as career growth. The results in the next age group (25 to 54 years) are similar. The change occurs only for employees over 55. The highest levels of engagement are attained, as at this stage they have enjoyed their career and are not so focused on their career advancement. Not surprisingly, they are also the most loyal employees.

There is also a difference in levels of engagement between different organizations. Smaller companies demonstrate higher levels of engagement. This is because it is much easier for an employee to feel part of the organization when it is small. **In small organizations, employees are much closer to management, as well as to strategic plans and goals.** In large companies, it is much more difficult to influence the sense of commitment of staff.

Demographic factors also influence the levels of engagement (age, education, length of service, sex) as well as personal factors (values, motivation, expectations) (Ilieva, 1998). A key point is to figure out what

The factors that affect engagement as a whole are:

1. Recognition - managers and the company as a whole must make employees feel valued, their success being recognized.
2. Awards - Employees must be fairly rewarded for their efforts.
3. Managing change - Is change communicated well and how well it is argued; how the company engages employees during the change process.
4. Performance management - how the organizations with poor performance punish the employees or reward the good performance.
5. Leadership - how well senior management outlines the vision and strategy of the organization (Ilieva, 1998); how it engages staff to implement it.

In all these 5 factors is obvious the crucial role of the manager who has the power and the competences to create, maintain and guarantee the presence of the important factors in the organizational life and to facilitate the interaction between employees and between employees and managers.

## ***ACTIONS BY MANAGEMENT TO INCREASE ENGAGEMENT***

Commitment implies a work environment that not only provides training opportunities or promotes information sharing, but also provides a balance between personal and business life, supports initiative and proactivity. Here are some of the actions that will affect the commitment of staff (Rotwell, 2008)

## ***COMMUNICATION***

Do the members of the team feel that there is frequent and timely communication that is transparent and bilateral? Efficient and bilateral communication implies a partnership between managers and subordinates. During meetings with the team, many employees feel inconvenient to ask questions. Here is the supportive role of managers - to set a session for questions, for example. When managers present something, they could ask if everything is clear to make clear if someone has missed something. During meetings, managers need to have visual contact with their subordinates. This will determine how many attendees are focused on the topic, are there any ambiguities, etc.? Managers are advised to manage expectations and clarify the direction of organization development. It's good to keep your employees up to date and use all available means of communication to avoid rumors. Managers should consider creative, non-financial incentives for recognition of achievements, teambuildings, and non-material rewards for employees.

## ***RECOGNITION FROM THE MANAGEMENT***

Does the staff feel confident about the job done well? Are the employees' ideas taken into account by the management? Example action for managers and organization as a whole: saying "Thank you!" free lunch; employee of the Month; a retired gift in the organization; parties, picnic; discount cards; yearly bonus; additional leave; flexible working hours; a package of social benefits and more.

## ***CREATING TRUST***

Are the employees trusted in the leadership and future of the company? **Trust in management is the essence of the staff engagement.** Employees need to believe that their leaders will lead them to a better future. Many employees do not understand how leaders communicate the company's goals and strategy in order to increase confidence in the future. Here are some suggestions: presentations by the Executive Director; annual reports; newsletters; website; an internal intranet portal for information related to procedures, structure, and more.

Engagement surveys (Rigby, 2015) measure how many employees are enthusiastic about and involved in their work and organization. Intellectual and emotionally committed employees help build customer satisfaction, create more loyal consumers, and help achieve the organization's goals. Engagement surveys show the extent to which employees feel attached to their work, colleagues and organization, and how many employees are willing to go beyond their job descriptions and do more than required by them.

**Employee engagement should be a top priority for managers and organizations, as staff can not build on their own.** Even if the organization has enthusiastic and motivated staff, management should not neglect the maintenance and development of an engagement. For instance, organizational change requires adaptation, diversity requires perspective taking, teamwork requires assertiveness, working in vertical networks requires communication skills, job crafting requires personal initiative, requires self-control, and mental and emotional demands require resilience.

The bottom line is that today more than in the past the employee's psychological capabilities, including their motivation, is taxed. Employees in modern organizations bring their entire person to the workplace. Or as David Ulrich has put it in its best-selling book *Human resource champions*: "Employee contribution becomes a critical business issue because in trying to produce more output with less employee input, companies have no choice but to try to engage not only the body, but also the mind and the soul of every employee" (Ulrich, 1997, p. 125). The emergence of engagement at the beginning of the 21st century has to do with two converging developments: (1) the growing importance of human capital and psychological involvement of employees in business, and (2) the increased scientific interest in positive psychological states.

It was already stated the huge importance of the manager in the process to build employees engagement. But there is different types of managerial style and this brings forth the question which is the management style that is more appropriate when the main goal is to create and to maintain the employees engagement?

Cardinal describes the follows management styles (Cardinal, 2013):

The **AFFILIATIVE** leader takes time helping the team to bond. More task focused team members often look around and get anxious because they see other teams working while their team is discussion and improving interpersonal connection what may seems like a waste of precious time to complete important tasks. As a result of this situation member of the team could try to take the initiative to explain to the team leader that the team members appreciate the opportunity to have time knowing each other which without doubt is improving the group climate and work atmosphere but to express worry that these team building activities could provoke delay in the team performance goals. This is a challenging situation for the leader to find the right balance in terms of time and prioritizing goals versus relationship importance.

The **PARTICIPATIVE (Democratic)**- leader gives opportunity to team members to express their opinion about the optimal work standards, methods, task definition and to participate in decision-making process. Team members feel appreciated because they can express their expertise and contribute with their waste experience but often they worry because the discussion takes time which is valuable in order to complete the deadlines. The leader usually feel satisfied with team work because very often the decision is coming from his subordinates what he finds as professional and fair decision.

The **PACSETTING** -The leader sets members tasks, but then takes the task off them if they are “not performing” and gives it to someone else. Despite this, the team members remain engaged, seeing this as a consequence of the high standards set by the leader. The team operates with high energy, engagement and motivation. Usually team members feel proud and satisfied with their achievement. For the leader is challenging to build a peaceful and nice atmosphere especially when is necessary to switch roles and responsibility between workers but he think that it is worthed.

The **COACHING** leader is focussed on the learning experience. When a team member proves to be particularly good at an aspect of the task, the leader has them demonstrate and teach the others. The team members are engaged with and proud of their achievements, even though they often don't fully complete the task.

There is no such thing as a universal best managerial style for all the companies. The most appropriate style will depend on the people (their experience, values, motives) and the situation (stable/changing, new/seasonal team, short/long term focus). The key to being an effective leader is to have a broad repertoire of styles and to use them appropriately.

The management style could be classified also in the following categories:

#### **Autocratic Style of Working**

The superiors do not take into consideration the ideas and suggestions of the subordinates. The managers, leaders and superiors have the sole responsibility of taking decisions without taking into account the feeling and the opinions of their subordinates. The employees are totally dependent on their managers and do not have the liberty to take decisions on their own. They have to follow the guidelines, policies, tasks and decisions made by their bosses. Usually employees lack motivation in autocratic style of working.

#### **Paternalistic Style of Working**

In paternalistic style of working leaders decide what is best for both employees and organization as whole. Policies are created in order to benefit the employees and the organization. The suggestions and feedback of the subordinates are taken into consideration before the final decision-making. Employees feel attached and loyal towards their organization. Employees stay motivated and enjoy their work because they feel appreciated from the management.

#### **Democratic Style of Working**

Managers expect and appreciate the feedback from their team members. Employees are free to express their opinion, what they like and what they find wrong or challenging in team goals and plans . Democratic style of working ensures effective and healthy communication between the management and the employees. The managers are ready to hear what the employees have to say about the work process and to implement their suggestions.

#### **Laissez-Faire Style of Working**

The employees take decisions and manage work on their own while the manager is only observing but not participating in this process. The team members

with creative and innovative ideas are welcome to put them into the practice and individual who are not really interested and involved in work process are not forced to participate actively by the manager. Employees are not dependent on the managers and know what is right or wrong for them.

### **Management by Walking Around Style of Working**

In the above style of working, managers treat themselves as an essential part of the team and are efficient listeners. The superiors interact with the employees more often to find out their concerns and suggestions. In such a style of working, the leader is more of a mentor to its employees and guides them whenever needed. The managers don't lock themselves in cabins; instead walk around to find out what is happening around them(<http://managementstudyguide.com/management-style.htm>)

Leaders with Control-over power believe they have to control people in order to accomplish organizational results. These managers may accomplish much, but often at a high price. The more beneficial outcomes of the application in the work relation of such kind of strategies is followers who does not like to think and analyze and prefer to do the minimum possible to avoid getting into discussion and confrontation. The worst scenario results in create a work atmosphere of lack of desire for work and even attitude to interfere with bad indentation in the common work and lead the team to the failure. Influence-with power, on the other hand, begins with a very different set of assumptions. These leaders consider as important the feelings and interests of their followers as well as their own. Rather than imposing control from without, they create an environment that elicits motivation and commitment from within. They define mutually beneficial goals and inspire people to improve their work performance out of self-interest rather than force. The research shows that lots of leaders in today's organizations are "controllers." They believe they know what is best and so impose an agenda on people and expect compliance. Command and control leaders are generally a bit more rigid and hierarchical than others. In a command and control system, the leader prefers to be seen as an authority figure with the final say in any workplace decision. The level of discipline and structure encouraged by these leaders can be very beneficial for the teams that need to meet precise deadlines or work with specific procedures. However, command and control leadership can sometimes be seen as restrictive if not kept in check. It may also limit other team members from growing their own leadership qualities Perhaps the fatal flaw of controlling leaders is their pride. They believe that they know more than others. They're not open to learning or being influenced. They make positive assumptions about their own abilities and negative assumptions about the ideas, motivation, or capability of people around them.

Most of these leaders bring a great vision and "know-how" to their companies. But if they do not recognize the downside of their controlling style they will not learn how to fulfill their visions becoming a little bit more collaborative. These leaders need to learn that no one is smarter than everyone. They need to understand that winning requires collaboration. They need to view employees as partners who truly want to contribute. They need to change their leadership from being the

“hero” to creating a context in which teams of people share accountability to make great things happen. This is what empowering leadership is all about (Gill, 2000)

The transition could happen by using some communication tactics: to seek feedback from their people, to start listening (seek first to understand), before responding with answers and solutions, to shift from solving problems to facilitating the solution of problems by asking questions such as “What are the outcomes you/we want from this situation?” “What options do you see?” “Who is accountable for what and by when?”

Leaders that use these kind of strategy and relations with the team members are not the one that loose the control and their power of authority. Their actions result in exactly the opposite- they increase the power they posses by including in work and sharing their power with their most valuable asset—the people around them on whom they depend and who are essential to realizing their goals .In the long-run, “influence-with” leadership offers far-reaching advantages over “power-over” leadership. It is this leadership that builds trust and goodwill and taps into the collective genius of all employees.

Employees empowerment is the process of giving front-line employees the authority to make decisions which before were consider as a right and obligation only for the managers. The importance of the coaching style leadership is proved to have an important place in modern organizational life. The contemporaries companies usually choose the less authoritarian-style management because to try to achieve active employee involvement in the whole business processes and operations (Hamlin, 2016).

Empowerment closely aligns with the leadership topic of delegation. Delegation is leaders giving subordinates tasks to complete and timelines in which to complete them. Delegation has generally been around longer than empowerment. Empowerment is more about trusting employees to make decisions in customer service situations or other front-end situations when a manager is not available. In essence, delegation is typically more task-based while empowerment is more authority and decision-based. Empowerment is more correlated with the "Theory Y" style of management, which Douglas McGregor explained in his 1960 book "The Human Side of Enterprise." This is a coaching style, where McGregor's "Theory X" was a more authoritative style. With "Theory Y," leaders have a more optimistic view of the ability to get good work from employees. This belief makes them more likely to implement empowerment than "Theory X" leaders who are less trusting of worker capabilities.

### **Empowerment Benefits**

Companies and leaders have increasingly implemented empowerment because of the benefits of empowered employees. Employees typically feel a stronger sense of ownership and worth when entrusted to make important decisions. This, in turn, makes them more productive in their roles. Customer benefits are also important. Customers who are angry or seeking resolution for a problem typically want that problem dealt with as quickly as possible and get frustrated when told that a manager is not available to help them and they will have to wait.

## **Considerations**

While employee empowerment is increasingly popular, it is challenging in some work environments. Managers that are not as natural at the "Theory Y" coaching style may need training to better understand the value of empowerment and how to give appropriate authority and trust to make it work. Some employees also need ongoing coaching and training on how to make better use of empowerment. While leaders can deter employees from making decisions by harshly criticizing them, they should discuss decisions and alternatives to help employees improve. Employee empowerment has been defined in many ways but generally means the process of allowing employees to have input and control over their work, and the ability to openly share suggestions and ideas about their work and the organization as a whole. Empowered employees are committed, loyal and conscientious. They are eager to share ideas and can serve as strong ambassadors for their organizations.

Business leaders today are exposed to every management theory and best practice. However, switching to a people-centered approach means relinquishing control to others and trusting that employees will not abuse that responsibility. This is not easy to do for most leaders; it takes someone who is very confident and comfortable in his or her role to pull it off. And in times of stress, it is the human tendency to narrow our field of vision and revert to controlling behaviors that feel safe and less risky to us, whether they are or not. Command-and-control is not always counter-productive. However, many managers in positions of authority will try to control schedules (e.g., time in the office), output (e.g., number of sales calls), and budget (e.g., line item for travel) before they have earned the trust of their employees. So at the same time that they are trying to control everything they can, they say they want employees to be creative and innovative and to respond rapidly to marketplace changes. The problem is that people won't be creative, innovative, and responsive, and they won't stay in their jobs, if they feel disrespected and distrusted by their managers. Leaders can't have it both ways.

John Baldoni makes this distinction when he talks about "leadership presence" in his new book, *12 Steps to Power Presence*. He argues that it's not enough to have a position of authority. A leader has to earn the trust and respect of followers. This is done through delegating decision-making and giving employees the opportunity to implement their own ideas (Baldoni, 2010).

## ***RESEARCH***

Based on the review of the main theories for the work engagement and its correlation with the manager behavior towards the employees we decided to test the idea for the managerial style as a determinant of the employees work engagement. We state the follows hypothesis:

1. We expect that the managerial style correlate with employees engagement even more we think that the style of management influence the level of work engagement of the team members
  - 1.1. We suppose that the empowering style of management leads to higher levels of engagement
  - 1.2. We expect that the controlling managers will have employees with lower levels of engagement
2. We suppose that some of the demographic specifics of the employees could also be a determinant for the employee engagement

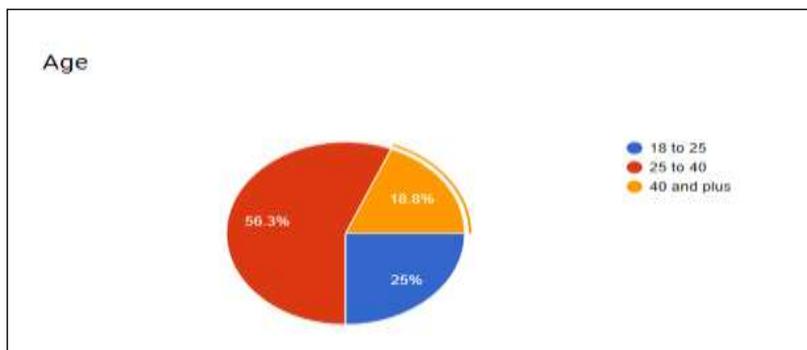
## ***METHODOLOGY***

For the purpose of the research we used 2 questionnaires:

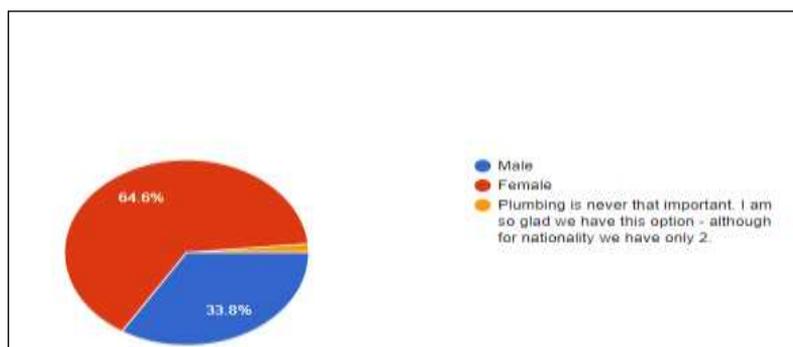
The first one- **Shaffeli's Engagement Questionnaire-UWES**. The questionnaire was created in 2002 to measure engagement in work. It contains 17 items that are grouped into three subtleties: **vigor, dedication and absorption**. Vigor suggestion consists of six remarks, referring to high levels of energy and stability, the desire to invest effort in the workplace. The devotion (dedication scale) contains five commemorations that relate to the sense of workmanship, the feeling of enthusiasm and inspiration from work. The absorption scale consists of six remarks that relate to the sense of involvement and ingestion of work, associated with the difficulty of the employees to separate from their work. Assumptions are scored on a seven-step scale, ranging from "never" to "every day". (UWES, Schaufeli et al., 2002). The second questionnaire is **Management Style Questionnaire**- adapted from Haire, Chiselli & Porter's. This instruments measuring three types of management- **empowering, mixed type and controlling type** on a 5 step scale from strongly disagree to strongly agree. (Haire, Chiselli & Porter's Managerial Thinking: An International Study,1996).

### **Description of the sample**

In the research took part the total of **115 persons**: 113 employees + 2 managers of a big business services company- men and women, members of two different teams (Team A 65 persons and team B -48 persons). The two questionnaires were filled in correct way, anonymously-online. The demographic profile was differentiated against the following factors: age, sex, nationality, general work experience, work experience in the company. As is shown on the Fig.1 56,3% of the respondent are between 25 and 40 years old, 25 % are in the group of 18 to 25 years, 18, 8% are 40 and plus years.

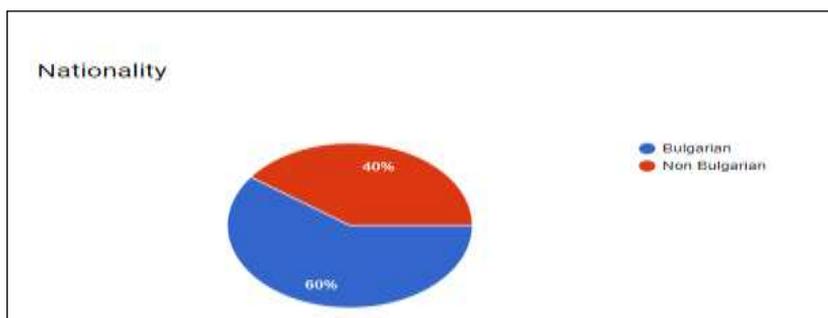


*Figure 1: Distribution of the employees in three age groups*



*Figure 2: Gender distribution of the respondents*

On the next Fig.2 is represented the gender distribution of the employees that took part in the research. 64, 6 % of them are women and 33,8% are men. On the Fig.3 we can see that 60 % of the respondents are Bulgarian and 40 % foreigners.



*Figure 3: Distribution of the respondents by their nationality*

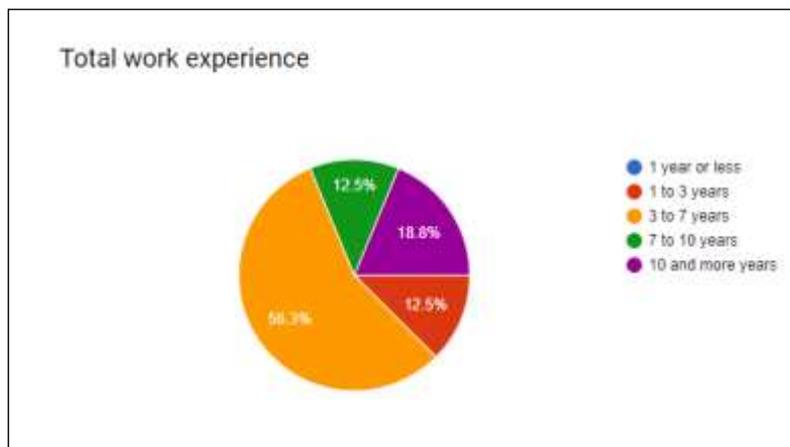


Figure 4: Distribution of the respondents by total work experience

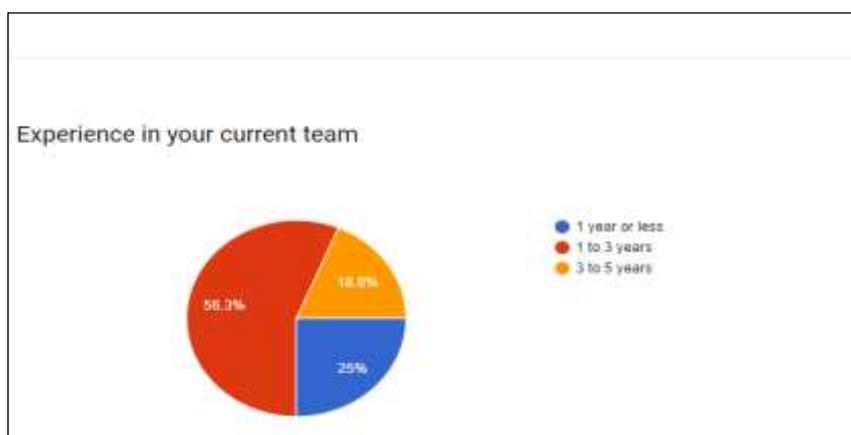


Figure 5: Distribution of the respondents by experience in the current team

The data from the Fig. shows that 56,3% have general experience between 3 and 7 years, and 18,8 % have more than 10 years of work experience. This results means that big part of the employees in these two teams have relatively long work experience. About the experience in the current team(check Fig.5) the company is on the Bulgarian market from 5 years so this could be the maximum experience for the employee in the current team. In this group(3 to 5 years) are presented 18,8% of all the tested employees, 56,3% goes to the group 1 to 3 years experience in the current team and 25% are part of the team less than 1 year.

#### Reliability of the methodology

Analysis were made by using IBM SPSS Statistics version 24. For the two questionnaires, we started with the Alpha of Cronbach. This factor shows us the reliability and adequacy of the questionnaires used. Cronbach's Alpha evaluates the quality of the scale. The following tables present the results obtained.

*Table 1: The Alpha of Crohnbach for the engagement questionnaire*

Alpha of Crohnbach	Alpha of Crohnbach, based on standardized items	Number of items
,944	,945	17

This high result for the Alpha demonstrate the good prognostic potential of the questionnaire. We made also Alpha of Cronbach for the three scales of the engagement – Absorption (Alpha- 0, 835); Dedication (Alpha -0, 901) and Vigor (Alpha-0,831) which are excellent results for Alpha as well.

*Table 2: The Alpha of Crohnbach for the management style questionnaire*

Alpha of Crohnbach	Alpha of Crohnbach, based on standardized items	Number of items
	,990	8

The Alpha of Cronbach for the managerial style show excellent result- 0.989.

### **Results and analysis of the empirical research**

In order to test the first hypothesis - **We expect that the managerial style correlate with employees engagement, even more we think that the style of management influence the level of work engagement of the team members** we proceed with few statistical methods to check the validity of the hypothesis. The first step was to compare the mean values for the engagement in team A and team B. The mean value for the team A is 63, 6678 and for the team B is 51, 5400. For the scale Vigor in team A – 20, 9843 and team B- 17,7400, for the scale absorption- team A 21, 8780 and team B 17,6400, for the scale dedication team A- 20,8300 and team B – 16, 0000. To summarize is obvious that the score for the general engagement as well for the three separate scales- dedication, absorption and vigor are much higher in team A than in team B.

The next step was to check if the managerial style in these two teams is different and if it correlates with the engagement of the employees. The questionnaire for the management style reveals that for the manager of the team A the dominant managerial style is empowering while the leader of the team B has highest score in controlling style. The logical next statistical procedure was the correlation analysis between managerial style and employee's engagement.

For team A the results show a moderate positive correlation between the overall engagement scale and empowering management style (0, 521 ,  $p < 0.01$ ), the result for the three separate scales of the engagement was similar: dedication(0,525,  $p < 0.01$ ), absorption (0,505,  $p < 0.01$ ) and vigor (0,444,  $p < 0.01$ ). As it could be observed the strongest correlation of the empowering management style is with the dedication scale. This result is not surprising. If we take in consideration which is the basic characteristic of the empowering style – delegating to the employees more responsibility, giving them the right to participate in and the power to exercise influence on the team work decision it is expected that the employees will build trust in themselves and their competencies, they will change their perspective about their job- from routine and boring

obligation which the manager force them to complete over and over again to interesting and challenging tasks on which they have to count on their experience and knowledge and use the different and sometimes innovative methods. That gives them the sense of meaning that there are doing something important and good for them and significant for their work and the team as whole.

For team B the results reveals a weak positive correlation between the overall engagement scale (0, 374,  $p < 0.01$ ) and also weak positive correlation with the other three scales- absorption(0, 354,  $p < 0.05$ ), vigor( 0, 369,  $p < 0.01$ ) and dedication (0,363,  $p < 0.01$ ). This highest scores out of the three scales for vigor has a logical explanation. The controlling managers is always looking for results, he is pushing the employees to follow the procedures and achieve the team goals and he supervise his employees if they are on the right path. So is logical that the employees put energy, time and effort to complete their tasks. This is the so called forced commitment because is coming from the supervising role of the manager and the desire of the employees to avoid conflicts. That is why the correlation is weak, if the vigor component was coming from the real desire of the employees to devote themselves to the work because of the affective component of the engagement, build on personal preferences and good relation and trust in the manager the score will be much higher.

When we compare the correlation results in team A and team B we notice stronger correlation between engagement and the empowering managerial style than between the engagement and the controlling style.

The statistical analysis of the mean values between the two teams and the correlation- managerial style and engagement confirm the assumptions states in hypothesis 1(1.1 and 1.2). It is confirmed that there is link between management style and employees engagement but in order to be sure that we can defined the managerial style as a predictor of the engagement it was made linear regression analysis.

For the team A regression confirm that the empowering managerial style is a predictor for the employees engagement. We could see again that the dedication scale has the highest score with Beta coefficient (0, 525,  $p < 0,01$ )

*Table 3: Coefficients of the regression analysis between the dependent variable employees engagement and the managerial style as a predictor*

VARIABLE		
Dimension of the engagement Dependent variable	Empowering managerial style- predictor	Controlling managerial style- predictor
	Team A	Team B
Overall engagement	$\beta = 0,521$ $p < 0,01$	$\beta = 0,374$ ; $p < 0,05$
Dedication scale	$\beta = 0,525$ ; $p < 0,01$	$\beta = 0,363$ ; $p < 0,01$
Absorption scale	$\beta = 0,505$ ; $p < 0,01$	$\beta = 0,354$ ; $p < 0,01$
Vigor scale	$\beta = 0,444$ ; $p < 0,01$	$\beta = 0,369$ ; $p < 0,01$

For the team B the controlling style is also predictor for the work engagement but the Beta coefficients are not so strong like in team A with the empowering manager. Beta coefficient for Vigor is with the highest score- 0,369,  $p < 0,01$

The results of the regression analysis also confirm the assumptions of the hypothesis 1 the managerial style could be defined as a predictor of the level of employees engagement and more specific the empowering managerial style leads to higher level of engagement than the controlling managerial style.

For the team A the scale that has the strongest connection with the empowering style is dedication ( $R=0,525$ ,  $r^2=0,276$ ) which means that 27 % of the variation of employees engagement in team A could be explained by the influence of the managerial scale on their dedication component. For the other scales for the team A the results are as follows- vigor ( $R=0,444$ ,  $r^2=0,197$ ); absorption ( $R=0,505$ ,  $r^2=0,255$ ) and overall engagement ( $R=0,521$ ,  $r^2=0,272$ ). The highest results for the scale of dedication confirms once again that the most important part of the empowering management style is the delegation of authority to make decisions from managers to employees, this authority and new power for the employees is coming together with the increasing responsibility from their part which make them more focused and dedicated to the work but also to the managers because they feel the support and the trust of their leader.

For the team B the scale that has the strongest connection with the empowering style is vigor ( $R=0,369$ ,  $r^2=0,136$ ) which means that 14 % of the variation of employees engagement in team B could be explain by the influence of the managerial scale on their vigor component. For the other scales for the team B the results are- dedication ( $R=0,363$ ,  $r^2=0,132$ ); absorption ( $R=0,354$ ,  $r^2=0,125$ ) and overall engagement ( $R=0,371$ ,  $r^2=0,140$ ). The strongest influence of the controlling management style result on the vigor component of the engagement process. When the manager is supervising each and every step on the working process and is seeking for better results and faster solution the employees don't have another choice than to put all their efforts and energy trying to work with maximum efficacy and accuracy.

The next step of the research is to check by statistical methods the credibility of the second hypothesis.- **We suppose that some of the demographic specifics of the employees could also be a determinant for the employee engagement**

The used method is dispersion analysis ANOVA. The first demographic characteristic was age. The strongest link between overall engagement and age is for the group of employees between 26 and 44 years (56, 7273, Sig=0,00), the weakest is with the group 40 plus years (32, 400, Sig=0,00), for the group of 18 to 25 years the results is 52, 00. Sig=0,00. The same trend could be find in the three scales of engagement- dedication for the group 18 till 25 years- 15,200 Sig=0,00; 26 to 40 years group- 18, 5990, Sig=0,00 and 40 plus years group- 9,9000, Sig=0,00.; Absorption scale for the group 18 till 25 years-18,8000 Sig=0,00; 26 to 40 years group- 18, 5455, Sig=0,00 and 40 plus years group- 11,1000, Sig=0,00; Vigor scale for the group 18 till 25 years-18,0000 Sig=0,00; 26 to 40 years group- 19, 5909, Sig=0,00 and 40 plus years group- 11,4000, Sig=0,00

These results are opposite of the ones mentioned in the theoretical part- according to research (The Open University, 2016), engagement occurs in three cycles. Young employees between the ages of 18 and 24 demonstrate the lowest levels of engagement, motivation, and job satisfaction. This is not surprising, as these individuals begin their professional career at times in which frequent workplace changes are not unusual, on the other hand this can also help hierarchical growth. Employability among young employees increases with training and development opportunities as well as career growth. The results in the next age group (25 to 54 years) are similar. The change occurs only for employees over 55.

In the present research the highest engagement is for the group 26 years old to 40. This results could have his explanation based on the managerial style. At this age(26 to 44) employees usually have gained some experience, developed some competencies so they fill comfortable if their manager delegates to them some responsibility. On the other part if we are talking for the team with the controlling manager at these age employees are not so impulsive as the group of the younger employees (18 to 25 years) . The interesting fact is that in all scales the last group is with lower scores is 40+ and the Open University says that this group should be the more engaged.

The second demographic characteristics tested for correlation with the engagement is the gender. The results demonstrate that the man has develop stronger engagement to work than women in these teams:

Overall engagement man- 66, 7872, Sig=0.008, women- 55, 9474; Absorption-man-24,8298, Sig=0,024, women 19, 5263; Vigor man- 22, 1064, Sig=0,014, women- 18, 2105; Dedication-man- 21, 8511, Sig=0,006, women-18,2105

When we analyze the above results we could formulate the assumption for the role of the manager's style in this process. Many researches show that men usually seek for the power the express themselves by the power and the power has a big value for them. Thus the empowering style of management make them feel comfortable and the controlling style makes them work harder in order to prove their capability. Women, on the other hand, feel more comfortable in the mixed management style where not the tasks, deadlines and power are the focus, but the bond, the relationships between the team members.

We also test if the nationality of the employees to see if there is some differences in the engagement for Bulgarian and foreigner employees.

Overall engagement of Bulgarians is- 65, 2542, Sig=0,043, and for foreigners- 49, 3333; for Absorption-Bulgarians score is -24, 4407, Sig=0,040, and foreigners at - 16,667

For the other two scales the results are not statistically relevant. It seems that the Bulgarian employees are more engaged with the work that the foreigners in this company.

About the next characteristics- **general experience and overall engagement** the first group under 1 year in the company-60, 5000, Sig=0,003; 1 to 3 years in the company-69, 1316, Sig=0,003; 3 to 7 years in the company-51, 6364, Sig=0,003; 7 to 10 years-68,6667, Sig=0,003; Over 10 years-56, 5667, Sig=0,003; **Absorption scale**-The first group under 1 year in the company-21, 5000, Sig=0,003; 1 to 3 years in the company-23, 17895, Sig=0,003;3 to 7 years in the company-17, 4545,

Sig=0,003; 7 to 10 years -24,0000, Sig=0,003; Over 10 years-19, 4167, Sig=0,003; **Dedication scale**-The first group under 1 year in the company-20, 5000, Sig=0,000; 1 to 3 years in the company-22, 97375, Sig=0,000; 3 to 7 years in the company-17, 1818, Sig=0,000; 7 to 10 years -18,5000, Sig=0,000; Over 10 years-17, 3333, Sig=0,000

The general work experience does not have valid connection with the vigor component of the engagement. The highest score for the general experience is for the scale dedication for the group with 1 to 3 years experience. The reason for this could be because in that stage of the professional life employees usually want to develop their competencies, to prove their capabilities in order to grow in the hierarchy and build a stable career. This group has the highest score on overall engagement as well. For the absorption scale the highest values are for the group of 7 to 10 years work experience. In this period usually employees has overcome the need to prove themselves to others, they are placed on the position that they want and are truly interested in their work.

The last characteristic experience in the company demonstrate valid results only for the absorption scale: Under 1 year in the company- 22,7660, Sig=0,049; 1 to 3 years in the organization-18,500, Sig=0,049

3 to 7 years in the organization-21,7143, Sig=0,049. The results shows enthusiasm for the work at the beginning (under 1 year in the organization) when the employees became member of the organization, after this (3 to 5 years) there is some decline in the engagement process may due to the process of searching the right position and team in the organization but in the third group (3 to 5 years in the organization) the engagement if the employees is increasing again most probably due to the efforts of the managers.

## ***CONCLUSION***

The employees' engagement is a complex notion, which combines cognitive, behavioral and personal aspects. The process of building the commitment is a long and difficult process. Even more difficult however is to maintain the engagement at its optimal levels once built. As discussed it is essential both for the team and the entire organization. In this process the crucial factor is the manager because his style of leading the employees in the work dynamic process and relation is of critical importance. The results of this research suggests that the role of the managerial style is a predictor for the work engagement which means that the process of selection of the adequate manager is very important because if his philosophy and methods to lead and interact with people does not fit with his employees we could not expect loyal and devoted workers.

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# **NEW LEADERSHIP STRATEGIES AND THEIR INFLUENCE ON THE COMPETITIVENESS OF ENTERPRISES ON THE MARKET**

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## **ABSTRACT**

*We are living in a highly dynamic and turbulent world and the basic problem all companies are subject to when facing the competition and complex environment is the issue of what business strategy enables one company to succeed in this ever-changing environment.*

*When making business decision, the focus is on how to achieve competitive advantage since there are different ways to achieve this competitiveness.*

*Every new business strategy is thought of as a process of changes because strategies are being developed as a result of changes in our environment. Thanks to the results brought about by changes, it is possible to achieve company's objectives. When a company is achieving competitive advantage on the market, it means that company has something others don't, that it does something better than the competition or something others can't do.*

*An enterprise has to be able to react to changes in the environment. In accordance with that, we can say that we have passive and active adjustment. Active is when a company is striving to use the current situation in the environment or in some way trying to use innovative approach to create the desired change in the environment.*

*Growth and development of a company is the result of entrepreneurial behaviour, factor of company's survival in the long run. Hence, the subject of this paper is the analysis of the significance of setting business strategies to enable an easier creation of competitive advantage on the market. When a company is implementing a new business method it may be because it is trying to achieve power over competition by meeting the needs of buyers better than the competition.*

*Objective of this paper is to point out to the significance of having a proper plan and management over the company with the use of new business strategies whose application can affect competitive advantage on the market.*

**Key words:** *Strategy, Competitiveness, Competitive Advantage, Market Advantage*

**JEL Classification:** *L11*

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## ***INTRODUCTION***

One company's strategy consists of choosing and analysing the target market. In accordance with that, each business strategy should have a plan for the best and most efficient use of company's resources as well as tactic for achieving its desired objectives.

Proper leadership strategy should be characterized as a clear market definition, good combination of organizational strengths and market needs. Likewise, all good marketing strategies need to have an organized and well-thought-of approach in comparison to the competition and this is very important in crucial factors of business success.

A well-thought-of strategy enables us to clearly define a way that will take a company/enterprise to the desired market position it is striving to.

Properly designed and implemented company strategies are of key significance for the survival and achievement of business goals especially in conditions of market instability.

Strategy defines the choice of alternative strategies with the aim of achieving desired results and having an efficient response to changes in the environment. Changes coming from the market are powerful and lead to process destabilization, losing of market position and market-lagging.

Strategy isn't everything, but regardless of that, if a company doesn't have a precisely developed strategy it can have business problems.

When choosing the right strategy, it is necessary to first define the vision, determine strategic objectives and target market, establish resources needed to realize a certain business strategy. Main purpose of choosing a strategy is to make company different than other companies engaged in the same business field and by that gain advantage over the competition on the market.

In modern business conditions we can put an emphasis on company's vitality: increase in the size of the company, decompression of business activities (relation product – market), development of company's organizational configuration. These are three preconditions that have to exist if a company wishes to achieve its business objectives in a timely manner, i.e. if it wishes to survive, grow and make progress. When a company is gaining competitive advantage, it means it has something other competitors don't, that it is doing something better than others or something others can't do. Strategy is defined in a way in which a company is trying to differ itself from others by using its relative strength to meet the needs of its consumers. Therefore, a strategy is an attempt to achieve power over competitors or create abilities to meet the needs of consumers better than the competition does.

## ***THEORETICAL ASSUMPTIONS OF BUSINESS STRATEGIES***

A business strategy implies “the establishment of long-term goals of individuals and/or organizations and the way of their achievement.” (www.portalalfa.com)

In order to determine business strategy of a certain company/enterprise we have to include the establishment of a mission and long-term goals, to determine and analyse what chances we have and what threats can we encounter on the market and in our environment, to analyse the competition, more precisely what their advantages are, as well as to determine the plausibility of our business strategy.

If a company makes a profit that surpasses the average in the field in which the company is doing business, then we say it has competitive advantage in comparison to other competitors. Goal of most business strategies is to make a company achieve sustainable advantage.

“Michael Porter identified two basic types of competitive advantage:

- Cost advantage and
- Differentiation advantage.” (Porter, 2008)

If a company is ready to give the same conveniences (products and service) to the market and buyers, and even better ones, i.e. at a lower price, then we say they gained price competitive advantage. Therefore, if a company is able to offer buyers some other advantages that again surpass advantages competitors on the market have offered to them (e.g. product functionality, service reliability, maintenance in product warranty period and after the delivery, better product design) than that is differentiation advantage. Cost and differentiation advantages bring about positioning advantages and define the company as the leader, in one or in the other segment.

Business strategy cannot guarantee the way in which a company will accomplish its business objectives because it is a task of a larger number of additional programs. Hence, we can take marketing strategy as an example that shows, in any case, that most marketing strategies are overburdened with a tricky complexity. There are several approaches to how one can create competitive marketing strategy.

“A company can take one out of six competitive positions on the market:

- Dominant position: A company monitors behaviour of other competitors and therefore has a wide range of strategic options at its disposal;
- Powerful position: A company can take on an autonomous activity without the fear of jeopardizing its long-term position, and it can keep its long-term position regardless of the activities of its competitors;
- Suitable position: A company does business at a satisfactory level in order to guarantee its business continuity, but it does so under the pressure of a more dominant company, hence it has less than average chance of improving its position;

- Weak position: Companies has an unsatisfactory business, but there is still a chance for improvement. Company has to chance or simply leave the market;
- Incapable of doing business: Such company has unsatisfactory business characteristics, hence no chance for improvement.” (Kotler, 2004, p. 373)

Based on the abovementioned we can conclude that a proper strategic decision-making is based on good-quality strategic analysis.

Chandler defined strategy as: “Defining basic long-term determinants, goals and tasks of a company, hence the adoption of directions and allocation of resources necessary to realize those goals” (Ibidem).

Michael Porter distinguishes three different sources of strategic positioning:

- “Variety or differentiation in comparison to products and services of competitors;
- Need-based positioning because it serves the greatest portion or all needs of a specific group of buyers;
- Basis for positioning is acceptability for buyers because it’s possible to conduct their segmentation” (Đuričin, Janošević, 2006, p. 208):

“There are three basic ways fir defining business strategies:

- Environment approaches – they define strategic management as a relationship between the company and environment. These approaches emphasize the external orientation of strategic management, i.e. orientation to respecting changes in the environment. Hence, and rightfully, occurrence of strategic management is said to be related to the occurrence of discontinuity.
- Goal and resources approaches – they emphasize the creation of effective strategies for the achievement of company’s goals. From the aspect of these approaches, content of strategic management consists of a system of decisions (goals, strategies, programs, plans) and actions.
- Action approach –they define strategic management by connecting strategic thinking to operative decision-making and actions ending in control.” (Ivanović, 2007, p. 50)

In accordance with the abovementioned there is the resource-based point of view. This can be applied in those companies that use their resources in the best possible way and like that achieve competitive advantage. This competitive advantage can be explained in a way that a company needs to have resources and abilities better than the competition has, and likewise that needs to contribute to differentiation advantage.

Innovations, knowledge, technological development and skills are becoming crucial factors for the development of one company and its survival on the market.

HR Management is a direct source of quality improvement and work productivity, hence competitiveness on the market. One of the most important preconditions for achieving this goal is a good-quality education. Investments in people and their skills are necessary since it is the only way to preserve and

improve competitive advantage. Organizing and managing processes is of crucial importance for company's competitiveness on the market but that cannot be without the understanding from company's management.

When it comes to the development and application of new technological achievements, education and creation of human capital are one of the top objectives of global national strategies and policies of social, economic and technological progress. Good-quality education creates experts that will be able to get involved with fierce international competition.

As it was explained by Zjalic (2011), a scientific councillor of the Institute of Economic Sciences Belgrade, knowledge as a well-structured power of mind that changes people and opportunities, by taking responsibility for the quality of human resources, could lead to a twist in regards to employment growth and economic growth as well. ( Zjalić, 2011, p.17-25.) Since we have already entered a new era – era of knowledge, then it is obvious that the basis of our actions from now on will have to be a more rational use of the most valuable resource. (Carayannis, 2006)

How theoreticians approach the study on the role and influence of processes on company's competitiveness differ to a great extent. "So Rentzhog believes that the greatest competitive advantage of large companies lies in the understanding of how it cannot be achieved by one special function in the company, but rather that all employees have to realize that meeting the needs of consumers is their greatest assignment" (Rentzhog, 2000).

Changing of the strategy largely depends on the organizational processes and on the overall situation in the company.

## ***MARKET LEADER STRATEGIES***

Companies increasing their competitive advantage on the market are market leaders. These companies very often organize research projects through business data in order to catch sight of trends and they very carefully control business indicators.

"Market leaders often apply strategies focused on the search for new users of a certain product by showing new possibilities of using those products for example. By doing business in this way, market leaders participate in increasing the size of the overall market, which has a positive effect on all competitors on the market." (Babić-Hodović, Šestić-Serdarević, 2006, p. 210).

Strategic analysis determines the character of the environment in which the company is doing business. Hence, strategic analysis estimates elements and factors of the presence and future of the environment in which the company is doing business. Likewise, strengths and weaknesses on one organization are determined through strategic analysis. Strategy is a rational and timely reaction to opportunities and threats being formed in environment by using internal strengths and minimizing personal weaknesses.

“Peter Drucker emphasized there are four different strategies:

- Being first but at the same time the best
- Hit them where they are least expecting
- Finding and conquering specialized “ecological niches”
- Changing economic characteristics of a product, market or economic branch” (Drucker, 1991, pp. 266-320)

When a company wishes to be a market leader, it sometimes sets up and innovative leader strategy which relies on innovations.

“A company is investing in changes of technologies and business models with the aim to be ahead of its competitor by using radical innovations. This type of strategy is common of high tech companies for the first time starting some business. A company that opts for a proactive strategy is an innovative leader and deals with predicting and anticipating changes in environment in order to use them for its market positioning.” (Arsić et al., 2011, p. 279-287.)

“In order to remain and become market leaders, largest companies cannot only keep track of technological trends. Increasing competition and pressure imposed by market challengers and followers forces leaders to use constant innovation in the technical-technological business segment.” (Dujak, 2006, p. 94)

“If a dominant company is not enjoying a legitimate monopoly then its existence isn’t simple at all. It has to be awake constantly because other companies are challenging its strength or trying to use its weaknesses. Research have shown that technology and innovations are not enough for sustaining leadership position on the basis of a pioneering implementation of new products if other factors are not present (resources, management, strategies, research and development, etc.) (Arsić et al., 2011, p. 283)

## ***MARKET SEGMENTATION***

Target groups of consumers regardless of their geographical position are in the core of market segmentation. Choice of the strategy depends on organization’s goals, but markets also dictate some rules.

Researchers have to answer three question when defining a certain segment:

- Who makes up the segment
- What are basic needs of the segment
- How to meet the need of the segment

In the initial stage, segmentation implies the establishment of the rationality of the process but also analysis of the competition. In the final stage segmentation implies the making of marketing mix and control of allocated resources. For a consumer segment to be interesting and making of marketing mix especially for it made, it is necessary to be:

- large enough, i.e. profitable
- reachable
- measurable, i.e. definable
- stable

## ***INTERNATIONALIZATION STRATEGY***

After research and analysis, a company should determine the type of strategy it will use to enter foreign markets. This strategy depends both on market characteristics or the segment to which a company belongs and on the characteristics and power of the company itself. Basically, there are three basic alternatives:

- **Export strategy** – export is considered the fastest and simplest way of entering foreign markets. It is important to mention that the marketing approach to export is something completely different from the classical export business. Namely, export marketing starts from the needs of foreign buyers and not from the given product or service it offers.
- **Cooperative strategy** – is established instead of competition and confrontation. Most common types of this form of strategy are license and franchise agreements. It is a contractual transfer of rights for the use of certain goods, technologies, innovations, know how. Another variant of cooperative strategies is functional production-business cooperation. The third variant is cooperation on the project principle through participation in investment and development projects.
- **Investment strategy** – This type of strategy is mostly applied by multinational companies having large financial and organizational potentials. Basic advantages offered by direct investments abroad can be raw materials (access to cheaper raw materials), cost (more affordable price of production) or because of a deeper or easier penetration on the market. Investments abroad provide possibilities for a better market research, as well as for better business control.

## ***DEVELOPMENT STRATEGY OF COMPANY POSITIONING ON FOREIGN MARKETS***

Each product or service has to have a precisely determined position on the market. Companies are trying not leave positioning to chance, but they are creating various business strategies that give their products or services the greatest advantage on the chosen target market.

Positioning strategy invokes customer loyalty to the product and consumers and eases the process of choosing. Companies have to decide what their differentiation is. Each difference has to meet the following criteria:

- Importance,
- Stand out (offers a product in a better or different way),
- Superiority,
- Communicability,
- Impossibility of an easy copying,
- Possible affordability and
- Profitability.

“Positioning strategy comes after the company has decided what target market they want to act on. After that, the company determines what position they want to achieve on the market. Company’s offer consists of the combination of marketing mix elements by which it strives to meet the needs and wishes on the market. Positioning strategy establishes differentiation even within the same market and often describes a brand with one word: Volvo is safety, BMW sport spirit and top performances, Mercedes is luxury, while Porsche is the best small sports car. It can happen that one car model is positioned differently in different countries. How? In America, Volvo is a “safe” car while in Mexico it is a “long-lasting” car. (Kotler, Keller, 2006. p. 73).

Consumers find products and services which are first on the list easiest to remember, i.e. the ones we call “number one”. Companies should decide how much and what product characteristics they will promote: best quality, lowest price, largest values, most modern technology and such.

“According to the book “Marketing Strategy” by N. Renko the following criteria are used in the positioning strategy:

- Tangible product characteristics (e.g. durability)
- Intangible characteristics (e.g. cleaning products with better results)
- Benefits user have from the product (e.g. toothpaste preventing bleeding gums)
- Low prices
- Product use or application
- Endorsement (e.g. Britney Spears and Pepsi)
- Life style or personal flair (e.g. relating someone’s characteristics to the car they are driving)
- Origin (e.g. French wines, Italian shoes and such)” (Renko, 2005. p. 237)

The most successful positioning is achieved by the companies which have discovered how to continuously have a unique offer on the market which a competition cannot duplicate.

Harley Davidson or Ikea are yet to be successfully imitated. However, not a single positioning lasts forever. Day by day there come changes in consumer habits, technological progress, competitive advantage and economy in general. In order to fight for its share of the market companies have a task to constantly and carefully estimate their most important brands and adjust to new market conditions.

## ***STANDARDIZATION AND ADAPTATION STRATEGIES***

One of the key decisions in the strategy planning process is whether marketing activities should be standardized for the application in all countries or adjusted to specific requests of different markets and countries. Standardization strategy implies one attitude towards the entire global market.

“Level to which the standardization strategy can be accepted in a large number of countries depends on the characteristics of a certain product being placed on those markets. They refer to whether the product:

- meets the same consumer needs;
- is used by the same type of consumers;
- can be sold at approximately same prices;
- can be promoted through the same media;
- consumers evaluate by using the same criteria;
- is bought by the consumers with approximately same incomes;
- consumers buy with the same frequency, same amounts or packages, etc.
- is bought by the family members with a typical family role and status.”

On the other hand, when it comes to the adaptation strategy “every segment of the international market is treated as a special, individual market with many specificities coming from the cultural domain of one nation, and which must not be ignored for the sake of being more economical, but rather we need to adjust to them.” (Jović, 1990. p. 95).

*Table 1: Comparing characteristics of the standardization and adaptation strategy*

Characteristics	Standardization strategy	Adaptation strategy
Emphasis	on similarities	On differences
Basic market orientation	Market diversification Production specialization Geo-centric orientation	Market concentration Market penetration Polycentric orientation
Assumption	Homogeneity of demand	Homogeneity of demand
Market size	Not relevant	Large and perspective
Target segment	Global and group segments	Individual market segments
Internal-external conditionality	Primarily internal (production-business orientation)	Primarily external (market-regulative conditions)
Attitude to costs	Cost reduction as per market and product	Cost increase as per market and product
Marketing effects	Unique image, economy of scale, maximization of total income, better use of one's resources and ideas, better planning and control, increasing price competitiveness	Flexibility, selling maximization, income per market maximization, better use of market opportunities, closer contact with consumers, increasing price competitiveness
Basic disadvantage	Rigidity	Large expenses

*Source: Czinkota, Ronkainen,, 1996.*

## ***PRODUCT AND PROMOTION STRATEGY***

Companies often synchronize decisions on products and promotion. Table 2 shows five possible strategies, ranked from complete product and promotion standardization to their complete reformulation.

*Table 2: Strategies of product and promotion relations*

		Product		
		Same	Different	Development of a new product
Same	Same	Unique extension	Product adaptation	Product innovation
	Different	Adaptation of communication	Double adaptation	Placement innovation

*Source: Bennett, 1995.*

“Small number of companies can be said to have a dominant position in their industrial branch on the entire global market. Microsoft operative system, Intel processors and Hewlett – Packard printing machines are considered globally dominant products, and the Walt Disney Company a dominant one. For some companies it is more realistic to strive to achieve a dominant position on one international market or region which include two or three international markets. For example, Eriksson Company that has been a global company for decades and often dominant on the global market wasn’t always dominant on each individual international market. Its domination on the landline phones market in China is not the same as in Japan, while the domination on the mobile phones market in Honk Kong, with more than 60% of market share, hasn’t happened in Indonesia.” (Filipović, 2009. p. 324-330).

Position of the dominant company can be based on leadership in different categories, and it is often a position historically built in consumers’ minds by being the first brand they think about. Gillette is a synonym for shavers, Pampers for diapers, Nescafe for instant coffee, etc. Usually, dominant company achieves competitive advantage on the international market in both dimensions: in costs and in differentiation, as it is the case with Procter & Gamble Company. Likewise, dominant companies gain their competitive advantage by offering superior value to buyers in form of highly noticeable benefits and high expenses or highly noticeable benefits with low expenses.

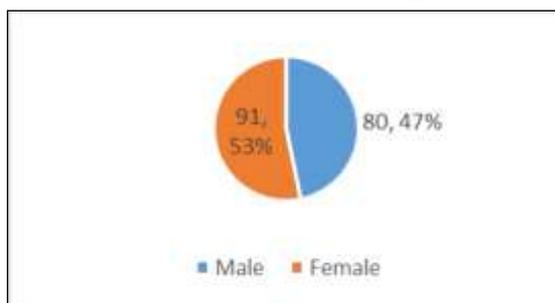
Google and Yellow Pages, for example, have a high market position because they offer to their buyers and consumers superior value guided by the principle “all in one place”. There are companies which are gaining their dominant position by combining high product quality and low prices. Cadburys, for example, has kept this position on Australian and New Zealand chocolate market. Indisputable is the dominant position of the Coca-Cola Company based on a marketing strategy in which promotion instrument is predominant and the fact that Coca-Cola put Santa Clause, a global symbol, into its corporate colours can support that.” (Filipović, 2009. pp. 324 -330).

Two more factors can make an impact on the economic competitiveness and those are unintentional occasions and the government (state). Unintentional occasions are beyond the company's influence (usually beyond government's influence), such as new inventions, technological progress, wars, global political happenings, movements on foreign markets. They lead to disturbances that could change the industrial structure and create chances for new companies to replace the old ones. Government policy, at all levels, can improve or reduce competitive advantage. (Porter, 2010, pp. 189-194.)

In accordance with the research carried out on a sample of 171 interviewee on the territory of Western Serbia (focusing on the city of Cacak) as a part of Serbia hiring people in an business entity in 2017, we gained the following data in regards to strategies these companies use for achieving competitive advantage on the Serbian market. Research was carried out by using an offline survey with 18 question, out of which 10 are about the person doing the survey (2 open ended questions and 8 closed ended question with one possible answer) and 8 are question about the business of the business entity they belong to (5 closed ended questions with several possible answers and 3 closed ended questions with one possible answer).

Interviewee structure according to gender is 80 (46.78%) males and 91 (53.22%) females. Largest number of interviewees are between the age of 30 and 50 (84; 49.12%), then over 50 (52; 30.41%), under 30 (29; 16.96%). Six interviewees didn't answer this question (3.51%).

Average age of all interviewees is 43.68. When it comes to educational level of interviewees, the largest percent finished high school (112; 65.50%), then faculty (35; 20.47%), college (18; 10.53%), master studies two (2; 0.85%), and 4 interviewees didn't answer (2.34%). The majority of interviewees are from the private sector (167; 97.66%), while the number from the state sector is insignificant (4; 2.34%).



*Figure 1: Gender structure*

*Source: Authors*

Average age structure is around 45 years.

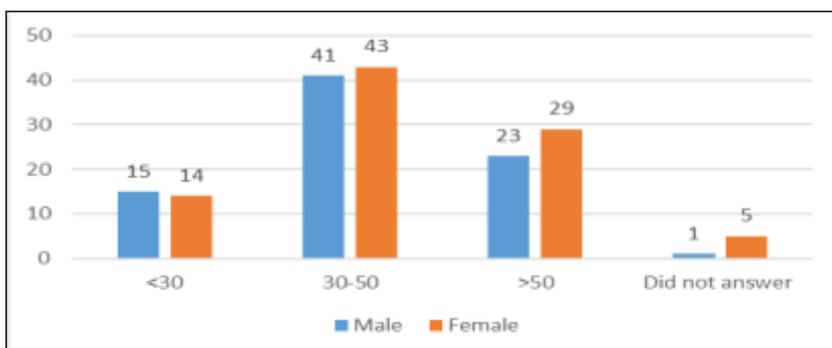


Figure 2: Age structure according to gender

Source: Authors

In this chart, we can see that the largest number of interviewees are between the age of 30 and 50, 43 are female and 41 are male.

When asked about their educational level, which is very important when talking about setting one company’s business strategy, we gained data that the largest number of interviewees finished high school or 65.5%, college 10.53%, faculty around 20.47%, master studies 0.58%.

Table 3: Education structure

Education	Number	Percent
High school / Secondary school	112	65.50%
College	18	10.53%
Faculty	35	20.47%
Master’s degree	1	0.58%
Magister’s degree	1	0.58%
Specialization	0	0.00%
PhD	0	0.00%
Didn’t answer	4	2.34%

Source: Authors

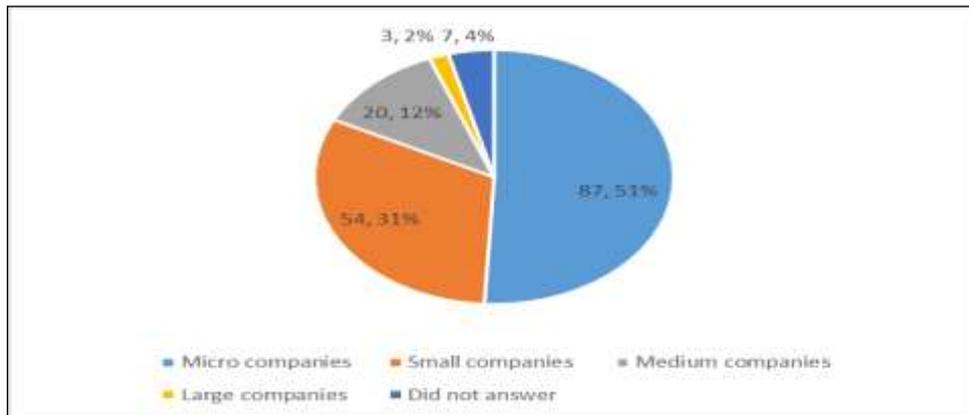
By looking at the abovementioned data, we can see that 2.34% interviewees are from the state sector and 97.6% in the private sector. Talking about the position of interviewees in the company they work at, 63 (37%) are owners, 105 (61%) workers and 3 (2%) managers (top, junior, senior). There are 26 female owners and 36 male owners, while 65 women said they are workers and 40 men said they are also workers.



*Figure 3: Position at the company*

*Source: Authors*

Companies involved in this research according to the size of the business entity – 50.88% micro companies, 31.58% small companies, 11.70% medium, 1.75% large companies.



*Figure 4: Size of the business entity*

*Source: Authors*

Talking about some business strategies, such as innovations or product promotion, which companies/enterprises are taking actions to gain a better position or competitive advantage on the market, we got the following data displayed in table 4.

*Table 4: Innovations and/or product/service promotion are in the given business entity performed*

	No.	%
Regularly	73	42.69%
From time to time (occasionally)	78	45.61%
Rarely	16	9.36%
No answer	4	2.34%

*Source: Authors*

We can see from the table that 42.69% interviewees said that their company invests, i.e. promotes its products/services regularly, 45.61% from time to time, and 9.36% rarely.

When we display the obtained data in form of numbers/percent of interviewees (by the size of the company) that innovate regularly, from time to time and rarely, we can see that large companies are regular in innovating inside their company, but also medium companies do that regularly. Small and micro companies innovate from time to time.

*Table 5: Number/Percent of interviewees (by the size of the company) innovating regularly, from time to time and rarely*

		Regularly	From time to time (occasionally)	Rarely	No answer
Micro	No.	33	39	13	2
	%	37.93	44.83	14.94	2.30
Small	No.	24	29	1	0
	%	44.44	53.70	1.85	0.00
Medium	No.	11	7	2	0
	%	55.00	35.00	10.00	0.00
Large	No.	3	0	0	0
	%	100.00	0.00	0.00	0.00
No answer	No.	2	3	0	2
	%	28.57	42.86	0.00	28.57

*Source: Authors*

We also analysed how ready companies are to offer something different than the competition and we obtained the following data that can be seen in table 6.

*Table 6: Differentiation of products comparing to competition*

	Number of answer (multiple choice answers)	% out of the total number of the given answers (136)
Product forms	8	5.88%
Product characteristics	9	6.62%
Quality of product performance	38	27.94%
Quality confirmation	7	5.15%
Durability	14	10.29%
Reliability	16	11.76%
Possibility of repairs	9	6.62%
Style	35	25.74%

*Source: Authors*

We can see from the table, interviewees mostly pointed out to quality of product performance and product reliability in comparison to their competitors, then durability, product characteristics...while product forms were noticed the least. These data can be sorted out according to the size of the company, interviewees' answers on product differentiation and competition. (Table 7).

*Table 7: Number/percent of interviewees (size of the business entity) answering that a certain form of product differentiation is present*

		Product forms	Product characteristics	Quality of product performances	Quality confirmation	Durability	Reliability	Possibility of repairs	Style	No answer
Micro	No	3	2	22	1	6	9	4	14	59
	%	3.45%	2.30%	25.29%	1.15%	6.90%	10.34%	4.60%	16.09%	67.82%
Small	No	2	2	7	2	6	5	5	15	27
	%	3.70%	3.70%	12.96%	3.70%	11.11%	9.26%	9.26%	27.78%	50.00%
Medium	No	3	2	6	4	2	0	0	3	8
	%	15.00%	10.00%	30.00%	20.00%	10.00%	0.00%	0.00%	15.00%	40.00%
Large	No	0	0	1	0	0	0	0	1	2
	%	0.00%	0.00%	33.33%	0.00%	0.00%	0.00%	0.00%	33.33%	66.67%
No answer	No	0	3	2	0	0	2	0	2	1
	%	0.00%	42.86%	28.57%	0.00%	0.00%	28.57%	0.00%	28.57%	14.29%

*Source: Authors*

*Table 8: Service differentiation comparing to competition*

	Number of answer (multiple choice)	% out of the total number of given answers (221)	% out of the number of interviewees who answered (141)	% out of the total number of interviewees (171)
Ordering ease	81	36.65%	57.45%	47.37%
Delivery	56	25.34%	39.72%	32.75%
Installations	10	4.52%	7.09%	5.85%
Customer training	2	0.90%	1.42%	1.17%
Advising customers	55	24.89%	39.01%	32.16%
Maintenance and repairs	17	7.69%	12.06%	9.94%

*Source: Authors*

Table 8 shows us the data on service differentiation comparing to the competition and we can see that interviewees pointed out to ordering ease (36.56%), then delivery (25.34%), advising customers (24.89%).

*Table 9: Pricing strategy used in the business entity*

	Number of answers (multiple choice)	% out of the total number of given answers (174)	% out of the number of interviewees who answered (165)	% out of the total number of interviewees (171)
Costs plus standard margin	99	56.90	60.00	57.89
Achieving target return on investments	1	0.57	0.61	0.58
Perceived value	3	1.72	1.82	1.75
Value-based price (rather low with high quality)	33	18.97	18.79	18.13
Current prices (pricing based on what competitors are offering)	38	21.84	23.03	22.22
Auction-based pricing (ascending, descending, sealed offers)	0	0.00	0.00	0.00

*Source: Authors*

Very important strategy for every company is definitely the pricing strategy used in the business entity. In table 9 we can see that the majority of interviewees stated that their company forms prices through cost plus standard margin (57.89%), while from the table we can see that nobody stated that their company forms prices by the action-based pricing (0.00%). It can be seen that companies, whose interviewees we used for this analysis, often use the current price method or to be exact pricing based on what competitors are offering (22.22%).

*Table 10: Price adaptation strategy in the business entity*

	Number of answers (multiple choice)	% out of the total number of given answers (160)	% out of the number of interviewees who answered (136)	% out of the total number of interviewees (171)
Geographical pricing	9	5.63	6.62	5.26
Discounts and reliefs	115	71.88	84.56	67.25
Promo prices	28	17.50	20.59	16.37
Price differentiation	8	5.00	5.88	4.68
35 interviewees didn't answer (20.4%). More answers possible. A total of 136 interviewees answered with 160 answers.				

*Source: Authors*

In table 10 we can see results referring to the price adaptation strategy in the business entity and we can conclude that 67.8% interviewees think that through discounts and reliefs of products/services their companies can get on the market. Then we have promo prices (16.37%) while the fewest interviewees opted for product/price differentiation (4.68%).

*Table 11: How often companies doing innovative activities (regularly, occasionally, rarely) have promotions of their new (improved) products*

		Promotions				
		Regularly	From time to time (occasionally)	Rarely	No answer	
Innovations	Regularly	No.	17	11	44	1
		%	23.29%	15.07%	60.27%	1.37%
	From time to time	No.	7	25	44	0
		%	8.97%	32.05%	56.41%	0.00%
	Rarely	No.	0	3	13	0
		%	0.00%	18.75%	81.25%	0.00%
	No answer	No.	1	1	0	2
		%	25.00%	25.00%	0.00%	50.00%

*Source: Authors*

When asked the question: How often companies doing innovative activities (regularly, occasionally, and rarely) promote their new (improved) products? Data we obtained are presented in table 11.

*Table 12: Frequency of market research with the aim of improving products, services, processes, business activities*

	Number of people answering the question	% out of the number of interviewees who answered (164)	% out of the total number of interviewees (171)
Regularly	23	14.02%	13.45%
From time to time (occasionally)	25	15.24%	14.62%
Rarely	116	70.73%	67.84%
Seven interviewees didn't answer the question (4.09%)			

*Source: Authors*

In table 12 we can see that when it comes to the strategy of market research with the aim of improving products, services, processes and business activities, interviewees least use this strategy (67.84%), i.e. vary rarely carry out market research in order to improve their products, services and business in general. A total of 13.45% said they regularly use this strategy in the aim of achieving better business results.

*Table 13: Number/percent of interviewees (size of the company) who answered that market research is carried out in certain time frames*

		Market research				
		Regularly	From time to time (occasionally)	Rarely	No answer	
Size of the business entity	micro	No.	5	6	71	5
		%	5.75%	6.90%	81.61%	5.75%
	small	No.	9	9	35	1
		%	16.67%	16.67%	64.81%	1.85%
	medium	No.	6	8	6	0
		%	30.00%	40.00%	30.00%	0.00%
	large	No.	3	0	0	0
		%	100.00%	0.00%	0.00%	0.00%
	no answer	No.	0	2	4	1
		%	0.00%	28.57%	57.14%	14.29%

## CONCLUSION

Every company has its own business strategy by which it is trying to ensure its position on the market. There are numerous strategies for entering the market and that is why this field is very important.

Every manager or leader of a company should see advantages and disadvantages on the market in time, as well as strengths and weaknesses of the competition. Business strategies companies are applying in their business depend solely on whether a company has the leading position on the market and by that dictates business trends or a company is behind other companies following them in the field they share.

Based on the research carried out in certain companies we can conclude that a lot of companies regularly invest in their business, i.e. promote their products/services. Research data also show us that there are just a few companies that don't implement this strategy (large companies regularly invest in their business inside their companies, medium enterprises quite regularly, while small and micro enterprises innovate from time to time).

Likewise, we've found out that interviewees mostly emphasized the quality of product performances, as well as product reliability in comparison to their competitors, after which comes product durability and product features. Form of the product was least mentioned.

Price forming strategy used in economic entities was emphasized by the interviewees as one very important business strategy. Majority of interviewees stated that the price in their companies/enterprises is mostly formed through costs

plus standard margin, while not one interviewee stated that their company forms prices by using the auction type pricing model.

In the research we conducted we can see that companies often use the current price method or pricing based on prices offered by the competitors. A larger number of interviewees stated that it is possible to impose themselves on the market through discounts and product/service reliefs. Other methods in use are promo prices, while the fewest number of interviewees opted for the method of product/service price differentiation.

However, what is one hundred percent certain is that every company strives to become market leader, but in the same time that's not possible for all of them. Therefore, competitive strategies should be the foundation for determining market position. Achieving business success is directly related to creating clear vision, mission and company's objectives.

Every company striving to get involved in market streams has to have clear strategy of its business and market development.

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## ***HOSPITALITY INDUSTRY AND SEMANTICS OF SERVANT LEADERSHIP STYLE***

*Asim Majeed*<sup>29</sup>

*Imani Kyaruzi*<sup>30</sup>

### ***ABSTRACT***

*The contemporary developments in UK hospitality industry are in pursuit of leaders who establish a personal relationship with loyalty, growth, commitment, and trust with their subordinates. This personalisation ignites the urge to achieve the organisational set goals placing a better system in place which is led by actioner examples. It is doubtless that the replete development in hospitality organisational management requires more customised actions to obtain better performance. This practice of relationship building by leaders leads to the emergence of new leadership styles such as the servant leadership. The current research aims to provide theoretical foundations to build a new model of Servant leadership significantly for the hospitality industry which would help practitioners to develop servant leaders more effectively and assist organisations to cultivate a servant leadership culture within companies.*

***Key words:*** Leadership, Servant, Model, Personal

***JEL Classification:*** M12

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## ***INTRODUCTION***

The profound development in hospitality organisational management has coined the construct of Servant leadership style. Several types of organisational outcomes, teams, and individuals have been linked to the need of this style. Different servant leadership measures require validation and a clear distinction needed to be made between the theory of servant leadership and other leadership theories. In any case, it appears that examination on the execution of servant leadership inside an association is still in require (Dakhelalla, 2014). The primary elements of a servant leadership are not yet conceptualized in the literature to help specialists or professionals to execute servant leadership effectively inside associations. Subsequent to directing a precise literature survey, the principle elements of a servant leadership would be distinguished. These capacities would be additionally bunched into key servant leadership and operational servant leadership and upheld by servant leadership attributes and capabilities as characterized by current literature. Hospitality is regarded as a prosperous industry because of its immense contribution towards the UK economy in terms of GDP and as well as global perspective (De Clercq et al., 2014). The hospitality is a human-centered industry that relies heavily on humans as part of the product and this makes it difficult to separate it from the service process. The UK hospitality industry is in pursuit of leaders who lead by example and being able to manage performance by building a system of setting achievable goals, who invest substantially in personal relationships with his or her subordinates to establish trust, commitment, loyalty, and growth. This practice of relationship building by leaders itself leads to the emergence of contemporary leadership styles such as the servant leadership.

## ***HOSPITALITY INDUSTRY AND TALENT ACQUISITION***

The hospitality industry is recognised as one of the fastest growing industries in the world. However, the human resources director of Compass Group in the UK and Ireland indicates that huge challenge still exists in the attraction and retention of a talented workforce (Choudhary et al., 2013). Moreover, employee retention and satisfaction are conceptualized to be the major issues confronting the success of the industry, however; staff labor turnover has been emerging issue facing several businesses, particularly the hospitality industry and this is untenable in the United Kingdom. In this case, turnover can be realized as the movement of staff within an organization irrespective of the reasons.

There is a significant change towards decentralised structures and a more mutual working environment in today's organisations, which has led to the need for an innovative ideology and trustworthy leadership to improve human effectiveness. In this regard, Gallup (2010) highlights that servant leadership concept provides the newest approach to the theories of leadership which aim to

establish a good working environment that would lead to inspiration, trustworthiness, and creativity for both the followers and leaders. Similarly, Blanchard (2010) expresses that leadership approach has considerably drifted from the past few years beginning with the great man theories to currently recognise transformational leadership. However, the next and newest phase is the servant leadership style and the effects are quite important for the hospitality industry because it is service based and therefore, it is imperative to instil servant leadership principles within an organisation in order to aid the promotion of ethical culture as well as creation of trust amongst employees (Justin and Timothy, 2009).

Consequently, the impact of servant leadership on the UK hospitality industry is yet to be investigated completely and thus, there is lack of the concept of servant leadership and there are also no blended research strategies in this regard. Hence, due to the absence of exact research, the motive behind this dissertation is to examine the impact of servant leadership. Moreover, in the event that servant leadership is not quite similar to other leadership styles, then it is important to carefully consider qualities and practices uniquely inherent in such leadership (Kendra, 2012).

The hospitality industry still remains the fastest growing sectors in the world. However, the high turnover issue is predominantly recorded in the industry, particularly in the UK. In this case, Browne (2010) stated that the high turnover affects the capability of the sector to provide consistency in brand experience and it is detrimental to business performance and at the same time, many people do not see the industry as a place for career development and building. Meanwhile, significant to the industry is the propositions of both labor intensive and service as outlined by Mertel & Brill (2015). In this regard, it can be stated that the efficiency of a leader can have an impact on shareholders' value, employee happiness, and customer satisfaction. It is as a result of these factors that effective leadership is crucial to the success and business performance within UK hospitality industry.

It is also imperative to note that the hospitality industry is becoming more competitive where employees play an essential role right from when customers check-in, during the customers stay and when customers check out. The services received by customers from the employees do not only go a long way to determine whether the customers will come back but also whether the hotels would be recommended to friends, acquaintances, relatives and business associate (Ozyilmaz and Cicek, 2015). This, in turn, will impact on the future revenue of the hotels. The current body of research that investigated leadership within the hospitality industry focused on transformation and transactional leadership. Hence, the researcher finds it necessary to centre on servant leadership as a potential alternative which has unique characteristics to address the issues in the hospitality industry.

## ***MODEL AND THEORY OF SERVANT LEADERSHIP***

The significance and consequences of servant leadership styles have been advanced and emphasised by Piccolo (2010) in his proposition on the learning organisation. Piccolo also argues that one of the vital responsibilities undertaken by leaders in learning organisations is to be the vision servant in the organisation. He views such a task as illuminating and sustaining a dream that is beyond one's self and not acting in a self-centredness manner but rather incorporating one's self or vision with the employees within the organisation. Nevertheless, Snyder (2010) in his servant leadership theory opposes Piccolo (2010) view by stating that it is unclear whether some supervisors are servants whereas some are not.

Furthermore, to explain the model of servant leadership as expressed by Liden and Hu (2011) the morals of leaders are embodied within the servant leadership functional attributes. Thus, the identified functional traits in the earlier literature are descriptors or subsections of the dependant variable. These attributes define the form and efficiency of servant leadership. Similarly, the accompanying characteristics that were identified previously influence the transformation of the ethics into functional traits. Hence, as per Liden and Hu (2011) the accompanying characteristics are called the moderating variables because the level and strength of the functional attributes are influenced by them. Therefore, servant leadership itself eventually turns out to be a non-dependent variable that influences the subsequent dependent-variable which is the organisational performance (Jones, 2012). Nevertheless, the mediating or overriding variables, such as organisational culture and the attitudes of staff may incite the value of servant leadership which then have a prevailing consequence upon firm performance. For instance, a firm's established communication structures might mediate by enabling or deterring the servant leadership process (Erhart, 2004). Similarly, the predating organisational ethics might stimulate or discourage servant leadership.

The attributes of servant leadership have been viewed as a source of motivation but Andersen (2005) contends that self-centredness should not be the basis of motivation for servant leadership but rather, should transcend beyond motivational level. In other words, servant leaders improve subordinates by assisting them to succeed as supported by Autry (2010) because it provides vision, trust, and credibility to influence subordinates. Nonetheless, Dulebohn et al., (2012) argues that although performances are substantially increased when employees see their direct supervisors as servant leaders but however involves investing a lot of time and energy so as to comprehend the subordinate's needs and work as a team in satisfying personal needs.

Similarly, Engel (2014) also contends that the fundamental focus of servant leadership is tailored towards serving others and encouraging their growth and not built on the traditional influence leadership model. More-also, Smith et al., (2004) claims that servant-leadership is an effective style of leadership because the supervisors are actively involved in supporting and orientating role amongst subordinates. This implies that servant leadership encourages the esteem and

advancement of the group, community building, genuine practices and power sharing. Hunter, (2010) further argue that a servant leader's focus is not tailored towards results fundamentally unlike other traditionally leadership styles but service. Similarly, De Sousa (2014) argues that organisational managers trust their employees to embark on tasks that are of best interest to the organisation even if the objectives of the organisation is not a primary focus for the supervisors.

## ***SERVANT LEADERSHIP IS TRANSFORMATIVE***

The concept of servant leadership emerged since 1970 stimulating the behavioral theory which studies leadership behaviour. It aids in the better engagement of employees' motivation and performance and makes leadership style area of focus (Mehta and Pillay, 2011). This servant leadership style implies on transformational leadership whose attributes are effective in engaging employees. For as long as four decades, servant leadership has developed as a trustworthy leadership hypothesis and build (Tuan, 2012). Qualities and measures of servant leadership are very much depicted in the literature and exact research has begun all the more as of late to demonstrate the positive effect of servant leadership in people, groups, and associations. Servant leadership offers a multidimensional leadership hypothesis that incorporates all parts of leadership, including moral, social, and result based measurements (Sousa and Van, 2015).

It is like yet in addition unique in relation to current leadership speculations and proposes a more significant method for leadership to guarantee reasonable outcomes for people, associations and social orders (Spence, 2008). Servant leadership incorporates honed known to manage high-performing associations, for example, building up a higher reason vision and methodology, creating institutionalized and rearranged systems, developing client introduction, guaranteeing constant development and advancement, sharing force and data and having a quality workforce (Washington, 2008). Likewise, servant leadership persuades to deliver ideal individual and authoritative results, for example, improved corporate citizenship conduct, work engagement, hierarchical duty, deal execution and diminished turnover.

Servant leadership can be characterized as a multidimensional leadership hypothesis that begins with a want to serve, trailed by the plan to lead and create others, to at last accomplish a higher reason target to the advantage of people, associations, and social orders (Winston, 2004). Servant leadership cuts over an assortment of leadership hypotheses, yet is extraordinary in the feeling of its generous qualities, leadership plan and centre, and multi-dimensional leadership properties. It focuses on serving individuals to start with, means to accomplish an unprecedented vision that makes an incentive for the group, and incorporates situational, transformational, and additionally individual characteristic measurements (Yukl, 2010).

For instance, the servant leadership hypothesis imparts similitudes to transformational leadership in the way it focuses on individuals and results, however, is diverse in light of the fact that it focuses right off the bat on individuals and applies distinctive leadership expectation. It additionally separates itself from value-based leadership in the serving hones it applies to accomplish comes about (Patterson, 2003). Servant leadership additionally incorporates the social parts of leadership part trade (LMX) to construct connections, utilizes the standards of situational leadership to create individuals, applies the genuine qualities of bona fide leadership, underpins the coordinated effort parts of big business leadership, incorporates a portion of the segments of level five leadership, and offers the deep sense of being attributes of profound leadership (Parris and Peachey, 2013). However, servant leadership is substantially more extensive and incorporate other critical measurements of leadership that are absent from these leadership hypotheses.

In spite of the fact that the build of servant leadership is all around conceptualized in the literature and appears to give the great individual, group, and authoritative outcomes, inquire about on the compelling usage thereof is still in require (Reinke, 2004). The use of servant leadership remains a test for analysts and administrators as the parts and elements of a servant leadership are not yet elucidated definitively in current literature. Specialists and also professionals call for greater clearness on approaches to apply servant leadership successfully inside the authoritative setting (Sen and Pekerti, 2010). A structure that abridges the elements of a servant leadership could help analysts, experts, and supervisors to execute servant leadership methodically and reliably inside associations (Joseph and Winston, 2005). Such a structure will be significant on the off chance that it depends on the attributes, capabilities, and results of servant leadership as characterized by current servant leadership literature. The general reason for this examination was to conceptualize such a structure.

Spence (2008) asserts that servant leadership centres on empathy, trust and the bond that exists between the managers and the staff which therefore build the ethical culture within the atmosphere of the organisation. For instance, Ritz Carlton Hotels located in the USA; although now a subsidiary of Marriott Hotels ethical norms is in the similar orientation with the style of servant leadership. The indication on the company's website reveals that their managers listen and care for members of staff by demonstrating empathy in the company (The Ritz Hotel, 2013). There are also strengthening and encouragement of employees in attaining the goals of the organisation and thus facilitate in reducing staff turnover, absenteeism and training expenditures which are among the challenging concerns confronting the hospitality sector (Fisher, 2004).

## ***SERVANT LEADERSHIP AND EMPLOYEE ENGAGEMENT***

Employee engagement is the degree to which staffs are inspired to make the contribution towards the success of the organisation and are at same time disposed to apply flexible exertion to accomplishing tasks significant to the realisation of the organisational objectives (Liden & Wayne, 2008). Past researchers have chiefly confirmed that servant leadership style enhances the efficiency of the team by increasing employee strength and retention (Liden and Hu, 2011 and Hunter et al., 2013). In addition to the empirical research, for instance, It is interesting to note that servant leadership was practiced and recommended by some of the Fortune's 100 Best Companies in the USA (Liden et al., 2014). However, few researchers have really focused on the influence and rise of servant leadership style within the hospitality sector, chiefly in regards to the suitability in the UK. This renders the existing literature limited with a gap.

Furthermore, Inge (2011) asserts that less attrition can be experienced if organisation improves the levels of employee engagement and therefore produces loyalty and productive staff. Engaging employee reveals itself within ownership spirit, job satisfaction and promoting the organisation to customers and clients. So, therefore, in order to increase the level of engagement beyond the normal one-third, many employers need to recognise what links staffs to their corresponding employer (Gallup, 2010 and Gallup Consulting, 2008). In another word, for engagement to be improved, organisations must consider the leadership perspective adopted within the organisation to create an effective engagement strategy. To concur to the above, studies by Luthans and Avolio (2003) establish that staff who are engaged currently represent only one-third of employees in the work settings with the cost of disengagement of roughly \$350 billion per annum as a result of underperformance and the adverse effect on profitability. The link reflects in the profits of the organisation via investments in the talents, skills, and abilities of staffs that support the organisations to meet and surpass the target aims and objectives (Jennings, 2011). This makes engaged employees undertake the individual responsibility to contribute towards the organisational success.

Furthermore, haven previously mentioned in this literature review the attributes that characterised servant leadership style which are; listening, empathetic, emotional healing, awareness, persuasiveness, conceptualization, foresight, commitment, stewardship and community building (Spence, 2008), it is interesting to note that, out of all these attributes emotional healing, empathetic and stewardship are exclusive to servant leadership. Therefore, Van (2011) argued that emotional healing is one of the unique servant leadership's strength because it has the potential to heal oneself as well as others.

This distinctive attribute of servant leadership, combined with empathy and stewardship, interconnects with the emotion part of an individual, which is uncommon to other styles of leadership. The emotional part of servant leadership style connects with the concept of employee engagement. This employee

engagement ideology began in the 1990's with study to establish the link between an employee's individual self and the work of the employee (Walton and Dawson, 2001) with the latter establishing a link to a level of employee engagement directly.

### ***FINDINGS: SERVANT LEADERSHIP STYLES***

Both inductive and deductive approached would be used to collect the findings and sample size would 10 hotels', senior officials. As Jennings (2010) recommended that subjective methodology is on the right track to do researches that expect to investigate numerous substances inside a marvel. What's more, Hussey and Hussey (2009) characterize subjective research as more subjective in nature and it includes the examination and reflection on observations to acquire a comprehension of social human exercises. Be that as it may, subjective methodology is ideal for this research work in light of the fact that the experience is a passionate human trait. Hence, subjective research method like meeting will be utilized to pick up a view of representatives, and also top supervisors in the cordiality business with respect to the compelling use and execution of servant leadership style. Semi-organized up close and personal meeting will be utilized to gather and assemble the essential information for this research. The inquiries will be fixated on the use. In any case, Kumar (2005) kept up that meeting has many points of interest; it is fitting to examine more perplexing issues and issues and furthermore it is reasonable for social event top to bottom data.

### ***SERVANT LEADERSHIP ASPECTS PRESENT IN THE UK HOSPITALITY INDUSTRY***

The questions in the Part 2 of the questionnaire requested the participants to indicate from their opinion about the servant leadership qualities that they have observed to be present in the UK hospitality industry. The questions presented different aspects of servant leadership qualities in the form of statements for the consideration of the respondents, and the respondents were asked to indicate the extent of their agreement to the statements on a Likert scale of 1 to 5. The responses are tabulated below for further discussion. The responses to the statements are presented in the following table (Table 1).

*Table 1: Findings about Servant Leadership Attributes*

Servant Leadership Attribute	Number of Respondents				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. Holds high ethical standards	1	3	28	41	21
2. Involves employees in decision-making relating to his job	0	3	30	50	11
3. Solves problems with new and creative ideas	0	6	23	42	22
4. Encourages workers to work on own initiative by making their own decisions	2	6	21	48	17
5. Recognises when the employee is feeling down without asking him	6	2	19	55	12
6. Is interested in the career goals of subordinates	0	3	31	45	15
7. Works hard at finding ways to help others in the community	4	20	23	36	11

The first question on the servant leadership attributes requested the respondents to indicate the level of their agreement on the statement that whether their supervisor, as their leader, holds high ethical standards. This statement was agreed to strongly by 21 respondents, whereas 41 respondents just agreed and 28 of them were neutral, expressing no comments on the statement. On the statement that whether their supervisor involves them in the decision-making relating to their own jobs, 50 of the samples just agreed and 11 strongly agreed. Out of the total 94 respondents, 42 of them just agreed that their supervisor solves problems with new and creative ideas. The statement that whether the supervisor encourages worker to work on their own initiatives by making their own decisions, 48 of the respondents just agreed and 17 of them strongly agreed. For the statement that whether the supervisor recognises on his own when the employee is feeling down without asking him, 55 of the respondents just agreed and 12 of them strongly agreed. The commitment of the supervisor to help the subordinates in achieving their career goals was just confirmed by 45 respondents, and 15 of them strongly agreed to such commitment. The respondents were asked whether they agree on the statement that the supervisor works hard at finding ways to help others in the community. This statement was just disagreed by 20 respondents, and 23 respondents gave a neutral response to the statement.

The next part of the questionnaires presented statements on different aspects of servant leadership behaviours and styles for the comments of the participants on the basis of their perceptions. On the statement whether the supervisor focuses on the company's goals rather than focusing in the individual needs of the employees, 45 out of the total 94 respondents just agreed and 14 of them strongly agreed and 30 expresses a neutral opinion. The participants to the survey were asked to indicate their opinion on whether the supervisor encourages staff to participate in the decision-making process. In response to this statement, 41 replied that they just agree and 11 respondents indicate strong agreement, whilst 41 of them stayed

neutral. The respondents were asked to give their perceptions on whether the supervisor believes that only his ideas are the best. Total of 48 respondents just agreed to this statement and 14 strongly agreed and 22 expressed a neutral opinion. The next statement was about the supervisor taking care of the personal well-being of the subordinates. About this statement, 35 respondents expressed a neutral opinion, whilst 37 of them just agreed and 16 strongly agreed. Out of the total respondents, 48 of them strongly agreed that the supervisor provides for rewards only when the employees perform and 15 of them strongly agreed to this statement on rewards. The participants were asked whether the supervisor is approachable when they face personal problems. For this statement, 41 respondents just agreed and 15 of them strongly agreed, whilst 25 respondents gave a neutral opinion on the statement. Table 2 below provides the breakdown of the responses.

## ***DISCUSSION***

From the findings about the servant leadership attributes, it is observed that in the opinion of the participants, the servant leadership attribute of recognising the feelings of the subordinates without asking them is considered to be one of the most important leadership attribute. The quality of involving the employees in decision-making in relation to their jobs has also been considered as one of the required qualities of the servant leader. This finding concurs with the findings of many previous research studies which focused on exploring the servant leadership. For example, Mertel and Brill (2015) observed that the fundamental focus of servant leadership is designed to involve the leaders in serving others and encouraging them to growth. Similarly, De Sousa and Van, (2014) claim that servant leaders are actively involved in supporting the subordinates. Scholars like Avey et al., (2011) point out that the employee performance is likely to be improved when the employees observe servant leadership qualities in their immediate supervisors.

The responses to the survey also indicate that most of the participants to the survey agree upon many other servant leadership qualities presented to them for comments. More specifically, the servant leadership attributes like holding ethical standards, encouraging workers to work on their own initiatives, and interest shown in the career goals of the subordinates have been recognised by the samples as important characteristics of a servant leader in their opinion. According to Liden et al., (2008), the functional attributes have been incorporated in the morals of all leadership qualities, and these attributes define the efficiency of servant leadership.

## ***CONCLUSION***

This research aims to answer the research questions of finding the servant leadership behaviours that are prevalent in the hospitality industry, and the leadership styles behaviours are currently practised in the UK hospitality industry. In addition, the research also sought to find the most servant leaders behaviours that inspire employee work engagement. From the analysis of the findings of this research as drawn from the responses to the survey conducted as a part of the research, it can be concluded that servant leadership qualities like the ability of recognising when the employee is feeling down without asking them, encouraging the workers to work on their own initiatives, and taking interest in the career goals of the subordinates are some of the qualities that the employees in the hospitality industry recognise as the important leadership qualities that would motivate them to perform efficiently. This research observes that hospitality industry being more customer-focused, it is important that the employees in the industry work without any effect of their personal problems in order to meet the customer service quality expectations. Otherwise, the organisation may lose the customers which would be detrimental to the organisational interest. The review of the literature undertaken for the study analysed the presence of transformational and transactional leadership styles in the UK hotel industry considering the competitive nature of the industry.

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## ***FIVE NEGOTIATION KEYS TO LEADERSHIP SUCCESS***

*Ioana Andrievici*<sup>31</sup>

### ***ABSTRACT***

*Negotiation is an important ability for any leader. Good projects can remain without results if they are not communicated to others in an efficient way. A real leader should not impose his own ideas, but should know how to persuade others to embrace them, taking into account also their interests and points of view. This could be done through good communication but especially good negotiation process. From negotiating small projects within the organization to negotiating big business deals, a true leader must have clarity, determination and flexibility in adopting win-win solutions. This article offers 5 negotiation keys to leadership success. This will help those who want to be true leaders to improve their negotiation skills, conclude better business deals and build better relationships and partnerships.*

***Key words:*** *Negotiation, Business, Leadership, Success, Deal*

***JEL Classification:*** *M12*

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## ***INTRODUCTION***

When they talk about leadership, all analysts agree that a good leader should have a number of common qualities, such as: vision – a strong sense of where the organization should be going and how it might get there, courage – the ability to put the cause before the desire to be popular, confidence – a belief in his ability to meet most challenges that come his way, good organizer, and so on. To all these abilities I would add the skill of a good negotiator.

Negotiation is a process that occurs when we intend to get something from someone and we cannot get it by simply asking. Negotiation is the most efficient process of concluded good deals, resolving disputes and building relationships and partnerships. Here are some aspects of negotiation that a leader might face:

- *Business deals.* Some say that there is an art in making good deals. The real art in doing business is always to look for win-win partnerships and deals. “One shot” based businesses that try to win the best at the expense of the other side can bring satisfaction and profit momentarily, but in the long run will destroy the true partnerships.
- *Conflict management inside and outside the organization.* We are talking about conflict when at least one side involved feels there is a conflict, even though such an event does not actually exist. Divergence of opinions, lack of good communication often lead to conflict. Negotiation is the process of combining of divergent/conflicting positions through communication into a joint decision;
- *Good idea arise from good negotiation.* If we consider negotiation as a whole process, we must admit that the method by which this is accomplished is communication. Effective communication involves encouraging the others to share their opinions, their ideas. Through negotiation one can find solutions and always the best ideas appear within a team.

I named above just some situations that a leader is likely to face and that can be resolved through good negotiation. Therefore, negotiation is an ability that is essential for any leader to develop. And this ability implies, in turn, other key skills for success. In this article I will present 5 such negotiation key skills that can help a leader negotiate successfully.

## ***LITERATURE REVIEW***

The importance of negotiation skills in the life of a leader is emphasized in the literature under the most widespread aspects, starting with autobiographies of great CEOs, continuing to emblematic political and historical leaders, personal leadership and the skills of negotiation generally presented as main part of the leadership skills. Here's a short review:

**a) Autobiographical books, just to name a few:**

"*The Art of the Deal*" written by Donald Trump and journalist Tony Schwartz. The book starts with the agenda on a regular working day of the businessman Donald Trump and continues mostly with the experiences of his professional life, the way he saves and makes money, treats people and concludes transactions. Most of the aspects contained in the book refer to negotiation, such as "use your leverage", which in turn requires good negotiation skills;

In "*Steve Jobs: The Exclusive Biography*" (2011), Walter Isaacson describes the professional and personal life, great strength as an inspirational leader and man of Steve Jobs, the CEO and co-founder of Apple. Jobs was obsessed with perfection. This was also reflected in his leadership style which, on the one hand, could be interpreted as not allowing people to achieve their true potential, but on the other hand, he managed to get the best out of people and thus to grow the company he co-founded. As a negotiation skill "focus" was ingrained in Jobs's personality. Focus is an ability which helps a good negotiator to keep his eyes on the prize in a negotiation;

"*Losing My Virginity: How I Survived, Had Fun, and Made a Fortune Doing Business My Way*" (1999), by Richard Branson, contains the biography of Richard Branson, the founder of the Virgin Group. The No. 1 skill that helped Branson in doing great business and especially conducting good negotiations was courage, as his says "*Screw it. Let's do it!*";

"*Onward: How Starbucks Fought for Its Life without Losing Its Soul*" (2012), Howard Schultz, Joanne Gordon. The book describes how the former CEO's return to Starbucks' leadership and the difficult times daily tensions that he faced. These required hard decisions to make and hard negotiation to take. Onward represents Schultz's central leadership philosophy: "*It's not just about winning, but the right way to win*";

"*The IKEA Edge: Building Global Growth and Social Good at the World's Most Iconic Home Store*" (2011) by Anders Dahlvig. The book reveals the strategy that the former CEO of the IKEA has adopted to combine traditional business goals and social responsibility interests, leading a successful business both in good times and less favorable. Negotiating skills such as "vigilance" and "problem solver attitude" have also played an extremely important role in driving this business.

**b) Books describing emblematic political leader figures:**

"*An Unfinished Life: John F. Kennedy 1917-1963*" (2004), by Robert Dallek. Kennedy was often described as a very cautious president. It is an emblematic example of a good negotiator. Negotiating with Russians, Cubans, other difficult intern and foreign situations, has forced Kennedy to develop and highlight the qualities of a good negotiator, such as the ability to avoid crises by finding the best compromises, the courage to take risks, good communication and firmness in decision-making;

"*Nelson Mandela: A Biography*" (1999), by Martin Meredith. Some say that the former South Africa president Nelson Mandela was the best negotiator of the 20th Century. Mandela achieved his life goal of ending apartheid in South Africa

and improving the lives of black South Africans. Some of the negotiating lessons we learned from this are: speak the language of the other party, be prepared, reveal just as much as necessary;

*"Gandhi on Personal Leadership"* (2006), by Anand Kumarasamy. Gandhi is another emblematic good negotiating leader. In the negotiations with Great Britain, during a period of great tensions between India and this country, asked about how he had dealt with tensions and how he prepared for the difficult negotiations, Gandhi replied that he used to ask himself first in depth what he believed and felt about the situation. What he believed and felt was true, right and good for his people and for India gave him the courage to go further;

*"The Churchill Factor: How One Man Made History"* (2014), by Boris Johnson. Winston Churchill, Prime Minister of the United Kingdom from 1940 to 1945 and again from 1951 to 1955, was famous for his negotiation skills, like: strong communication skills, passion, courage to take action.

### **c) Books on leadership:**

*"Leadership Sopranos Style" – How to become a more effective boss* (2004) by Demorah Himself. Deborah Himself highlights in this book certain leadership and negotiation qualities inspired by the character of Tony Soprano in the HBO series "The Sopranos", like "appeal to the most convincing needs of customers" and "subtly emphasize a new business over the old";

*"The Attitude Of Leadership" - Taking The Lead And Keeping It* (2003) by Keith Harrell. The author analyzes the leadership styles of some famous CEOs in order to identify 21 strategies for success. As he himself says in the preface of the book, he examines their best practices, ask thought-provoking questions to prompt us, the readers, to evaluate whether we are following their lead, and provide specific suggestions on how we can apply these ideas in our own workplace;

*"The Truth About Leadership"* (2010), by James M. Kouzes and Barry Z. Posner. The book presents 10 aspects considered necessary to be known and respected by any leader, the questions to which any leader should be able to answer and the realities any leader should face. From the negotiation point of view, "Forward-Looking" is one ability that a leader should possess.

### **d) Books on negotiation (naming a few):**

*"Strategic Negotiation: A Breakthrough 4-Step Process for Effective Business Negotiation"* (2004) by Dietmeyer, Brian J. and Rob Kaplan. The authors analyze sales negotiation strategies to achieve goals and customer satisfaction. Here are some important abilities that a leader should have in order to make a good deal: estimating the negotiation, validating the estimation, creating value;

*"Negotiation – The Art Of Getting What You Want"* (1981), by Michael Schatzki & Wayne Coffey. In the book the authors talk about negotiation as "the Life Skill", absolutely necessary in business and life;

*"Bargaining for Advantage" Negotiation Strategies for Reasonable People* (2006), by G. Richard Shell. "The author supports the principle of win-win negotiation, and offers solutions to achieve it, suggesting that "you look for mutual

*gains whenever possible, and that where you are interested in conflict, you should insist that the result be based on some fair standards independent of the will of either side".* This method helps leaders go for win-win;

*"Never Split the Difference"- Negotiating As If Your Life Depended On It* (2016) by Chris Voss and Tahl Raz. The book presents the negotiation skills that we can learn from a former FBI agent, from his experience in negotiating with kidnappers. Some of the main abilities that we can develop and helps us in any negotiation is to understand the opponent's emotion, to have the courage to say no, and develop the calm but authoritative vocal style he calls *"the late-night FM DJ voice."* As a leader, all these skills are important to develop.

#### **e) Articles on leadership negotiation skills:**

*"Primal Leadership: The Hidden Driver of Great Performance"*, by Daniel Goleman, Richard Boyatzis, and Annie McKee, published in Harvard Business Review, Product No. 8296. The article is extremely interesting in that it reveals the results of new research showing that the mood and emotion of a leader is transmitted as a wave of energy around and influences the strength and emotion of others and thus of the entire organization. This is a very interesting study and very important on emotional leadership, part of the negotiation attitude;

*"A model of negotiation issue-based tactics in business-to-business sales negotiations"*, by Ingmar Geiger, published in Industrial Marketing Management 64 (2017) 91–106. This article identifies 11 tactics that deal with the number, the order, or the characteristics of negotiation issues and may partly serve as best practices for managers;

*"Negotiation,"* by Jeanne Brett, Leigh Thompson, published in "Organizational Behavior and Human Decision Processes", Kellogg School of Management, 2016, which describes strategies for negotiation, much of them applicable in business and leadership negotiation.

## ***METHODOLOGY***

As a negotiator and negotiator trainer, I often work with small and large companies, managers, team leaders and people who want to become entrepreneurs. I always emphasize in my trainings that any manager needs to develop effective negotiation skills.

I am often asked by people involved in leading and negotiation: "how should a good negotiator be like"? I initially answer the question through another question: "how do you think a negotiator should be like?" From the answers I get, I see that people understand differently and sometimes wrongly the negotiating process. Every negotiation is different and I usually avoid to give patterns. There are many abilities important to a good negotiator. For this article I chose 5 such abilities which I named "negotiation keys to leadership success".

This article is based on my direct observation and discussions in trainings and coaching with clients I have worked with, as well as interviewing of more than 25 CEOs in different areas such as IT, retail, event organization, beauty and style, health care, etc. The article is based also on the research done through analysis of profile books and articles, scientific reports, published interviews with business people and emblematic leaders.

My purpose is to recommend and stress the importance of these five negotiation keys to leadership success.

## ***EMPIRICAL FINDINGS***

In the following article I will refer to the term of "leader" as being a manager, CEO, team leader or simply entrepreneur.

Following the interviews conducted and analyzing the feedback I received at the end of the negotiation trainings and follow-up meetings, I came to the following conclusions:

- All leaders are aware of the importance of pre-negotiation preparation, but in most cases they admit they fail to do so. They rely too much on their intuition and their own abilities to negotiate;
- Over 70% of those interviewed said they entered a negotiation not prepared. For example, in the case of contract negotiation, lawyers are given the right to draw up the contracts and though the leader loses sight of the regulation of essential clauses for his business;
- Leaders are generally in good faith. Lack of organization and overloaded program often prevent them from meeting their negotiated business promises;
- Approximately 65% of respondents said they would need a training on time management and negotiation and are looking for various programs and softs to organize their activities;
- Leaders do not fully understand the emotional intelligence. More than 80% said they were slightly annoyed in negotiation and they are aware of the fact that emotional intelligence and emotional management play a very important role in a negotiation;
- Leaders want to do great deals, but often feel they do not capitalize on the full potential they have;
- With regard to communication within the organization and conflict resolution through negotiation, over 80% of the leaders recognized that a first barrier in conflict management is miscommunication.

As a result of the interviews and feedback analyses, over 95% of the subjects admitted that a training on negotiation could help them in developing their leadership skills.

## **Here are my 5 negotiation keys to leadership success:**

### **Problem solver attitude**

Most conflicts could be effectively resolved through negotiation. We talk about a "conflict" when at least one party involved feels there is one, even though the conflict does not really exist. We must remember the fact that people often argue on a subject and then they argue about the way the fight unfolds. Sometimes it doesn't even matter who's right or wrong, both sides can be right:  $5 + 5 = 10$  but also  $6 + 4 = 10$ . What is important is finding a solution. Many times the ego of the people prevents them to find one.

Finding a solution can be done first and foremost by adopting the problem solver – attitude and getting into the mood of finding a solution.

A problem-solver attitude involves several aspects like: 1. Not to take things personally 2. Not to judge the other person 3. Strongly believe that for any situation there is a solution. In this sense, the mind goes into the state of finding an answer to any problem.

Unfortunately, in practice, the negotiators often focus on excuses and on arguments offered as replies rather than solutions. Thus they lose sight of the goal in negotiation. One of my clients told me that the hardest thing in meetings is conducting and moderating contradictory ideas. Sessions extend without solutions. By developing a problem-solver attitude that I suggested in my courses, my client (the manager of a team of sales) managed to reduce the differences in the meetings and not to leave unnecessary discussions without having at least 1-2 solutions to the important issues.

In the sense of developing a "problem solver" attitude, I have launched this quote: "Any situation that I will encounter has a solution that I will find" - Ioana Andrievici.

A problem-solver attitude could be developed since childhood. In this sense, I invented a game that I often play with my son: the finding solutions game: I describe him a complicated situation and he needs to find a solution. Then he describes me a complicated situation and I have to come up with a solution. This type of role-play can also be successfully implemented in organizations and in leadership trainings.

The problem solver attitude and mindset sets the table for finding win-win solutions. A good leader should always be preoccupied in win-win negotiation.

### **Emotional intelligence**

Perhaps the most important role in negotiation is played by emotions.

Daniel Goleman, Richard E. Boyatzis and Annie McKee conducted a study and wrote the "*Primal Leadership: The Hidden Driver of Great Performance*" at Harvard Business School, which revealed that of all the elements affecting bottom-line performance, the importance of the leader's mood and its attendant behaviors are most surprising.

The leader's mood and behaviors drive the moods and behaviors of everyone else.

In other words, if the leader is nervous, he conveys this mood to others, if the leader is in a good mood and has a positive attitude that good mood and positively influences others. Among others, this is why a leader needs to know and control his emotions and be aware of the impact on others.

In a negotiation, emotions are very strong, the most destructive being the ego and the fear of losing. Here's how a client of mine lost in a negotiation: he did not know how to control his emotions. He had to negotiate the lease of a commercial space in which he wanted to open up an office supplies and xerox services. Everything was fine during the negotiations with the space owner until the day, the landlord, an older man, told my client that xeroxes produce radiation and cancer (as he has read in the newspaper). My client gave him an answer and replied that he shouldn't believe every stupid thing written in the newspapers and if he has a problem with the xeroxes today, what else tomorrow? The two of them started an argument and did not sign the contract anymore. What was my client's interest? To sign the contract. He lost it, because of his ego. He should have kept his mouth shut as I advise my clients to do so sometimes, in order to keep their eyes on the prize.

In negotiations we often take things personally and fail to see the rational solutions anymore. For leaders though, managing emotions and emotional intelligence is a very important key to negotiation.

### **Focus and Vigilance**

In her book "*The Art of Persuasion*", Juliet Erickson emphasized that there are two important skills in order to become a good communicator: vigilance and flexibility. Vigilance means always being careful about what is happening around you and within you. Flexibility refers to the ability to adapt to a certain situation.

Although not a very used term, the ability to be alert, vigilant, always be aware of what is happening around is extremely useful in negotiations. A vigilant leader will not let the opportunities slip through his fingers and, during a negotiation will know exactly how to adapt himself to the issues. In my trainings, during role-plays, vigilant students always pay more attention to details and use them in their best interests compared to non-vigilant students.

Vigilance is different from focus. While focus refers mainly to concentration, vigilance refers to paying attention both on your inner world and on what is happening around yourself. Vigilance includes focus. For example, in a negotiation the focus lies on the negotiated and discussed issue, whereas vigilance concerns both this concentration and, for example, the observation of the nonverbal behavior of the person at the other side of the table. Of course a good negotiator must be able to maintain his focus during the negotiation, but certainly the ability to be vigilant is extremely important, too.

Some of my clients have admitted that they sometimes have lost in negotiations because they lost sight of important details, in other words they did not focus properly and failed to be vigilant. A good example of vigilance is when you drive in your car in traffic: you need to pay attention to driving, traffic signs, and of course not to drive by a good parking space that you look for. In negotiation vigilance means to observe both what the other side presents, the nonverbal signs,

body language, the attention paid to your proposals, etc. It also means to see the opportunities and take advantage of them.

The ability to focus and being vigilant need to be improved because they are not easy tasks. Therefore, a leader who can focus and who can be vigilant will do better in a negotiation than a leader who doesn't have these abilities.

### **Effective Communication skills**

A good negotiator must also be a good communicator. All the great leaders in history have been good communicators. When seeking win-win solutions, an effective communication is directly proportional to an effective negotiation.

As a negotiator and consultant I have found that the people who succeed consistently are skillful in verbal communication and understand the game dynamics of the transaction.

Effective communication skills involves mainly:

1. Accuracy in communicating the message. In my opinion a good message in negotiation must be clear, understandable by the other side and persuasive;

2. Listening (good active listening skills) - There is a great difference between hearing and listening. While hearing is a sense, listening is an ability, which, like every other skill, it develops itself through constant practice;

3. Nonverbal communication - More than 55% of our communication is conducted through nonverbal messages (gestures, mimics, clothing, etc.). A leader must constantly be aware of what he transmits by his nonverbal communication and that his nonverbals are in congruence with the verbal message;

4. Building rapport. Building rapport consists of establishing a communication bridge with the other person. It also has the role of providing the other a comfort zone, suited to an open and efficient communication. Most of us have the tendency to respond affirmatively to requests from people we know and sympathize with. That's why a good leader needs to know how to build rapport, to connect with the other person at a personal level.

5. Confidence. It is important to be confident in interactions, in attitude, when you talk or present an idea or a project, etc. Here are the 5 Cs of confidence: 1) Character - honesty, integrity, sincerity, predictability 2) Competence - How competent is the leader? How prepared is he in his field? 3) Credibility - how credible is the leader in what he is saying, acting or doing? 4) Congruence - the leader's lifestyle, his way of being and speaking should be in agreement with what he says or does 5) Confidence - The confidence and trust that the leader has in himself, in his business, product or service, projects, ideas etc.

All leaders should develop effective communication skills and use them in negotiation.

### **Understanding point of view of the other party**

Perspective taking is an important behavior that emerging leaders should nourish. This behavior has to do to put the leader in the other party's position, endeavoring to recognize and understand their point of view. Research indicates

that perspective taking is associated with greater tendency to forgive the other party and greater problem solving capacity (Riszkalla, Wertheim & Hodgson, 2008).

Perspective taking begins with assuming that the other party possesses a point of view that has a meaning and impact for them.

Understanding the point of view of the other party does not mean that the leader should agree with the party. It means he gains the perspective of the other side, and though could bring up concessions and solutions to reach an agreement when this is desirable.

The more the leader understands the point of view of the other party, the more he can find the means to fulfill her wishes. He could know what to ask for and what he can offer, because negotiation is often about offers and asking.

In a negotiating situation, one of my clients, understanding the importance of the other party's point of view and interests, continued through questions and research to find out why the party needed the urgency of the cash money. He understood that the party needed the cash to pay in advance for the acquisition of a building. My client was in good business relationship with the owner of the building, so he managed to talk to him and convince him to accept a lower payment in advance along with other benefits my client could offer him. In this way he managed to conclude the first negotiated transaction in good terms.

The great negotiator Herb Cohen said that probably the most important negotiation skill to possess is the ability to look through the lens of the other party and understand her point of view.

In my research, 50% of the managers have admitted that it is hard for them to look at things from the point of view of the other party because the other party simply doesn't communicate effectively. Moreover, they might hide their true intentions. In such a situation, intervenes the manager's ability to reach, through questions, to the essence of the problem.

## **CONCLUSION**

True leadership is not that easy to find. People are not born with the qualities that will make them leaders. To become a good leader, you need to know how to unleash that potential. The best way to do that is to develop essential leadership skills.

A true leader should develop himself many abilities. Among these, it is absolutely necessary to include the ability of a good negotiator. This ability implies, among others: 1. Problem solver attitude, 2. Emotional intelligence, 3. Focus and Vigilance, 4. Effective Communication skills 5. Understanding the point of view of the other party. These are in my opinion 5 five negotiation keys to leadership success.

Among all, lies the courage to negotiate. As the great leader John F. Kennedy said: *"Let us never negotiate out of fear. But let us never fear to negotiate"*.

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## ***GENDER ASPECT OF THE PROBLEM OF LEADERSHIP***

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### ***ABSTRACT***

*The problem of leadership and management is one of the essential problems of social psychology. More and more women occupy dominant positions in the modern world. They have succeeded in senior positions. Very often they appear to be more effective than men. According to the theory of traits, the leader becomes a person who possesses appropriate traits needed for the activities of a leader. One of the main traits which the complex of a leader comprises, is the style of a leader. This article is dedicated to the essential aspect of the study of the problem of the leader psychology – gender of a leader.*

*We may suppose that the style of leadership of successful women occupying dominant positions will differ from that of men. The results of the pilot study of benchmarks of the style of women and men leadership are presented in this article.*

***Key words:*** *Leadership, Gender, Style Of Leadership, Masculinity, Femininity*

***JEL Classification:*** *M12*

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## ***ON THE GENDER ASPECT OF PROBLEM OF LEADERSHIP STYLE***

The problem of leadership and management is one of the central in the social psychology. A leader is such a member of a small group who is stands out, as the result of interaction of the group members, to organize the group to address a specific task. The leader demonstrates a higher level of activity, engagement, and influence in the solution of that task as compared to the other members of the same group. A manager acts as a leading person on all levels of organizational management since it is he/she who shapes the focus of the collective's work, selection of staff, psychological climate and other aspects of organizational activities. The terms 'leader' and 'manager' are different in the modern psychology for the 'manager' is an appointed and the 'leader' an elected person, and the former might not possess the qualities required for a leader. However, in this paper and in this specific case we will draw on the combination of the two required aspects: the focus and the efficiency of work of the collective and the level of activity and influence in the resolution of tasks. Therefore, this work will see the terms 'leader' and 'manager' as coordinate.

Following the theory of traits, a leader is one who possesses the respective qualities required for the activities of a leader. One of important personal features within the complex of required leader qualities is the leadership style.

It is declared within the behaviorist approach that a leader is someone who demonstrates a required form of behavior, or, again, possesses a specific style of leadership.

We will define the style of leadership (management) as the manner of the manager's behavior towards their subordinates in order to exercise influence over them and induce them to achieve the goals.

The classic typology of Kurt Lewin (1938) proposes three styles of leadership:

- Autocratic style is characterized by hardness, high demands, undivided authority, prevailing functions of power, strict control and discipline, orientation at results, disregard of social and psychological factors;
- Democratic style relies on cooperation, trust, making the subordinates aware, initiative, creativity, self-discipline, conscience, responsibility, reward, openness, orientation not only at results but also at ways to achieve them;
- Laissez-faire style is marked with low demands, permissiveness, lack of responsibility and requirements, passiveness of the manager and loss of control over the subordinates and provision of free rein to them (Keinman, 2016).

R. Likert described the first of these styles as characterizing a result-oriented model with a strongly structured management system, and the second as a model oriented as relationship based on group organization of labor, collective management, delegation of responsibility and common control (Karpov,2005).

The typologies suggested by Blake and Mouton and Hersey and Blanchard present a number of positions between the focus on the task and focus on the people. Fundamentally, these are transitional styles from the auto- to democratic (Karpov, 2005).

The proposal that the democratic style of management is most effective is considered proven; yet different situations require flexibility, i.e. change of style depending on the context.

One of the important aspects of studying the leadership psychology is the gender of the leader. Today, more and more leading positions are occupied by women who have succeeded in managerial positions in all spheres and often proven to be more efficient than male leaders.

The division into men and women has been—at all times and in all cultures—one of the most frequent ways to classify people. The differences in the features of men and women are referred to as sexual dimorphism. It is to be found in the psychological differences between men and women. Thus, men display a better developed analytical thinking whereas women a better developed intuitive, conceptual and sensual thinking. Same differences were found in the field of language capabilities, in stress reaction strategies, in some personal variables. In experiencing stress, a woman focuses on its reasons whereas a man would distance from them and switch to other problems. The differences in personal qualities include inclination to risk, aggressive behavior, autonomy, and independence among men; and caution, softness and friendliness in communications among women. Men and women are different in their preferred mechanisms of defense: men are prone to projection and women to negation. However, more and more often "psychologists tend to refer to the term 'gender' to emphasize that many differences between men and women are culture-induced, whereas the term 'sex' implies that all differences directly derive from the biological sex" (Sh. Bem, 2001).

The gender indicates one's social and psychological status from the perspective of masculinity and femininity. The former is manifested in one's focus on achieving goals beyond the limits of interpersonal communication *per se*; the latter exercises contacts with other people based on emotional affinity and affection. The two indicators, masculinity and femininity, produce four types of gender identity:

- *Masculine* (high values of masculine features: aggressive, assertive, prone to risk, independent, manly, etc.; and low values of feminine ones: tender, womanly, kind, true, attentive to others, etc.);
- *Feminine* (low values of masculine features, high values of feminine features);
- *Androgynous* (high values of both masculine and feminine features);
- *Undifferentiated* (low values of both masculine and feminine features) (S. Bem) (Akhriamkina, Gorokhova, 2013).

There are contradicting data in the literature on the link between the masculinity and femininity complex and the success of social and psychological adaptation and activity of a person. "In the opinion of males, a psychically sound person is to possess marked masculine features, and for females the most important factor of a psychologically adapted person is femininity" (Enikolopov, Dvoryanchikov, 2001).

However, today's reality shows that those persons who happily combine the masculine and feminine qualities turn out to be most successful and efficient in life and self-actualization (Akhriamkina, Gorokhova, 2013).

Coming back to the psychology of leadership and analyzing the content aspect of leadership styles we will see that the democratic style is the focus on the person, in the words of R. Likert, focus on the relationship, thence the flexibility and attention to the subordinates; and the autocratic style is the focus on the work, on the task, thence the persistence, risk, hardness, and independence. At the same time the former set of features constitutes the content of femininity, and the latter that of masculinity. The logic way is to conclude that the democratic style of leadership is characteristic of a feminine and the autocratic of a masculine personality.

We suggested that the leadership styles of successful female leaders would differ from those of male leaders and that the former would rather show a democratic whereas the latter, the autocratic.

An interesting research was performed by A. Eagly and B. Johnson. They measured 4 leadership styles: interpersonal; task-oriented; autocratic and democratic. The data was obtained both in the laboratory and in the field conditions with the following main results: in the 4 styles taken together the leaders did not manifest significant gender differences, yet they were shown in separate styles. Females were superior to males in two of the styles, the interpersonal and the task-oriented. Besides, females demonstrated greater democracy. The results obtained in the organizations (mainly in the sphere of education) were less gender stereotypical than in the laboratory experiments (with students as subjects). In the laboratory conditions, female leaders tend to manifest the gender-typical behavior (they are similar to female non-leaders), and in the field conditions, the non-typical behavior of true leaders (Akhriamkina, Linkova, 2016).

What results were drawn from our research?

The empirical base was a higher professional education institution. The sampling was of a cluster type: the test subjects were leaders of divisions (20 peoples) – pro-rectors, deans, heads of departments and offices, 50% of the subjects were males and 50% females, their evaluation was done by the faculty (30 people). The diagnostic tool was the diagnostic of inclination towards a specific style of leadership from a manual by E.P. Ilyin, and a methodology to evaluate the efficiency of management (Fetiskin et al.,2002).

On the one hand, the inclination towards different styles of their own leadership was evaluated by the leaders themselves, on the other hand, the degree of manifestation of different leadership styles and efficiency of management by the leaders were evaluated by the faculty.

We must set out by postulating that education is a rather specific sphere of activity of professionals which declares only the subject-to-subject approach in the organization and exercising of the educational process. In the higher education institutions this approach is implemented to the fullest and deepest extent. The subject-to-subject approach implies democratization of interaction between participants both on the vertical and the horizontal levels. The diagnostic of leadership style revealed that in 19 cases out of 20 the cumulative evaluation of a

respondent by the respondent and the faculty showed the prevalence of democratic style of management. The only choice of autocratic style was by a male leader.

*Table 1: Average values of leadership style among female and male leaders*

Gender	Democratic	Autocratic	Laissez faire	Efficiency
	Self-assessment			
Males	11.7	3.1	2.6	30.1
Females	13.7	1.7	3.0	35.5
	Assessment by faculty			
Males	10.1	3.4	4.5	32.0
Females	14.0	2.8	3.2	32.1

Next, the self-assessment of leaders showed that inclination towards democratic style of leadership was more manifested in female leaders, but the application of the Mann-Whitney factor revealed no significant differences in the assessments. The assessment by faculty showed a statistical proof of prevalence of democratic style among female leaders ( $U=21.5$  with  $p<0.05$ ).

The autocratic style of management is more used by male leaders than female which is shown in their self-assessment and in assessment by faculty. No differences were found after application of the Mann-Whitney factor.

With respect to the laissez-faire style of leadership, certain discrepancies were found. The self-assessment of male leaders showed that they are less inclined to use the laissez-faire style than female leaders; the assessment by the faculty showed that male leaders resort to laissez-faire style more frequently than female leaders; application of Mann-Whitney factor showed no significant true discrepancy.

The diagnostic of efficiency of male and female leaders showed some interesting results as well.

The male leaders assess their efficiency lower than the female leaders. The application of the Mann-Whitney factor supports true difference in the assessments made ( $U=6.5$  with  $p<0.05$ ). However, the faculty assesses the efficiency of male leaders higher than the male leaders do themselves which also has statistical proof ( $U=20.0$  at  $p<0.05$ ). The efficiency of female leaders is assessed by the faculty at lower values than those given by the female leaders, the statistical proof being in place ( $U=17.0$  at  $p<0.05$ ). The faculty sees no ground difference in the degree of efficiency of male and female leaders; no true difference was found after the application of the Mann-Whitney factor.

The correlation analysis showed a significant positive correlation between the democratic style of leadership and the efficiency of leadership ( $r=0.549$  at  $p<0.05$ ). No correlation of efficiency with other styles was found.

When postulating the hypothesis for the research we were driven by the traditional concepts of the specifics of female and male leadership, yet they contradict the phenomena actually proven by the results of our and similar international research.

The results we obtained speak of the following:

1. Androgynation of both genders which supports the opinion of successful social, psychological and professional adaptation of an androgynous personality;
2. Equal efficiency of males and female leaders when the democratic style of leadership is prevailing in both.

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