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## Glavna in odgovorna urednica:

Vesna Čančer

## Pomočnica glavne in odgovorne urednice:

Romana Korez Vide

## Naslov uredništva:

Maribor, Razlagova 14, Slovenija,  
telefon: +386 2 22 90 112

## Elektronska pošta:

nase.gospodarstvo@um.si

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## Editor-in-Chief:

Vesna Čančer

## Co-editor:

Romana Korez Vide

## Editorial and administrative office address:

Maribor, Razlagova 14, Slovenia,  
phone: +386 2 22 90 112

## E-mail:

[our.economy@um.si](mailto:our.economy@um.si)

## WWW homepage:

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# The Impact of Behavioral Symptoms of Burnout on Work Engagement of Older Employees: The Case of Slovenian Companies

**Maja Rožman**

University of Maribor, Faculty of Economics and Business, Slovenia  
maja.rozman1@um.si

**Sonja Treven**

University of Maribor, Faculty of Economics and Business, Slovenia  
sonja.treven@um.si

**Marijan Cingula**

University of Zagreb, Faculty of Economics and Business, Croatia  
mcingula@efzg.hr

## Abstract

The main objective of the paper is to determine the impact of behavioral symptoms of burnout of older employees on their work engagement in large- and medium-sized companies in Slovenia. The research is based on the implementation of a factor analysis by which we wanted to reduce the large number of variables into a smaller number of factors. With those factors, we performed a simple linear regression. Based on the results, we confirmed the hypothesis that behavioral symptoms of burnout of older employees have a statistically significant negative impact on their work engagement. Well-being of employees of varying ages in the workplace is key for long-term effectiveness of companies. From this point of view, companies should apply appropriate measures to reduce burnout as well as to contribute to employees' well-being and better workplace performance, which is reflected in work engagement of employees.

**Keywords:** burnout, behavioral symptoms of burnout, older employees, work engagement

## Introduction

Workplace burnout is a fundamental crisis in the psychological connections that people establish with work (Leiter & Maslach, 2016, p. 91) and the long-term consequence of mental strain (Jugdev et al., 2018). Stress stems from internal and environmental demands that affect psychological well-being (Haynes & Love, 2004). Psychosocial stressors that contribute to workplace burnout include long hours, greater workloads, job uncertainty, poor prospects for pay and promotion, ambiguous roles on projects, and time and budget pressure that accelerate the risk of mistakes or compromise standards of quality and ethics (Korman, 2010, p. 24). Burnout can lead to disengagement in the workplace. Also, workplace burnout results in productivity loss and employee turnover (Ahola et al., 2006). According to Packirisamy et

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al. (2017), burnout has an impact on the human system and thereby influences productivity and performance.

Employees may not be aware of the negative impacts on their performance that these factors can have, such as increased errors or lower productivity. Employers and co-workers may attribute the changes to a poor attitude or loss of motivation. The negative effects of burnout can increase significantly before anyone recognizes or addresses the problem, and unaddressed burnout can increase the chance of developing clinical depression or other serious conditions (see, e.g., Maslach & Leiter, 2002, Moyer et al., 2018). Thus, organizations that invest extensively in programs to develop and support employees appreciate that engaged employees (an organization's mental capital) improve productivity and drive competitive advantage and innovation (Jugdev et al., 2018). Engagement is characterized by individual perceptions of energy, effectiveness, and motivation at work (Schaufeli & Bakker, 2003) and a feeling that work is meaningful and fulfilling (Saks, 2006). It is important to know that an engaged employee is a vital prerequisite for a healthy company. Stressful, depressed, and dissatisfied employees may not be able to obtain the same quality level of work and productivity as those employees with low stress and high satisfaction. From this perspective, it is important that employers can create a safe and friendly environment to work (Rožman et al., 2018).

According to Henkens and Leenders (2010), burnout of older employees can be explained by a high workload and a lack of challenge and physical demands of the job, less opportunities for growth and a lack of social support, especially from colleagues in the organization where they work. Further, Zaniboni et al. (2014) argue that the demographics of the global workforce are changing, specifically with an aging diverse workforce introducing new research objectives. It becomes more important to find ways for people to remain satisfied and engaged in their work at different life stages. Therefore, it has become important to understand the role of individual differences in examining the effects of job characteristics on job attitudes. That means that job characteristics are not experienced in the same way by all workers. Given the demographic shifts in today's workplace, worker age would appear to be such an important individual difference (see e.g., Zaniboni et al., 2014; Rožman et al., 2018; Morgeson & Humphrey, 2006).

The main objective of this research is to examine the impact of behavioral symptoms of burnout of older employees on their work engagement in large- and medium-sized Slovenian companies. The literature and research are scant in regard to comprehensive and systematic theoretical knowledge on older employees and their symptoms of burnout. With this research, we hope to fill that gap. Thus, this paper aims to verify the following hypothesis:

H1: Behavioral symptoms of burnout of older employees have a statistically significant negative impact on their work engagement.

This article provides a review of the literature, a description of methodology, results about the behavioral symptoms of older employees and their impact on work engagement of older employees, and finally a discussion of the findings.

## Literature Review

### Burnout in the Workplace

Burnout is characterized by emotional exhaustion, cynicism, and ineffectiveness in the workplace and by chronic negative responses to stressful workplace conditions (Moyer et al., 2017). Maslach et al. (2001) define burnout as a syndrome of emotional exhaustion, cynicism, and a sense of ineffectiveness, i.e., a lack of accomplishment. Burnout results in reduced productivity, higher absenteeism, and the intention to quit one's job. Hogarth (2017) summarizes that burnout is a reduced ability to cope with stress and is related to chronic dysfunctioning at work. It is considered to be the result of prolonged exposure to chronic stress at work. Maslach and Leiter (2002), Moyer et al. (2018), and Babyar (2017) define burnout as a syndrome characterized by three dimensions: feelings of exhaustion, increased cynicism with respect to one's job, and a negative perception of one's own professional efficacy. Feelings of exhaustion relate to feelings of being overly tired and to the exhaustion of one's emotional and physical resources. Cynicism relates to a negative, indifferent attitude, or to an excessively detached response to different aspects of one's job and represents the interpersonal component of burnout (Hogarth, 2017). Reduced efficacy represents the self-evaluation component of burnout and relates to feelings of incompetence and a lack of performance and productivity at work (Babyar, 2017).

### Symptoms of Burnout

Signs and symptoms of an employee experiencing burnout may include reduced efficiency and energy, lowered levels of motivation, increased errors, fatigue, headaches, irritability, increased frustration, suspiciousness, and more time spent working with less being accomplished. Severe burnout can also result in self-medication with alcohol and other substances, sarcasm and negativity, and debilitating self-doubt. Burnout may result in a number of outcomes, including poor physical health, clinical depression, reduced job satisfaction, decreased productivity, increased absenteeism, increased risk

of accidents, poor workplace morale, and communication breakdown (Mosadeghrad, 2014; Bilban & Pšeničny, 2007).

Burnout includes three symptoms: physical, psychological, and behavioral. Almost any physical symptom may indicate burnout, as the first signs manifest at the body's weakest point when it loses the ability to self-regulate. This varies greatly from person to person. If one is prone to developing allergies, burnout might show up as eczema or hay fever at first. Most frequently, however, the initial symptoms of burnout include sleep disorders, indigestion, head and back pain, dizziness, tiredness and exhaustion, disturbances of sleep, disturbance of appetite palpitations, tinnitus, weakened immune system, eczema, hay fever, and asthma. Psychological symptoms of burnout include increased irritability, boredom, lack of motivation, feeling of stagnation, low self-esteem, restlessness, an inner feeling of emptiness, anxiety, despair, a feeling of futility, blunting, loss of pleasure (lust for life, work, family). Behavioral symptoms of burnout include lack of concentration, lack of ability to make decisions, self-doubt, loss of performance, tendencies toward social withdrawal, increased coffee and alcohol consumption, spending less time engaging in enjoyable or relaxing activities, irritability and anger, cynicism and dissatisfaction, procrastination, careless mistakes, absenteeism, and tardiness (see e.g., Bilban & Pšeničny, 2007; Maslach & Leiter, 2002; Babyar, 2017).

### Reasons for Burnout Appearance in Companies

Burnout is a psychological term that refers to long-term exhaustion and diminished interest in work and is often defined as a syndrome consisting of emotional exhaustion, cynicism, and reduced professional efficacy. Occupational psychosocial factors associated with burnout are roughly divided into internal (e.g., personal) and external (e.g., environmental) factors. Burnout symptoms can partly be explained by personality traits (e.g., perfectionism, idealization of support, self-promotion, inability to say "no," refusing to share a part of the job demands, unrealistic expectations of the actions taken, etc.) and some external factors, e.g., poor work organization, inadequate preparation for concrete work, lack of organizational support, professional isolation, etc. Internal factors include feelings about themselves and about job (see, e.g., Tatalović Vorkapić & Mustapić, 2012).

### Burnout of Older Employees and Their Work Engagement

According to Ahola et al. (2006), burnout increases with ageing. Among the demographic variables, age turns out to be the most related to burnout. It has been found that

poor health is one of the major determinants of early retirement, and the poorer the health of older workers is, the stronger their intentions appear to be to withdraw from the labor force early (Wang & Shultz, 2010). Health is traditionally one of the most important determinants of early retirement, and it turns out that older employees have a stronger intention to leave the labor market prematurely as health diminishes. There are various reasons why people with burnout complaints may have a stronger desire to withdraw from the labor force. One reason is that burnout decreases employees' work engagement. Employees who have a weaker work engagement are assumed to be more likely to decide to retire. Retirement offers older employees the opportunity to escape unsatisfying situations at work (Henkens & Leenders, 2010). Chen et al. (2013) argue that there is a negative relationship between burnout in the workplace and work engagement. Also, authors Upadyaya et al. (2016) summarize that there is negative relationship between all types of burnout symptoms (physical, psychological, behavioral) in the workplace and work engagement. Engagement is a positive state of mind and involves energy, involvement, and professional efficacy (Maslach et al., 2012). Bakker and Demerouti (2008) assert that engaged employees often experience positive emotions, including happiness, joy, and enthusiasm; experience better health; create one's own job and personal resources; and transfer one's engagement to others. Robertson and Cooper (2010) found that low levels of stress and burnout, high levels of psychological well-being, and work engagement of older employees play a central role in delivering the important outcomes that are associated with success in companies.

Based on the theoretical ground, we formulated the following hypothesis:

H1: Behavioral symptoms of burnout of older employees have a statistically significant negative impact on their work engagement.

## Methodology

### Data and Sample

We carried out an empirical research on behavioral symptoms of burnout of older employees in Slovenia from July 2016 to February 2017. A survey was conducted to examine the impact of behavioral symptoms of burnout of older employees on their work engagement in large- and medium-sized companies in Slovenia. In the research on the management of older employees in Slovenia, 1,086 older employees were included in the sample by random



selection. In each large- and medium-sized company, we selected up to four employees who participated in our research. Respondents answered at least 85% of the questions, and we did not exclude any questionnaires.

The structure of older employees was as follows:

- In the survey, 41.8% of older employees aged from 56 to 61 years, 38.4% employees aged from 50 to 55 years, and 19.3% of employees aged from 62 to 67 years were involved. The lowest percentage is presented by older employees aged over 68 (0.6%) years.
- The biggest share of companies in which older employees are employed present large companies (54.3%). Medium-sized companies comprised 45.7%.
- The companies in which older employees are employed were from manufacturing (30.3%); trade, maintenance and repair of motor vehicles (16.4%); financial and insurance activities (11.0%); professional, scientific and technical activities (10.9%); information and communication activities (7.6%); construction (4.4%); other diversified business activities (3.4%); real estate business (3.4%); catering (2.8%); health and social care (2.4%); supply of electricity, gas and steam (2.2%); transport and storage (1.8%); agriculture and hunting, forestry, fishing (1.2%); water supply, sewage and waste management, environmental rehabilitation (1.0%); other activities (0.7%); and mining (0.4%).

## Research Instrument

When designing the instrument for measuring the behavioral symptoms of burnout of older employees and work engagement, we relied on various theoretical principles and research. Table 1 shows the statements of several authors that we included in our questionnaire.

To determine the behavioral symptoms of burnout of older employees and their work engagement, the employees indicated their agreement to the listed statements on a 5-point Likert-type scale, where 1 = “strongly disagree” and 5 = “completely agree.” For this type of research, we used a Likert-type scale because we wanted to know the strength of agreement with statements in the questionnaire.

## Statistical Analysis

Data were analyzed with the SPSS program. Within the empirical part, we wanted to establish whether the use of factor analysis is reasonable on the basis of Kaiser–Meyer–Olkin measure of sampling adequacy ( $KMO \geq 0.5$ ) (Kaiser, 1974) and Bartlett’s test of sphericity. We used factor analysis to reduce a large number of variables into fewer numbers of factors and to describe the factor with certain variables. Based on the results of factor analysis, we did not eliminate any variables because communalities were higher than 0.40 (Costello & Osborne, 2005). We saved the derived factor points and with that created new variables (factors). Based on the gained new variables (factors), we performed a simple regression analysis.

**Table 1.** Statements of Several Authors in Questionnaire

Dimension	Statements	Source
Behavioral symptoms of burnout of older employees	1. I lack the will to socialize with co-workers	Bilban and Pšeničny, 2007
	2. I lack the will to work	
	3. I wish for solitude	
	4. My working ability has declined	
	5. I have difficulties with concentration and memory	
	6. I have nightmares	
	7. I avoid activities	
	8. I have insomnia	
Work engagement of older employees	1. I do my work with passion	Macey and Schneider, 2008
	2. I am engaged to the quality of my work	
	3. I feel connection with the company in which I worked	
	4. I am aware of the importance of innovation for our company and I am helping to develop the company	
	5. I feel that my work and job are important	
	6. I am proud to be employed in this company	
	7. I am engaged to achieve successful business results	Wagner and Harter, 2006
	8. I trust in my colleagues and the manager	Gruman and Saks, 2011
	9. I believe in the successful development and operation of our company	Xu and Thomas, 2011
	10. I would not leave the company even if I could get another opportunity for a job	Robertson and Cooper, 2010
	11. I feel very good at my workplace	
	12. I feel like a “part of the family” in the company	

Source: Authors



We also checked the reliability of measurement of research within the scope of inner consistency with Cronbach's alpha coefficient (Cronbach 1951, 297–334). Churchill and Brown (2004, 337) define that the indicators of highly reliable constructs should be highly connected and show that all measure the same latent construct. The authors state that the reliability of the measurement, which has a coefficient  $\alpha \geq 0.80$ , is marked as exemplary, if the coefficient is in the interval  $0.70 \leq \alpha < 0.80$ , as very good, in the interval  $0.60 \leq \alpha < 0.70$ , as moderate, and if the coefficient  $\alpha$  is smaller than 0.60, as barely acceptable.

## Results

### Behavioral Symptoms of Burnout of Older Employees

Table 2 presents the results of factor analysis for the construct behavioral symptoms of burnout of older employees. The value of Kaiser–Meyer–Olkin's measure of sampling adequacy (KMO = 0.933) and the results of Bartlett's test of sphericity ( $p < 0.01$ ) suggested the use of factor analysis.

**Table 2.** Results of Factor Analysis for the Construct Behavioral Symptoms of Burnout of Older Employees

Statement	Communalities	Factor loadings
I lack the will to socialize with co-worker	0.879	0.938
I lack the will to work	0.870	0.933
I wish for solitude	0.861	0.928
My working ability has declined	0.860	0.928
I have difficulties with concentration and memory	0.821	0.906
I have nightmares	0.798	0.893
I avoid activities	0.787	0.887
I have insomnia	0.557	0.746
Kaiser–Meyer–Olkin measure: 0.933		
	Approximate Chi-Square	11098.325
Bartlett's test of sphericity	df	28
	<i>p</i>	0.000
Cumulative percentage of explained variance: 80.413%		

Source: Authors

The values of all communalities in Table 2 for construct behavioral symptoms of burnout of older employees are higher than 0.50; therefore, we have not eliminated any variables because they all correspond to the criteria. The total variance explained is 80.4%. Table 2 also shows that all factor loadings are higher than 0.70. In our case, the most important role in behavioral symptoms of burnout of older employees is achieved by the statement: "I lack the will to socialize with co-workers."

Table 3 shows the value of Cronbach's alpha for the factor behavioral symptoms of burnout of older employees.

**Table 3.** Value of Cronbach's Alpha for the Factor Behavioral Symptoms of Burnout of Older Employees

Cronbach's Alpha	Number of Items
0.964	8

Source: Authors

The value of Cronbach's alpha (Table 3) for the factor behavioral symptoms of burnout of older employees is 0.964; therefore, the reliability of the measurement in the behavioral symptoms of burnout of older employees is exemplary.

### Work Engagement of Older Employees

Value of the Kaiser–Meyer–Olkin measure of sampling adequacy (KMO = 0.961) and results of Bartlett's test of sphericity ( $p < 0.01$ ) suggest the use of factor analysis. Table 4 presents the results of factor analysis for the construct work engagement of older employees.

**Table 4.** Results of Factor Analysis for the Construct Work Engagement of Older Employees

Statement	Communalities	Factor loadings
I do my work with passion	0.807	0.948
I am engaged to the quality of my work	0.815	0.936
I am engaged to achieve successful business results	0.807	0.934
I feel connection with the company in which I worked	0.871	0.933
I am aware of the importance of innovation for our company, and I am helping to develop the company	0.832	0.930
I trust in my colleagues and the manager	0.835	0.929
I feel that my work and job are important	0.873	0.920
I am proud to be employed in this company	0.900	0.914
I believe in the successful development and operation of our company	0.863	0.912
I would not leave the company even if I could get another opportunity for a job	0.847	0.903
I feel very good at my workplace	0.865	0.899
I feel like a "part of the family" in the company	0.876	0.898
Kaiser–Meyer–Olkin measure: 0.961		
	Approximate Chi-Square	21971.451
Bartlett's test of sphericity	df	66
	<i>p</i>	0.000
Cumulative percentage of explained variance: 84.931%		

Source: Authors

The values of all communalities in Table 4 for construct work engagement of older employees are higher than 0.80; therefore, we have not eliminated any variables. Table 4 also shows that total variance explained is 84.9%. All factor loadings are higher than 0.80. In our case, the most important role in work engagement of older employees is achieved by the statement: "I do my work with passion." Table 5 shows the value of Cronbach's alpha for the factor work engagement of older employees.

**Table 5.** Value of Cronbach's Alpha for the Factor Work Engagement of Older Employees

Cronbach's Alpha	Number of Items
0.982	12

Source: Authors

The value of Cronbach's alpha (Table 5) for the factor work engagement of older employees is 0.982; therefore, the reliability of the measurement in the work ability of older employees is exemplary.

### Impact of Behavioral Symptoms of Burnout of Older Employees on Their Work Engagement

After saving factor scores as new variables, we performed a regression analysis to verify the hypothesis. In the continuation, we present the results of testing of the hypothesis: Behavioral symptoms of burnout have a statistically significant negative impact on the work engagement of older employees.

The value of correlation coefficient is -0.783, which indicates a strong connection (Bastič, 2006) between the variables. The value of the determination coefficient is 0.613; 61.3% of the entire variability (work engagement of older employees) can be explained by the variability of an independent variable (behavioral symptoms of burnout of older employees) (Table 6).

**Table 6.** Value of Correlation Coefficient and Determination Coefficient

Dependent variable	Independent variable	Correlation coefficient	Determination coefficient
Work engagement of older employees	Behavioral symptoms of burnout of older employees	- 0.783	0.613

Source: Authors

**Table 8.** Reliability of the Regression Coefficient

Dependent variable	Independent variable	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
Work engagement of older employees	Behavioral symptoms of burnout of older employees	- 0.782	0.019	- 0.783		- 41.258	0.000

Source: Authors

We have established the reliability of the derived regression function with the *F*-test:  $F = 1702.253$ . The regression function is reliable ( $p < 0.01$ ) (Table 7).

**Table 7.** Results of *F*-test (ANOVA)

Dependent variable	Independent variable	<i>F</i>	Sig.
Work engagement of older employees	Behavioral symptoms of burnout of older employees	1702.253	0.000

Source: Authors

Table 8 shows the reliability of the regression coefficient.

The results of the regression (Table 8) indicated that the regression coefficient of behavioral symptoms of burnout was -0.782 ( $\beta = -0.783$ ) and was significantly different from 0 ( $p < 0.01$ ).

There is a statistically significant negative impact of the independent variable (behavioral symptoms of burnout of older employees) on the dependent variable (work engagement of older employees). On the basis of the conducted simple regression analysis, we confirmed the hypothesis: Behavioral symptoms of burnout of older employees have a statistically significant negative impact on their work engagement.

### Limitations

We limited our research to medium- and large-sized companies in Slovenia by following the assumption that companies with a smaller number of employees do not have the developed systematic human resources management. Newell and Scarbrough (2002, 86) and Hornsby and Kuratko (2003, 74-77), on the basis of research studies, explain that the majority of small companies do not have a human resources professional and that the owner of a small company performs this function. Also, our research is limited to the behavioral symptoms of burnout of older employees and their work engagement.

### Further Research Possibilities

Our proposal for further research is to examine the differences in burnout and work engagement in the workplace between

younger and older employees in Slovenia or between different countries. Further research possibilities also include the study relating to examination of the different measures that have been introduced in different countries for the prevention of burnout in the workplace. Further research possibilities we see in the follow-up survey to measure improvement in time after implementation of relevant measures and, also, our further research refers to analyzing different constructs with structural equation modeling (SEM).

## Conclusion

Results in Table 8 let us draw the conclusion that behavioral symptoms of burnout of older employees have a statistically significant negative impact on their work engagement in medium- and large-sized companies in Slovenia. Also, the results in Table 2 show that behavioral symptoms of burnout of older employees are reflected in lack of will to socialize with co-workers, lack of will to work, wish for solitude, declined working ability, difficulties with concentration and memory, nightmares, avoiding activities, and insomnia. The most important role in behavioral symptoms of burnout of older employees is achieved by lack of will to socialize with co-workers.

The results of the research presented in this article are an additional confirmation that it is necessary to improve and form an adequate working environment for older employees. Companies should provide work hour flexibility. They also should promote health and a healthy lifestyle and manage stress and burnout in the workplace. Strategies in companies that can help reduce workplace stressors and prevent burnout include helping employees understand their value for the organization and their contributions to the organization's goals, enforcing reasonable work hours, including, if necessary, sending employees home, helping assess workloads for those who feel pressured to remain working beyond normal business hours. The workplace environment affects

how employees feel about their jobs and can influence their work habits. The physical environment is one factor that can affect employee productivity, their motivation, satisfaction, and work engagement. Therefore, companies should also include mentorship, counselling, transfer of knowledge, etc. in the work environment. Working conditions must be adapted for all employees, and workplaces should be developed according to the age diversity of employees and the workload adapted to all age groups. Organizational factors tend to play an important role in the employees' burnout and well-being, which are reflected in the work engagement of employees. Therefore, Slovenian companies should actively try to detect such factors and take corrective actions for the better health and well-being of the employees. It is important to know that job characteristics are not experienced in the same way by all employees.

According to Cheung and Wu (2013), one of the most important strategies for the retention of older employees is offering flexible working practices, which are acceptable to the individual as well as to the organization, and which, in this way, satisfy the need for work. The objective of flexible working practices is better harmonization of working hours with the needs of the organization and, at the same time, better adjustment of work to personal interests of employees, meaning balancing work and life. Brown (2005) argues that decreasing the workload and burnout in the form of working hours has been shown as the most wanted form of flexible work.

Wagner and Harter (2006) reveal a positive correlation among engagement, success, and business results. The result of this is visible in the greater satisfaction and loyalty of customers, lower fluctuation and decreased absenteeism and presenteeism, fewer accidents at work, bigger profit, greater effectiveness and productivity, and better work quality. Harter and Adkins (2015) argue that engaged employees have a smaller probability of health problems. The research shows that nonengaged employees face more health problems than engaged employees.

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## Authors

**Maja Rožman** continued her studies at the Faculty of Economics and Business, University of Maribor, and successfully graduated from finance and banking. She acquired her master's degree and now continues with her PhD studies at the Faculty of Economics and Business in Maribor at the Department of Management and Organization. She is also an assistant at the Faculty of Economics and Business at the Department of Quantitative Economic Analysis. The author can be contacted at [maja.rozman1@um.si](mailto:maja.rozman1@um.si).

**Sonja Treven**, PhD, professor, is employed at the Faculty of Economics and Business at the University of Maribor in Slovenia for the field of human resource management and organizational behaviour. She is the head of the Department of Management and Organization. She is the author of three books and co-author of more than 20 books as well as more than 80 scientific articles. She participated in more than 100 domestic and international conferences with her papers as an author or co-author. The author can be contacted at [sonja.treven@um.si](mailto:sonja.treven@um.si).

**Marijan Cingula**, tenured professor, is the former head of Department of Organization and Management, University of Zagreb, Faculty of Economics and Business, Zagreb, Croatia. He earned his doctoral degree at the University of Zagreb, Faculty for Organization and Informatics Varazdin. He worked as managing director, Varazdin OTC Market Inc. Varazdin, and VADEA Inc. Development and Entrepreneurship Agency Varazdin. Co-author of several books on entrepreneurship, general management and corporate governance. He also served as member of scientific board to more than 40 international scientific conferences.

# Vpliv vedenjskih simptomov izgorelosti na delovno zavzetost starejših zaposlenih: primer slovenskih podjetij

## Izveček

Glavni cilj prispevka je ugotoviti vpliv vedenjskih simptomov izgorelosti starejših zaposlenih na njihovo delovno zavzetost v velikih in srednje velikih podjetjih v Sloveniji. Raziskava temelji na izvedbi faktorske analize, s katero smo želeli zmanjšati veliko število spremenljivk v manjše število faktorjev, s katerimi smo izvedli enostavno linearno regresijo. Na podlagi rezultatov smo potrdili hipotezo, da imajo vedenjski simptomi izgorelosti starejših zaposlenih statistično značilen negativen vpliv na njihovo delovno zavzetost. Dobro počutje starostno raznolikih zaposlenih je ključ do dolgoročne uspešnosti podjetij. S tega vidika morajo podjetja uporabljati ustrezne ukrepe za zmanjšanje izgorelosti in prispevati k dobremu počutju zaposlenih ter k izboljšanju delovnega okolja, kar pa se odraža v delovni zavzetosti zaposlenih.

**Ključne besede:** izgorelost, vedenjski simptomi izgorelosti, starejši zaposleni, delovna zavzetost

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# How to Reduce Discrimination in the Workplace: The Case of Austria and Taiwan (R.O.C.)

## Vito Bobek

University of Maribor, Faculty of Economics and Business, Slovenia and  
University of Applied Sciences Graz, FH Joanneum, Austria  
vito.bobek@um.si, vito.bobek@fh-joanneum.at

## Anita Maček

University of Applied Sciences Graz, FH Joanneum, Austria and  
Doba Faculty Maribor, Slovenia  
anita.macek@fh-joanneum.at, anita.macek@net.doba.si

## Sarah Bradler

Master Student at the University of Applied Sciences Graz, FH Joanneum,  
Austria  
sarah.bradler@edu.fh-joanneum.at

## Tatjana Horvat

University of Primorska, Faculty of Management, Slovenia  
tatjana.horvat@fm-kp.si

## Abstract

To intervene against discriminatory in the workplace is tremendously important because discriminatory practices have an enormous economic impact, along with a severe impact on psychological health, which can result in illnesses such as depression and burnout. Such intervention requires a multidimensional approach, including the whole organization and a systematic procedure. The aim of this paper is to offer suggestions on how to reduce discrimination in the workplace in Austria and Taiwan. To reach this aim, a qualitative study was conducted. It showed that education, active positioning of companies, leadership and diligent selection of employees, discussion and analysis, psychological support, governmental policies, and aspects of language and talking gender-wise are the most important steps to decrease or eliminate discrimination in the workplace.

**Keywords:** discrimination, business practices, leadership, workplace

## Introduction

Every employee can be faced with “insults, demotions, docked payrolls, and blocked opportunities.” However, if these actions are performed against members of specific groups related to their identities, it may result in workplace discrimination (Cheung et al., 2016; Nienhaus et al., 2016; Plickert & Sterling, 2017; Santana, 2017). Focusing on the aspect of discrimination in the workplace, Ragins et al. (2015, p. 1) claim that employees, who have already witnessed or are aware

of discrimination in the workplace, have a lower organizational commitment than employees who never faced such a situation.

Research on labor market discrimination usually focuses on the situation of a few specific demographic groups. Studies have focused mainly on the disadvantage of female workers in the labor market (Blau–Kahn, 2000), ethnicity-based discrimination (Juhn et al., 1991; Arrow, 1998; Charles–Guryan, 2007; DeVaro–Gosh–Zoghi, 2007), the phenomena of discrimination against the ever-increasing number of immigrants (e.g., Hersch, 2008). A separate strain of research analyzes labor market discrimination for or against older age groups (e.g., Bendick–Jackson–Romero, 1996; Boglietti, 1974; Lallemand & Rycx, 2009; Dostie, 2006; Neumark, 2008). Besides gender, race, and age, there is numerous research based on other observable physical characteristics like people short in height, overweight people, people with disabilities, etc. (e.g., Hersch, 2008; Rosenberg, 2009).

Kamasheva et al. (2013, p. 7) state that discrimination in the labor market, which is based on age, health, or sex, for example, can unfavorably affect the economic performance of a state; therefore, it is tremendously important to develop strategies on how to decrease inequalities. Such a development could lead to an increase of business activity and the quality of life as well as a reduction of social differentiation and unemployment rates.

Regarding discrimination in the workplace, age discrimination is common but widely not recognized as being unlawful in public (Marchiondo et al., 2015). Generally, it can be said that Austria seems to be advanced in regard to the broad scope of protection against discrimination (Publications Office of the European Union, 2016, pp. 5–6). Regarding Austria's legislation, it can be said that Austria is a federal state and neither the *bund* (federation) nor the provinces (*länder*) have the power to deal with action against discrimination. More than 30 provincial parts of legislation and five main federal acts exist. Also, attempts to adjust these in 2015 brought solely technical and minimal changes to the content. This illustrates the country's culture, as mentioned in the beginning of this paper, with a high amount of autocracy and regulations. The most important federal acts are the Equal Treatment Act, Federal-Equal Treatment Act, Act on the Equal Treatment Commission as well as National Equality Body, Act on the Employment of People with Disabilities and the Federal Disability Equality Act. Provincial level protection mainly deals with public employment. All provinces, despite those in lower Austria, protect not solely employment but also other aspects such as housing, social security, health, and access to and supply of goods. Moreover, the term of race has been cut out of legislation due to its sensitivity and has been replaced by the term ethnic affiliation

(Publications Office of the European Union, 2016, pp. 6–7; Federal Ministry of Health and Woman, 2006, p. 12).

As mentioned in the literature, the topic of employment discrimination is a rather recent topic in Taiwan (R.O.C) (Chiao, 2008; Yu, 2015). In the last year, an increasing awareness for the protection of ethnic minorities, disabled workers, elderly, and women can be recognized. Due to the country's efforts to re-join the international community, international conventions such as the one of the International Labour Organization (ILO) are going to be incorporated into domestic labour laws. Taiwan (R.O.C) has two separated but correlated legal regimes that deal with employment discrimination. The first one was established under the Employment Service Act of 1992 mainly focusing on the regulation of foreign workers. Article 5 states that employers cannot discriminate against job applicants or employees according to their race, provincial or country origin, facial features, gender, and sexual orientation as well as appearance, former membership in labour unions, or disabilities. In addition, it orders the formation of commissions dealing with employment discrimination to enhance the regulations mentioned above by municipal city, county, and city governments. This has been done all over Taiwan. The second legal regime deals with gender equality in employment and is part of the Employment Act of 2002. This regulation was enforced by a women's right movement due to gender discrimination in employment in Taiwan (Chiao, 2008, p. 141).

How to intervene in cases of discrimination is a challenging topic for leaders. It is important that intervention takes place in the entire organization in a systematic manner. This also includes intervention in the cases of subtle discrimination in order to eliminate eventual backlash effects. However, several possibilities can be mentioned to minimize interpersonal treatment and to enhance diversity in the workplace. Training is highly recommended to provide employees with essential behavior patterns and attitudes related to interpersonal interaction, and positive framing is advisable for employee development programs (Odeh et al., 2017, p. 120). Another aspect discussed in the literature is workplace incivility. This is said not to be limited to location but to have negative consequences worldwide. Subordinates who work in countries with a high power distance such as Taiwan (R.O.C.) "are less likely to consider being ignored by their supervisor to be an act of uncivil conduct" compared with employees who work in countries with a lower power distance. Literature on incivility shows that it affects employees worldwide (Schilpzand et al., 2016, p. 5).

An interesting perspective is the one taken by the Civility, Respect, and Engagement in the Workplace (CREW) program that does not focus on reducing negative interpersonal treatment but rather focuses on creating a respectful



and civil climate in organizations by enhancing discussions and problem solving in meetings included in the process that lasts approximately about six months (CREW, 2017). This type of intervention shall enhance the participation of all employees without classifying someone as an offender, witness, or victim of mistreatment. As a result, a strengthened civility between the participants, including a decrease in negative outcomes such as cynicism and absenteeism and supervisor incivility, can be mentioned (Leiter et al., 2011). Besides training, a focus is set on the aspect of selection process to enhance an inclusive environment. This also includes decision-making. Several authors reveal that individual characteristics such as high self-control, high emotional stability, and low trait anger can be recognized as a basis for selecting future employees, who prefer to not set off exploitation under stress. Furthermore, selecting employees who are actively enhancing a more civil environment is recommended. Besides the selection done by the organization itself, employees also self-select companies they want to work for. This positive cycle makes the preservation of a sustainable climate of diversity possible for organizations (Odeh et al., 2017, p. 121). However, the article further states that leadership requires more than training, development, and proper handling of the selection process (Odeh et al., 2017, p. 121). It is tremendously important that leaders demonstrate behavior that enables the decline of discrimination in the workplace. If leaders present ethical behavior, subordinates can be inspired to display and emulate these values in the workplace (Taylor & Pattie, 2014). Hereof, it can be concluded that organizations should enhance leadership development programs and ethical training to encourage effectiveness and commitment of leaders and, therefore, transmit high-quality treatment among employees and subordinates (Odeh et al., 2017, p. 122; Taylor & Pattie, 2014, p. 608). All these recommendations demonstrate a multidimensional approach to fight against discrimination, even against its more subtle forms. In addition, it is important that employers keep up anti-harassment programs that include “[...] a clear anti-harassment policy, an explicit statement of prohibited behaviours that can be considered harassment, a complaint procedure that encourages employees to come forward with harassment complaints and protections for complainants and witnesses against retaliation” (Becton et al., 2017, p. 3). Moreover, these programs should contain “an investigative strategy that protects privacy interests of both the alleged victim and the accused offender and ensures confidentiality to the extent possible, periodic management training and employee awareness programs that continue to communicate the organization’s position on this issue as well as measures and processes to ensure prompt corrective action to stop ongoing harassment and appropriate remedial and disciplinary actions for offenders” (Becton et al., 2017, p. 3).

It is important to actively work against discrimination in either form because it can have a sincere impact on the psychological health of individuals comparable with mechanisms of the physical health by enhancing the stress level and therefore the level of cortisol in the human body (Miller, Chen, & Zhou, 2007). This can result in illnesses such as depression and burnout that, in the long-term, enormously increase respective costs for companies. However, it must be highlighted that social support in private lives and at the workplace is important in regard to preserving good mental and physical health. This positive support can increase not solely the protection against developing trauma-related psychopathology such as PTSD but also the resilience to stress and reduced mortality and medical morbidity (Southwick, Vythilingam, & Charney, 2005, p. 281).

The objective of this paper is to prepare suggestions on how to reduce discrimination in the workplace in Austria and Taiwan. After the literature review in the Introduction section, the Methodology section outlines the research question, assumptions, and methodology of the research. The next sections reveal the results and discussion of the results of an empirical analysis. The last section draws conclusions.

## Methodology

The aim of this paper is to prepare suggestions on how to reduce discrimination in a workplace in Austria and Taiwan. For this purpose, the following research question was presented:

*RQ: Which steps should be taken to reduce or eliminate discrimination in a workplace in Austria and Taiwan?*

To answer this question, the theory and an empirical qualitative study were combined. Data were gathered through qualitative, semistructured interviews, which were conducted in Austria and Taiwan face to face, via Skype and via e-mails. Therefore, an interview guideline was created and used for interviewing the respondents. The interview was conducted in English as well as in German. The semistructured interview included, on the one hand, questions on basic information, excluding sensitive information such as the name of the respondent, the name of the company, and places that make an identification possible; on the other hand, questions regarding the workplace, the relationship to the supervisor, and questions on discrimination were included.

The interviews were carried out with leaders and employees of all levels, from top management to trainees. This was done to gain broad insight into companies’ structures and

to identify fields where discrimination is considered as a present challenge. This also includes the idea that, in every position, each person has a supervisor or leader and is therefore able to describe the employee-supervisor relationship and challenges that may appear in such relationships. The interviews were conducted between March and May 2017 and recorded for later transcription. Related to the small size of the population of 43 companies doing business in Austria as well as Taiwan, the entire population should be included instead of a selected sample. However, 41 respondents answered to the interview, which can be considered as a substantial number of respondents.

To answer the research question, the most important aspects on the topic, i.e., how to intervene against discrimination, have been summarized from the literature and grouped into four subcategories. These were related to the main category “steps to reduce or eliminate discrimination” and included training, company/leadership, talking, and analysis as well as psychological support. These four aspects are assumed to be steps to reduce or eliminate discrimination and are presented below.

### Assumptions

#### A1: Education

Further training in the workplace is considered to raise awareness about discrimination and leaders and to enhance professional relationships between counterparts.

#### A2: Company/Leadership

Companies should pay attention to the selection process for future employees and provide a clear anti-harassment policy and strategy that protects the privacy of the victim and the accused offender. Leaders have an influence on their environment and should transmit values such as proper ethical behavior and inspiration to their subordinates.

#### A3: Discussion/Analysis

To create a civil climate in the workplace, discussion and analysis of challenging situations or sensitive content are important.

#### A4: Psychological Support

Discrimination has a severe impact on the psychological health of individuals, which can increase in the long-term the costs for the company tremendously. The implementation of a psychological support into the workplace is considered appropriate to support affected employees already from the beginning when problems arise.

The following section presents the results.

## Results

To answer the research question, all respondents were asked their opinion on how to reduce or eliminate discrimination in the workplace. To answer this question properly, many questions enlightened the situation of each respondent at the workplace as well as their experience with discrimination at that specific moment. This was done to create proper reflection upon the topic, by the individual, and to enable the respondent to finally give profound recommendations on the topic. However, the recommendations finally can be presented in six subcategories, which are presented in Table 1.

**Table 1.** Recommendations for Preventing Discrimination in the Workplace

Subcategory	Number of Recommendations
Role of the company	17
Analysis and talking	11
Education and training	12
Psychological support at the workplace	1
Government	2
Language and talking gender-wise	4

Source: Authors

As shown in Table 1, the first subcategory includes steps that can be taken by a company or leader, including rules and a framework and structural aspects with overall 17 references. The second subcategory highlights the aspect of analysis and talking with 11 references. The third category deals with education and its impact on reducing discrimination in the workplace with about 12 references in total and the aspect of psychological support in the workplace with one reference. However, beside these four sections, which have been also included into the assumptions, two other topics were mentioned by respondents, as to be important steps to work against discrimination in the workplace. Hereof, the role of government, with two references in total, and the topic of language and talking gender wise, with four references, must be outlined. Answers to these individual subcategories are presented below.

### Role of the Company, Top Management, and Leadership

During the interviews, it appeared that respondents believe that employees and leaders consider the company and supervisors as important for reducing or eliminating

discrimination in the workplace. Respondents stated that, if top management would change its actions related to fairer treatment of the employees, a reduction of discrimination in the workplace could be reached. This means that all employees should be considered in the decision-making process.

Respondents further stated that this would have a positive impact on the group dynamic of teams and employees due to equal treatment. Furthermore, respondents highlighted the importance of raising awareness for the topic in the workplace. This included suggestions, e.g., leaders should implement the topic of discrimination regularly in team meetings to show the importance of the topic for successful teamwork and to stay in line with most companies' statements, to officially support diversity and to implement a "no discrimination" policy. Additionally, leaders should remind employees that the main aspect of a workplace is to work effectively together to reach a goal and that this solely can be reached through effective team work, where discrimination does not have an opportunity to occur. Therefore, the mindset of teams must be strengthened. Moreover, respondents mentioned that it is important to learn from previously gained experience and to further develop strategies on how to work against discrimination. Another statement highlighted a recent introduction of a guide for supervisors on how to, for example, talk to employees on the worker level to ensure a productive and healthy working environment. Besides, it is typical in Taiwan for top management to distribute tasks, and the employees must always follow them and not offer opinions. In Austria, the need to invite all employees without making a difference between non-Austrian and temporary workers was mentioned to be important when it comes to discriminatory activities related to the company or the leader itself.

Besides these measures, the importance of structural measures was identified. Respondents stated that a lot can be done to reduce or eliminate discrimination through structural measures, regarding, for example, gender equality. However, it was pointed out, that such changes take place slowly and further take a long time until they reach all distinct levels, especially in large international companies. Respondents also recommended the implementation of a group that deals with this topic into the development plans for the next years, to identify where discrimination has a potential to appear, which groups are affected by discrimination, what can be done about it, what can be learned out of it, and who can be contacted in challenging situations. Regarding human resource management, it was highlighted that personnel decisions should include a so-called six-eye principle where, for example, in regard to the responsibility for the open position, the supervisor as well as HR manager should reach an agreement to avoid hidden discriminatory activities. To be sensitive regarding hidden discrimination

was furthermore mentioned as to be important and to ensure the provision of good working agreements for all employees. In relation to this, respondents highlighted that companies should provide ethical guidelines and a code of conduct including the topic of discrimination and its prohibition. This includes the obligation to report discriminative activities and if accusations are justified, consequences, such as an immediate dismissal, must follow. In addition, it should directly state the support for victims and an engagement of employees and to report discriminatory behavior of colleagues or other individuals. Such ethical guidelines as well as a code of conduct should be further emphasized by the company and provided on its homepage.

### **Aspect of Talking and Analyzing Discriminatory Activities**

However, respondents called for the need of open communication as well as observation of discriminatory behavior. Talking about and analyzing discriminatory activities were mentioned to help create a fresh start, for identifying which role one plays in such a situation as well as emotions and facts behind discriminatory behavior. Furthermore, the question, if it is related to a particular case or a multiple one, has to be asked. Additionally, it is possible to identify if further discussion is required, and that it should be taken seriously. However, it should be identified if the unequal treatment is based upon various aspects such as nationality, skin color, and so on or if it is based on a personal level. Respondents exposed also how important it is to talk in order to reduce the prevalence of discrimination. If someone has a disability, it should be okay to talk about it and to ask directly if it is something temporary or lasting because it is part of life and nothing someone should be cautious about discussing. Moreover, people call for the need to question decisions made by whomever and to keep an open mind to reduce discrimination in the workplace.

### **Aspect of Education and Training on Reducing Discrimination**

Respondents also identified a need for educating and training people from distinct groups to reduce discrimination at the workplace. This is related to the fact that discriminatory activities and creating an opinion are related to learned behaviors, stemming from childhood. Often, such behavior is implemented in societies because multiple generations typically avoid discussing topics of discrimination based on, e.g., skin color. Here, respondents highlighted that workshops or seminars for sensitization as a part of internal education are considered appropriate. Moreover, respondents gave specific details on topics

these workshops should include, e.g., what are diversity, discrimination, and mobbing and the differences between them, as discrimination is a rather large topic, and on how it is displayed on the institutional level and even broader in society in all levels.

However, one respondent also pointed out that there is the need for trainers to prevent a situation in which stereotyping via demonstrating cultural differences may be further enhanced and considered amusing. However, respondents had different opinions on the question if such workshops should be obligatory for everyone. On the one hand, they saw it as a necessity; on the other hand, they mentioned that forcing someone to take part in such workshops may lead to further resistance and may have a negative impact. According to the respondents, this could be solved through advice, communicated by the company, to attend such workshops. Nevertheless, a respondent stated that new employees, especially, should attend such workshops and seminars. Furthermore, respondents considered travelling and the collection of experiences to get rid of stereotypes as to be important, which can be related to education because the individual must be aware of the topic to recognize such differences. Some respondents stated that it should be additionally included in leadership seminars, to give specific recommendations on how leaders can recognize discrimination among employees. Furthermore, respondents pointed out that education upon this topic should already be implemented into the curriculum of the elementary school to properly work against discrimination.

### **Role of Government in Reducing Discrimination**

Regarding the role of government in reducing discrimination in the workplace, two references were made by respondents in regard to the government in Taiwan. Respondents stated that, in Taiwan, it is common that people earn points through their educational life. When it comes to an application in a company, the score gives insight into the educational performance of the applicant and enables a company to reflect on the applicant's past efforts. However, the government, in order to reduce discrimination against people with darker skin, assigns a so-called operational group, including people with darker skin as well as aborigines, from the start of their educational career, 30 points as base, compared with people with white skin, who start with 0 points. This is done to decrease discrimination in the workplace based on skin color; however, it rather produces jealousy in people with white skin and the fact that companies rather employ white people because they must achieve their score from the beginning compared with people with darker skin, who have an additional 30 points in advance. The respondent provided a possible solution

to this situation. The government should change its policy, and all people, regardless their skin color, should begin at the same level.

### **Role of Psychological Support**

The role of psychological support was mentioned by one respondent as important to reduce discrimination in the workplace. The respondent stated that anonymous contact points should be provided in the workplace, which can be contacted for first aid when needed.

### **Aspect of Language and Talking Gender-Wise**

Respondents in Austria mentioned the importance of language and talking gender-wise in German to reduce discrimination in the workplace. Respondents also mentioned that talking gender-wise correctly is difficult to implement in the beginning and is also not supportive for the language itself because it appears clumsy. However, when it is used steadily over time, it becomes automatic and strikes attention if someone is not using it. It is important to implement both sexes into the language, to make them visible, and to sensitize people about the importance of it. This requires lots of training, but this must be done to reduce discrimination based on gender in all-day communication. In addition, respondents from Austria highlighted that it is important to use German regardless of the mother tongue to enable a productive environment and to reduce discriminatory activities between the workers and between the supervisor and the subordinates.

## **Analysis and Discussion of Results**

Regarding the research question, it should be recognized that, during the literature research, four assumptions presented in the Methodology section were determined. Thus, steps to reduce or eliminate discrimination in the workplace are education; active positioning of companies, leadership and diligent selection of employees; discussion and analysis; psychological support in the workplace.

However, our empirical analysis shows that two more aspects have been mentioned by the respondents. Therefore, we included them as additional subcategories, i.e., governmental policies and language and talking gender-wise.

Each of these points are discussed below, combining the findings from the literature overview as well as from the empirical study.

## Education

The aspect of education in form of trainings, workshops, and seminars appeared to be the most important one. References were made that discriminatory activities as well as the creation of a mindset do belong to learned behavior because of early childhood and multiple generations. This reveals how deep stereotyping and prejudice are implemented into individual lives and therefore strongly influences personal behavior and thinking. This stays in line with the acknowledgment from the literature that to intervene against discrimination as well as unfair behavior in any form is challenging. However, it is important that intervention such as educational events and activities take place in the whole organization in a systematic manner and further to provide employees not solely with essential behavior and attitude but also to interpersonal interaction as well as positive framing (Odeh et al., 2017, p. 120). Such workshops as well as seminars shall, according to the respondents, include topics such as identifying what diversity is as well as understanding discrimination, mobbing, and the differences among the terms. Moreover, they should explain how it is displayed on the institutional level and in society on all various levels. This displays the need to inform and educate employees as well as leaders upon the topic to raise awareness of the broad range and to enable them to identify even hidden discrimination. This shall be done to ensure a healthy and comfortable working environment for everyone. Therefore, training in the form of seminars and workshops connected to employee development programs as well as ethical leadership training can be outlined as to be tremendously important for decreasing discrimination in the workplace.

## Active Positioning of Companies, Leadership, and Diligent Selection of Employees

As mentioned in the literature overview, companies, institutions, and organizations should provide anti-harassment policies and regulations on how to support victims and accused offenders and to ensure them anonymity (Becton et al., 2017, p. 3). This stays in line with references that display the need for a clear and active positioning of the company itself in the form of a no discrimination policy, provision of ethical guidelines, and a code of conduct on how to behave in the workplace. In addition, the need to provide guidelines for employees on how to behave when discriminatory activities are observed was recognized.

It appeared that the support and anonymity of victims as well as that it should be actively engaged to report discriminatory activities were important for respondents. Most respondents talked during the interview about themselves

as a collective at the workplace as, for example, “we have to work for a goal.” This displays the interwovenness of the employees with the company and the high need of companies to ensure a safe and supportive environment to enhance a productive workplace. Furthermore, several respondents referred to an official positioning of the company against discrimination in any form; however, internally, less efforts are made to communicate this message. This leads to the need to implement this official message internally through educational measures such as seminar and workshops discussed beforehand. This further leads to the importance of ethical leadership to communicate and transmit this message properly. The literature mentions the high need for leaders to actively present an ethical behavior that inspires their subordinates to live and display these values as well as good professional relationships between subordinates and leaders to reach a decrease in discrimination in the workplace (Taylor & Pattie, 2014).

This comes along with the claim of respondents that leaders should include the topic of discrimination regularly and shortly into team meetings to show unity with the company as well as reminding employees of the main goal of the work where discrimination has no place. Several respondents presented how important the role of leadership regarding the topic of discrimination is. Leaders have the opportunity to create a positive mindset in teams, to implement strategies against discrimination, and to further develop such strategies based upon experience. However, the literature calls for selection of decision-making skills in leaders. Several authors point out that characteristics such as high self-control, high emotional stability, and low trait anger provide a good basis for the selection of future employees. The selection of employees is considered enormously important due to the possibility to actively boost a more civil, healthy, and safe working environment (Odeh et al., 2017, p. 121). Here, references were made that personnel decisions should include a so-called six-eye principle in which, for example, the supervisor, the one responsible for the open position, and the HR manager attempt to reach an agreement to prevent discriminatory influences on such decisions.

## Discussion and Analysis

This aspect is not highlighted in the literature as much as expected, but discussion and analysis of challenging situations and sensitive content are considered equally as important to reduce discrimination in the workplace (Leiter et al., 2011). During the interviews, it appeared that reducing or eliminating discrimination in the workplace is quite an important topic for respondents. References were made toward the need for discussions to reduce the



prevalence of discrimination. In addition, the importance to identify one's own role in such situations, as well as understanding and handling the emotions and facts behind such a behavior, was outlined. Furthermore, it was highlighted that one must be aware if unequal behavior is based upon various aspects such as nationality and skin color, for example, or if it is based on the person itself. However, every case must be treated seriously. Moreover, discussion was mentioned as to be important to keep an open mind. Programs such as CREW, which aim to create a respectful and civil climate in organizations by enhancing discussion and problem solving in meetings, may present an option for companies to properly deal with challenging situations that have a negative impact on employees, leaders, the overall working environment, and productivity of the company. References were made that such interventions should be actively supported by companies to increase employee loyalty and decrease employee turnover.

### **Psychological Support in the Workplace**

Discrimination in either form can have an enormous impact on the psychological health of individuals and increase the stress level immensely. Serious illnesses such as commonly known depression and burnout as well as trauma-related psychopathology and PTSD may arise from discrimination. Furthermore, the literature stated that social support in private life as well as at the workplace is a necessity to preserve good mental as well as physical health (Southwick et al., 2005, p. 281). Contrasting expectations, solely one reference was made, which claimed that anonymous contact points should be provided in the workplace. This discrepancy may be due to a still preserve prejudice that contacting a psychologist is equating to mental illness. It appeared that interviewees reacted ashamed, reserved, and unsure on questions if such a support is available in their workplace and whether one should be implemented. In combination with this, several respondents were quite unsure how such an implementation of an anonymous support should be possible and expressed their concern about how to keep privacy and anonymity. These concerns further display a lack of information by companies as well as a lack of support in this direction. This may explain such a small number of references for this aspect.

### **Governmental Policies**

This topic appeared during an interview and displays how far-reaching discrimination can be considered. A respondent provided insight that displays how governmental efforts to reduce discriminatory activities in the workplace can result in an even worse situation for the ones affected

by discrimination. As described in the chapter of results, a respondent stated that, in Taiwan (R.O.C), it is common that people earn points through their educational life. The score enables a company to gain insight into the educational performance of the applicant and to evaluate past efforts. However, the government assigns, to reduce discrimination against people with darker skin as well as aborigines, the so-called operational group, at the start of their educational career 30 points as a base. People with white skin start at 0 points. This measure was implemented by the government to decrease discrimination in the workplace based on skin color. However, it has had an opposite effect because jealousy of people with white skin is apparent. Moreover, companies rather employ people with white skin because they must achieve their score from the start of their educational career compared with people with darker skin that have additional 30 points in advance. The respondent provided a possible solution to this situation. The government should change its policies, and all people regardless their skin color should begin at the same level. However, this topic needs further discussion through quantitative as well as qualitative data, which were not possible to obtain due to language barriers and lack of appropriate contacts in Taiwan. Nevertheless, it offers interesting insight into how deep discrimination can be interwoven into a country.

### **Language and Talking Gender-Wise**

The aspect of language and talking gender-wise was another topic highlighted by respondents. As mentioned in the literature analysis, in Austria, the topic of a gender-neutral language has received significant attention over the last years (Theißl, 2017). In addition, it is considered important and granted in written work (Wetschanow, 2012). This remains in line with the references made toward this topic. Respondents mentioned that, on the one hand, it is in the beginning difficult to talk gender-wise correctly and that it has a negative impact on the verbal image of the language that appears. However, regular use leads to its implementation as habitual. References were further made on the importance to include both sexes into the language to make them visible and to sensitize people about it. However, it was stated that intense training is needed to use gender-wise talking in all-day communication correctly.

These statements from the literature and results of the qualitative study further present a current challenge in Austria. However, both gender-neutral as well as gender-wise language provide difficulties and the need for training. The resistance of the population for implementing such a change in the language, as to be a significant part that displays not solely the culture itself but also values, norms, and prejudice, is not surprising. Austria is a country with a

preference for avoiding uncertainty, changes like this need a long time until they are taken for granted. In addition, a reference was made toward using German regardless of the mother tongue at the worker level to enable a productive working environment. During the interviews, it turned out that it is a necessity to have good command of the German language to be fully integrated into everyday life in companies in Austria. Good German skills also reveal another hot topic in Austria, which was further enhanced by the current refugee crises. However, this topic must be further enlightened by a qualitative as well as quantitative study to provide meaningful results, which were not possible to achieve in this study.

## Conclusion

To intervene in cases of discrimination in the workplace is tremendously important because it cannot solely have an enormous economic impact but can especially have a severe impact on the psychological health of individuals and might, therefore, result in severe illnesses such as depression and burnout.

This paper investigates steps that should be taken to reduce or eliminate discrimination in a workplace in Austria and Taiwan. Although there is numerous research in regard to the topic of discrimination in the workplace, none was done in the field of preventing discrimination in Austria and Taiwan. To prepare the suggestion for these steps, a study including secondary research as well as a qualitative, exploratory approach was done. Based upon secondary research, the authors concluded that education, active positioning of companies, leadership and diligent selection of employees, discussion and analysis, and psychological support in the workplace are the most important steps to decrease or eliminate discrimination in the workplace.

Empirical study partially confirmed the findings from the secondary research and the assumptions presented in the Methodology section. Discussion and analysis were important to reduce and eliminate discrimination in the workplace for participants and received a lot references. Education in the form of further training, workshops, and seminars was identified to be nearly as important for participants. In addition, the active positioning of the company in the form of setting policies as well as providing binding guidelines on how to behave and on how to deal with the topic of discrimination as well as paying attention to the selection process is considered enormously important. This holds

also true for the role of leaders and their immense impact on employees, discriminatory activities, and on the whole working environment. Finally, the psychological support in the workplace was only referred to by one respondent as to be a crucial step to reduce or eliminate discrimination at the workplace.

Besides the mentioned steps identified within assumptions, several respondents mentioned two additional areas that should be considered to reduce discrimination at the workplace, i.e., governmental policies and the aspect of language and talking gender-wise.

However, as with all other research papers, the scope of this work is limited by several aspects. First, it should be outlined that all data presented in this paper are related to the dynamic and fast-changing global environment and represents a specific point in time. However, it should also be recognized that several discriminatory practices are not solely part of a society but more so part of a culture. Several aspects are well known but change slowly in relation to the deep implementation in the cultural setting. This is represented in the international orientation of companies, which is usual nowadays. Even though the global environment is changing fast, the cultural values, norms, traditions, and practices mostly remain or change slowly in contrast with the picture of globalization and internationalization of companies. Therefore, the data may only represent a specific point in time; nonetheless, discrimination will remain in our lives. It may be different in form, execution, and target group and may change over time, but it is a challenge of which people must be aware and that must be fought against until everyone, regardless of his or her skin color, nationality, heritage, religion, gender, sex, disability, or sexual orientation is able to live a free life.

Furthermore, even though overall anonymity was granted to the interviewees, some might have been reluctant to answer personal questions related to experiences with discrimination in the workplace.

Based on the findings, further research is recommended to observe the development in both countries related to current crises, such as the refugee crises, which presently has an impact on Austria. Hereof, the study could be further enlarged to include more companies from Austria and Taiwan and therefore conduct more interviews as well as increase the number of respondents of the survey to make a more in-depth qualitative as well as quantitative analysis possible. Finally, the study might be extended to find out why differences in leadership are apparent.



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## Authors

**Vito Bobek** currently works as a professor of international management at the University of Applied Sciences FH Joanneum (Graz, Austria) and at the University of Maribor (Slovenia). Since 2017, he has acted as vice president for global operations at global platform for protection and communication of intellectual property Save-Ideas.com.® Other positions: manager and owner of Palemid LLC, member of supervisory board at KBM Infond, regional editor for Central and Eastern Europe at the *European Journal of International Management*, member of the editorial board at the *International Journal of Trade and Global Markets*, member of the editorial board at *Imago Europae* (Florence, Italy), and member of editorial board at the *International Journal of Diplomacy and Economy*.

**Anita Maček** holds a Ph.D. in economics (2009) from the University of Maribor, Faculty of Economics and Business. Currently, she is employed at University of Applied Sciences FH Joanneum Graz, Austria, and at Doba Faculty Maribor, Slovenia. In 2016, she became an associate professor of economics. Her main research interests are international capital flows, foreign direct investments, international business, smart cities, and regional development.

**Sarah Bradler** works in global sales operations at the Alicona Company in Graz, Austria. She graduated at FH Joanneum as with an MA in business in emerging markets. She is experienced in international/national project management, international/national marketing projects, sales, and CRM as well as personal coaching and training.

**Tatjana Horvat** is an expert in auditing, accounting, financing, taxes, and public budgets for companies and public institutions, being engaged as an expert in several countries. She is also a certified state internal auditor (licensed by Ministry of Finance RS) and certified internal auditor for the business sector and a certified accountant (licensed by Slovenian Institute of Auditors). At the Ministry of Justice of Slovenia, she is a member of examination boards for court expert candidates and judicial appraisers in the following areas: economy/finance, valuation of companies, and forensic investigation of economic operations/forensic accounting. She also works as a university assistant professor for accounting and auditing. For many years, she served as the president of jury for the best annual (financial) report of big companies and financial institutions as well as the best CFO. At the most important daily business newspaper, *Finance in Slovenia* (Swedish ownership), she is the editor and head of area for business, finance, and tax-related articles as well as educational programs. She is the standard setter for transparent financial reporting of big companies, financial institutions, and educational institutions. She has written more than 300 papers, articles, books, and manuals, and she was a guest of many international scientific and business conferences. At the National School of Leadership in Education, she is involved as a professional in European projects for effective financial leadership in educational institutions.

## Kako zmanjšati diskriminacijo na delovnem mestu Primer Avstrije in Tajvana (R.O.C.)

### Izvleček

Preprečevanje diskriminacije na delovnem mestu je izjemno pomembno, saj nima le močnega gospodarskega učinka, temveč zlasti hude posledice za psihološko zdravje posameznikov in lahko povzroči hude bolezni, kot sta depresija in izgorelost. Preprečevanje diskriminacije zahteva večdimenzionalni pristop, vključno s celotno organizacijo in postopkom na sistematičen način. Namen članka je pripraviti predloge za zmanjšanje diskriminacije na delovnem mestu v Avstriji in na Tajvanu. V ta namen je bila izvedena kvalitativna raziskava, ki je pokazala, da so izobraževanje, aktivno pozicioniranje podjetij, vodstvo in skrbna izbira zaposlenih, diskusija in analiza, psihološka podpora, vladne politike, pa tudi vidik jezika in govorjenje o spolu najpomembnejši ukrepi za zmanjšanje ali odpravo diskriminacije na delovnem mestu.

**Ključne besede:** diskriminacija, poslovne prakse, vodenje, delovno mesto

# Impact of Selected Personality Traits on Accountants' Attitudes Toward Accounts Manipulation: Evidence From Slovenia

**Robert Horvat**

University of Maribor, Faculty of Economics and Business, Slovenia  
robert.horvat@um.si

## Abstract

In the study, three selected personality traits were tested for their impact on Slovenian accountants' attitudes toward accounts manipulation behavior. The main objective was to investigate if personality plays a role in how Slovenian accountants think and feel about this ethically problematic business practice. Responses from 310 chief accounting officers of Slovenian medium- and large-size companies were gathered via electronic survey, and correlational and regression analyses were performed to investigate relationships between selected personality traits and participants responses to the scenario, thus depicting accounts manipulation behavior in violation of generally accepted accounting principles. Only two of the observed personality traits (Machiavellianism and agreeableness) were found to be statistically significantly related to accountants' attitudes, while the third one (locus of control) shows no such relationship. For both, Machiavellianism and agreeableness, the direction of the relationship with accountants' attitudes is the same. The higher the levels of accountants' Machiavellianism and agreeableness, the more positive their attitude toward observed accounts manipulation behavior.

**Keywords:** accounts manipulation, earnings management, personality

## Introduction

Evidence shows that, when accounting information is manipulated in order to mislead users as to an organization's real financial position and performance, consequences can be negative for a great many stakeholders. Enron, WorldCom, Tyko, Tesco, Kmart, Xerox, Merck, Parmalat, Refco, Satyam, Agrokor, etc., are among some of the most notorious cases in the last two decades or so in which billions were lost by shareholders, creditors, and employees due to the bad management hidden behind fraudulent financial reporting. And these are just the cases that became public. It is believed that there are many more cases of accounts manipulation that remain undiscovered.<sup>1</sup>

<sup>1</sup> In their study of CFOs, Dichev et al. (2016) found that it is a widespread belief among CFOs that companies frequently and intentionally distort their earnings and that the magnitude of misrepresentation is large (on average some 10% of reported earnings).

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The widespread nature of accounts manipulation, accompanied with its severe negative consequences for individuals, organizations, the economy, and society as a whole has led many to recognize it as inherently a dangerous, unethical, and economically and socially detrimental business practice, necessary of serious professional and regulatory attention and control (e.g., Levitt, 1998). One of the more, we dare to say, positive side effects of this widely recognized importance of accounts manipulation as being a (potentially) dangerous economic/business and social phenomenon is also the increased interest of the researchers, evident in recent years. Consequently, in the last 20 years or so, accounts manipulation has grown to become one of the most studied research subjects in accounting.

The literature review shows that researchers approach accounts manipulation from many different perspectives, one of them being also the so-called perceptual/attitudinal studies, focused primarily on learning how people think and feel about accounts manipulation, rather than on the behavior itself. Although such research is quite scarce in volume, compared with other more prevailing approaches, it has already produced many interesting findings. For example, it has been found that, on average, attitudes of managers and accountants toward accounts manipulation are quite lenient, suggesting that the practice is probably much more widespread than previously thought (e.g., Bruns & Merchant, 1990). Also it has been found that individuals' attitudes toward accounts manipulation are quite case and context sensitive. For example, on average, manipulations with operational means and manipulations for the benefit of an organization in regard to employment are judged as significantly more acceptable than manipulations with accounting means and manipulations for the personal benefit of engaged individuals (e.g., Merchant & Rockness, 1994; Fischer & Rosenzweig, 1995; Giacomino et al., 2006; Belski, 2008).

While all these findings are interesting and important, we believe much is still to be learned and many questions yet to be asked about peoples' attitudes toward accounts manipulation behavior. Particularly, we believe little has been done to date to address the role of various personal determinants, such as personality traits, values, self-concept, stage of moral development, etc., in the formation of one's attitudes toward the behaviors in question. Because, without such a person-centered approach, it is impossible to fully explain between-person differences in accounts manipulation attitudes and behavior; thus, it is the aim of our study to close this research gap by investigating the impact of selected personality traits on accounts manipulation attitudes of accountants, employed as chief accounting officers in Slovenian big- and medium-size companies.

## Literature Review

Researchers typically approach the subject of accounts manipulation from many different perspectives. Methods of detection, operational characteristics, organizational and environmental determinants, etc., are among the most popular lines of accounts manipulation research that can be found in the literature. Common to them is their predominantly methodological/operational, business/economic, and organizational focus on the subject (e.g., how it is done, how it can be detected, business incentives, organizational and environmental constraints, etc.), while its characteristics as (also) a personal decision-making and behavior phenomenon remain mostly out of their interest. Consequently, such approaches can also be characterized as a-personals, in a sense, in that no personal variables, either as determinants of accounts manipulation behavior, or as the subjects of interest on their own (e.g., accounts manipulation attitudes, beliefs, etc.) are addressed in these studies. Accounts manipulation is observed almost exclusively as a methodological and organizational (as opposed to personal) phenomenon.

The majority of the research we reviewed is of this a-personal nature. Nevertheless, exemptions can also be found, thus enabling insights into the subject from a more personal perspective. Perspectives such as, for example, accounts manipulation as an object of individuals thinking and feeling, or, for example, accounts manipulation as a personal behavior, contingent on one's various personal (cognitive and affective) and situational determinants. Although such, let's call them person(ologic)al, approaches to accounts manipulation research are not as frequently utilized by researchers as the aforementioned a-personal perspectives, many interesting findings to date have been reported. For example, it has been found that CEO and CFO narcissism is statistically significantly related to his/her accounts manipulation behavior. The greater the CEO narcissism, the higher the probability for organizational accounts being purposely manipulated (e.g., Olsen et al., 2013; Ham et al., 2017; Majors, 2015). Similar "positive" relationships with accounts manipulation attitudes and behavior have also been found for some other psychological traits, such as Machiavellianism (e.g., Murphy, 2012; Shafer & Wang, 2011; Majors, 2015), psychopathy (e.g., Majors, 2015), individuals ability for self-deception (e.g., Agarwalla et al., 2017), masculinity (e.g., Jia et al., 2014), overconfidence (e.g., Hsieh et al., 2014; Presley & Abbott, 2013; Schrand & Zechman, 2012), propensity to morally disengage (e.g., Reckers & Samuelson, 2016), relativistic ethical orientation (e.g., Kung & Li Huang, 2013; Dayanandan et al., 2012; Elias, 2002), and external locus of control (Reckers & Samuelson, 2016; Chan & Leung, 2006).

Although at first glance, looking only at the amount of published studies and reported findings, it might seem that research on personal determinants of accounts manipulation is plentiful and extensive, a closer look reveals that, to date, only a small number of personal(ity) variables, potentially important for individuals' manipulative attitudes and behavior, have been investigated extensively enough to allow meaningful and reliable conclusions.<sup>2</sup> Consequently, one can safely conclude that research on the subject is rather scarce than plentiful and that, at the moment, we are quite far from any comprehensive account on the role of person(al) in individuals' accounts manipulation decision-making and behavior. For such an account to become at least a remote possibility, much more empirical work, focused on the impact of various personal(ity) variables on peoples' accounts manipulation related thinking, feeling, and behavior, is needed. This study is our attempt to contribute to such a collective and ongoing effort.

### Empirical Model

Because every personality trait characterizes an individual from a different perspective, it is normal that those traits' impact on individual behaviors differs with respect to the type of behavior observed. It can be expected, for example, that personality traits of agreeableness will be especially important for one's behavior in social interactions, while for curiosity, for example, it can be expected to be important in contexts, related to one's opportunity to acquire new knowledge, information, experience, etc. It is quite normal, therefore, that, for the explanation of certain specific behaviors, as in our case is attitude of accountants toward accounts manipulation, all personality traits are not of equal importance.

Because the main purpose of accounting rules is to ensure true and fair financial reporting to the users of accounting information, any violation of these rules, no matter the purpose or method, is not just a violation of accountants' professional norms but is also a violation of multiple universal ethical/moral principles, such as not to lie, not to deceive, always to be honest and truthful, etc. Consequently, the dilemma (decision), whether to engage in accounts manipulation or not, is never just a business dilemma (decision) but always and necessarily also an ethical/moral one. Therefore, it can be expected that personality traits, related to individuals' ethical decision-making, might be of particular importance for one's attitudes toward accounts manipulation behavior.

We began our selection of personality traits with those from the five factor (or big five) model (Goldberg, 1990, 1992; Costa in McCrae, 1989 in 1992), which, at the moment and despite some critics (e.g., Block, 1995; Boyle, 2008), is the most widely accepted core traits model of human personality (e.g., John & Srivastava, 1999). Literature reviews on the subject of psychological origins of individuals' moral behavior reveals (especially) two personality traits from the big five, identified among researchers as potentially important for individuals' ethics and morality. The first is dispositional conscientiousness and the second is dispositional agreeableness (e.g., Walker, 1999; Walker & Frimer, 2007; Colquitt et al., 2006; de Raad et al., 1992; Hofstee et al., 1992; McFerran et al., 2010). Empirical evidence for both suggests strong negative relationships with personality traits from the so-called dark triad (Machiavellianism, narcissism, and psychopathy) used to describe individuals with pronounced manipulative, ruthless, unscrupulous, egoistic, and malevolent interpersonal styles (Furnham et al., 2013; Jakobwitz in Egan, 2006) and can therefore be qualified as a direct opposite of what is conventionally regarded as ethical/moral personality. Because requirements on diligence, dutifulness, orderliness, accuracy, reliability, punctuality, self-discipline, etc., which are all core ingredients of dispositional conscientiousness, are conventionally high in the accounting profession, it is difficult to expect differences between accountants on the conscientiousness trait to be substantial. Consequently, from the big five personality traits, only agreeableness was selected to be tested in our model. Our hypothesis on the relationship between agreeableness and accountants' attitudes toward accounts manipulation is as follows:

H1: Accountants higher on agreeableness trait tend to have a more negative attitude toward accounts manipulation behavior, while accountants lower on the agreeableness trait tend to have more positive attitude toward such a behavior.

Critics of the big five model of personality traits stress that five factors of the model do not capture the whole spectrum of core personality traits of normal personality (e.g., Block, 1995; Boyle, 2008) and that the model does not properly address many additional traits important for individuals' behavior. Among them is also dispositional Machiavellianism, which is described as manipulative, cynical, egoistic, self-centered, etc., individuals (Christie in Geis, 1970), which all are prototypical characteristics of what is traditionally regarded as immoral personality traits. Together, with narcissism and psychopathy, dispositional Machiavellianism composes a triad of personality traits in personality psychology known as the dark triad. Empirical research generally confirms the dark triad as an important determinant of individual ethical decision-making and behavior (e.g.,

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<sup>2</sup> See Taggar and Parkinson (2007) for a review of research with personality used to address accounting issues.



Harrison et al., 2016; O'Boyle et al., 2012), and individuals high on Machiavellianism traits are frequently found to have more agreeable attitudes toward various unethical or ethically problematic behaviors such as deceiving, lying, cheating, etc. (Flynn et al., 1987; Fletcher, 1990; McLeod & Genereux, 2008; Schlenker, 2008). In Cohen et al. (2014)'s model of individual's moral character, dispositional Machiavellianism occupies one of the highest places among all the observed determinants. Consequently, dispositional Machiavellianism was selected as the second personality trait to be tested in our model. Our hypothesis on the relationship between agreeableness and accountants' attitudes toward accounts manipulation is as follows:

H2: Accountants higher in the Machiavellianism trait tend to have more positive attitude toward accounts manipulation behavior, while accountants lower in the Machiavellianism trait tend to have more negative attitude toward such a behavior.

Locus of control is the third and final personality trait selected to be tested in our model of accountants' attitudes toward accounts manipulation behavior. It was first introduced by Rotter (1966) as a personality trait, describing individuals' orientation with respect to the where belief resides in taking responsibility for what is happening to them in their life. Those who believe what is happening to them is the consequence of chance, luck, or powerful others, are described as having external locus of control orientation, while those who believe what is happening to them is the result of their own actions/decisions/behavior are described as having internal locus of control orientation. Locus of control therefore reflects individuals' belief about the relationship between his/her behavior on one side and its consequences on the other.

Trevino (1986) was the first to theoretically link locus of control with ethical decision-making (Detert et al., 2008). In her person-situation interactionist model, she hypothesized that because individuals with internal locus of control orientation see the connection between their behavior and its outcomes more strongly than those with external locus of control orientation, they should also be more likely to take personal responsibility for their behavior and its outcomes. Because assuming personal responsibility is hypothesized to activate one's moral norms (Schwartz, 1977), individuals with more internal locus of control should be less capable to morally disengage and consequently less likely to make unethical decisions.

Empirical evidence with respect to the hypothesized relationships between locus of control orientation and ethical decision-making is mixed. While quite a few studies can be found, empirically confirming statistically significant

relationships in business/organizational contexts (e.g., Trevino & Youngblood, 1990; Reiss & Mitra, 1998; Maqsood, 1980; Hegarty & Sims, 1978), quite a few can also be found to report no significant relationships of that kind (e.g., Detert et al., 2008). Nevertheless, an important consistency can be observed among findings that do report significant relationships. Namely, they are virtually all in the same, theoretically hypothesized direction. It is this consistency, along with the three studies, empirically connecting locus of control specifically to the subject of accounts manipulation (Cote et al. 2013, Reckers & Samuelson, 2016; Chan & Leung, 2006), which was decisive for us to include as the third personality trait to be tested in our model. Our hypothesis on the relationship between locus of control and accountants attitudes toward accounts manipulation is as follows:

H3: Accountants with more internal locus of control orientation tend to have a more negative attitude toward accounts manipulation behavior, while accountants with more external locus of control orientation tend to have a more positive attitude toward it.

## Methodology

### Instruments

The personality trait of Machiavellianism was measured with the abbreviated 13 items version of original the Christie and Geis (1970) MACH IV instrument. Responses for all items were measured on a 5-point Likert scale. Individual accountant's overall Machiavellianism score was computed as the average of his/her responses on all 13 items of the instrument. Reverse-keyed items were appropriately recoded. Cronbach's alpha of the instrument was 0.68, which is just a bit below the value of 0.70, recommended by Nunnally (1978) as the acceptable minimum for measuring psychological constructs. Because the Machiavellianism construct (as measured with MACH IV) is known for its internal reliability problems, and because Cronbach's alphas below 0.70 are frequently reported,<sup>3</sup> we find the internal reliability of our instrument satisfactory.

Locus of control was measured with Valecha and Ostrom's (1974) abbreviated 11-items version of the original Rotter I-E instrument (1966). The instrument is of the forced-choice format, in which every item consists of two response options, one indicating more internal locus of control orientation and

<sup>3</sup> For example, Barbuto and Moss (2006) examined 13 studies utilizing MACH IV instrument. Average reported Cronbach's alpha in these studies was 0.67.

the other more external. All “external choices” in the survey were coded as 0, while all “internal choices” as 1. Individual accountant’s overall locus of control score was computed as the sum of his/her responses on all 11 items of the instrument. Cronbach’s alfa of the instrument was satisfactory at 0.70.

Agreeableness was measured with nine items from the big five inventory instrument of Benet-Martinez and John (1998). Responses for all items were measured on a 5-point Likert scale. Individual accountant’s overall agreeableness score was computed as the average of his/her responses on all nine items of the instrument. Reverse-keyed items were appropriately recoded. Cronbach’s alfa of the instrument was satisfactory at 0.73.

The scenario (vignettes) method was chosen as the most appropriate method to measure accountants’ attitudes. According to Alexander and Becker (1978:103), the main advantage of the scenario method over alternative methods for studying human behavior and thinking is that: “*The use of vignettes helps to standardize the social stimulus across respondents and at the same time makes the decision-making situation more real.*” Although the multiple scenario method is generally preferred over the single scenario method,<sup>4</sup> only one scenario was used in our study. Decisive for such a decision was the concern that if multiple scenarios were utilized, we will not be able to secure a response rate high enough for our findings to be reliable.<sup>5</sup> The concern was not so much with the length of the survey as it was with the possibility that, due to the high professional sensitivity of the subject, extensive asking on it might cause discomfort among potential participants, which is strong enough for many of them to reject their participation. Furthermore, with the rise of such discomfort, reliability of the answers acquired might also be affected. Consequently, the decision was made only to utilize one scenario in our study.

Main elements of the scenario were adapted from Vinciguerra and O’Reilly–Allen (2004), depicting a situation in which accounts were manipulated for the company to retain bank financing. Because many companies in our sample were

not production companies, manipulation of the amount of warranty reserves was replaced with manipulation of the amount of bad debt reserves. Scenarios with accounts being manipulated in order to facilitate bank loan approval or to meet bank loan covenants can frequently be found in accounting ethics research (e.g., Odar et al., 2017; O’Leary, 2012), and researchers frequently list bank loans approval and bank loans covenants as one of the most common reasons/incentives for accounts manipulation.

Since at the time of the survey, the worst memories of the latest global financial and economic crisis remained alive and strong, the whole story was put into the context of such a crisis in order to add to its actuality and so to evoke stronger emotional activation of survey participants. The scenario was pretested on a small group of accounting practitioners, who all agreed that it is realistic, easy to understand, and contains violations of accounting rules. Complete text of the scenario is presented in the appendix.

A univariate measure of semantic differential format with response options ranging from -2 (“*very unethical and immoral behavior*”) at one extreme to +2 (“*in given circumstance ethically and morally justified and acceptable behavior*”) at the other was utilized to measure participants’ attitudes toward accounts manipulation behavior. Measure anchors were adapted from previous business ethics research. It is common in business ethics research for attitudes toward ethically sensitive/problematic behaviors to be measured this way. According to Hyman and Steiner (1996), the anchors of ethical/unethical, acceptable/unacceptable, appropriate/inappropriate, etc. are the most frequently used anchors for ethical attitudes/perceptions to be measured in business ethics research.

## Sampling and Data Collection

Accountants employed as chief accounting officers were chosen as the population of interest in the study. Participants were selected from the Bisnode<sup>6</sup> Gvin list of all Slovenian businesses with at least 40 employees. Businesses using external business accounting services were excluded from the survey as it was assessed that, because of the dual role of such external business accounting services providers (accountants and entrepreneurs at the same time), results would not be comparable with those of the internally employed accountants. A threshold of 40 employees or more was selected for practical reasons because, below that threshold, the number of businesses employing external accountants rather than internal raises sharply. It should therefore be

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<sup>4</sup> The main disadvantage of using single instead of multiple scenarios is that the researcher is only able to observe responses in a single decision-making context. Consequently, findings cannot be generalized across different contexts, and the impact of context on the phenomenon under investigation cannot be analyzed.

<sup>5</sup> Babbie (1986) suggested that, for social research, a response rate of at least 50% is acceptable, 60% is good, and 70% is very good. High response rates are especially important in ethics research because the risk of attitudes of those who refused to participate being significantly different from attitudes of those who did participate is due to the sensitivity of the subject, in this line of research above-average high (Randall & Gibson, 1990).

<sup>6</sup> Leading commercial provider of financial and related information about business entities in Slovenia.



noted, as a limitation of this study, that accountants of small and micro businesses and providers of external business accounting services were not included.

Sampling method was such that every third company from the list was selected into the initial sample, starting with the first on the list.<sup>7</sup> In total, 467 companies were selected for the initial sample. When the initial sample was formed, chief accounting officers of all the companies in the sample were contacted by phone. In total, 467 chief accounting officers were contacted.<sup>8</sup> The purpose of the study was explained and permission asked to send a link to an anonymous electronic survey. Because seven refused to participate, the survey was sent only to the remaining 460 accountants; 310 completed surveys were returned, which represents a satisfactory and much above-average 67.4% response rate; 276 respondents were women (89%) and 34 men (11%). Additional descriptive statistics of the sample are presented in Table 1. With the exception of seven participants who requested a paper form questionnaire, all data for the study were collected via electronic survey, utilizing LimeSurvey software.

**Table 1.** Descriptive Statistics of the Sample

<b>Age</b>	
less than 30 years	9 (2.9%)
from 31 to 40 years	88 (28.4%)
from 41 to 50 years	110 (35.5%)
from 51 to 60 years	98 (31.6%)
over 60 years	5 (1.6%)
<b>Education</b>	
High school	39 (12.6%)
Professional higher education degree	74 (23.9%)
University degree	171 (55.1%)
Master's degree and PhD	26 (8.4%)
<b>Company auditing status</b>	
Mandatory audit	236 (76.1%)
Audit not mandatory	74 (23.8%)
<b>Company size</b>	
less than 100 employees	137 (44.2%)
from 101 to 250 employees	105 (33.9%)
from 251 to 500 employees	35 (11.3%)
over 500 employees	33 (10.6%)

Source: Author

<sup>7</sup> Businesses were listed in alphabetic order.

<sup>8</sup> One for each company.

## Method(s) of Analysis

Data were analyzed in two steps. First, correlational analysis was utilized to test each of the hypothesized relationships separately. Because the dependent variable is of an ordinal-type, Spearman rank correlation, which is a nonparametric test, was applied. Second, ordered probit regression was utilized to test, whether previously found individual relationships are independent of one another (i.e., remain the same when all variables of interest are tested jointly in the same model). Strong empirical evidence exists for the existence of statistically significant relationships between some of the personality traits in the study. For example, it is well documented that those high in Machiavellianism traits tend to have more external locus of control orientation, while those low in Machiavellianism traits are more internal (e.g., Mudrack, 1990). Also, locus of control has been found to be connected to one's personality trait of neuroticism (i.e., emotional stability), with those high on neuroticism tending to have more external locus of control orientation and those low on neuroticism more internal (e.g., Morrison, 1997; Judge et al., 1998). A statistically significant negative relationship between Machiavellianism and agreeableness is also regularly reported (e.g., Stead & Fekken, 2014; Jakobwitz & Egan, 2006; Paulhus & Williams, 2002; Lee & Ashton, 2005) as well as statistically significant intercorrelations between some of the "big five" factors of personality (e.g., Van der Linden et al., 2010).

Although the majority of this relationships qualifies as small to modest (correlation coefficients in range from 0.1 to 0.3), they are nevertheless an indicator, that statistically significant overlaps exist between some of the observed personality constructs. Consequently it is possible that some of the effects, found with univariate analysis, are not completely independent of one another, which means that, for some of the observed personality variables, they are partially or completely attributable to their overlap/relationship with other observed variables. If this is the case, such effects will lose their statistical significance (or part of it) when overlapping variables are modeled together. Also, the cumulative effect of observed independent variables can only be observed when modeled together.

## Results

### Descriptive Statistics of Dependent and Explanatory Variables

**Table 2.** Frequency Distribution of Accountant's Attitudes Toward Accounts Manipulation

Response options (semantic differential)	-2	-1	0	1	2
Frequency of answers (n = 310)	26 (8.4%)	55 (17.7%)	135 (43.5%)	65 (21.0%)	29 (9.4%)

Source: Author

**Table 3.** Means and Standard Deviations of Explanatory Variables

	Mean	Standard deviation	Min.	Max.
Dispositional Machiavellianism (range 1 to 5)	2.56	0.43	1.23	3.85
Dispositional agreeableness (range 1 to 5)	3.97	0.44	2.44	5.00
Locus of control (range 0 to 11)*	7.52	2.37	0	11

\* Higher score depicts more internal locus of control orientation.

Source: Author

**Table 4.** Spearman's RHO Correlation Matrix

	1	2	3	4	5	6	7	8	9
1 Attitude toward accounts manipulation	1.000								
2 Machiavellianism	<b>0.124<sup>*</sup></b>	1.000							
3 Agreeableness	<b>0.137<sup>*</sup></b>	-0.284 <sup>**</sup>	1.000						
4 Locus of control	-0.043	-0.336 <sup>**</sup>	0.096	1.000					
5 Sex • women = 0 • men = 1	-0.038	0.016	-0.070	0.113 <sup>*</sup>	1.000				
6 Age	0.086	-0.008	-0.030	-0.049	-0.077	1.000			
7 Education	-0.090	-0.052	0.000	0.105	0.207 <sup>**</sup>	-0.306 <sup>**</sup>	1.000		
8 Company size	-0.053	-0.020	0.019	0.118 <sup>*</sup>	0.062	-0.008	0.199 <sup>**</sup>	1.000	
9 Company auditing status • nonmandatory = 0 • mandatory = 1	0.018	-0.082	0.068	0.061	0.051	-0.024	0.201 <sup>**</sup>	0.431 <sup>**</sup>	1.000

\* Correlation is significant at the 0.05 level (2-tailed).

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

Source: Author

**Table 5.** Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Significance
Intercept Only	882.663			
Final	863.060	19.603	8	0.012

Source: Author

## Correlational Analysis

As we can see, only two of three selected personality traits show a statistically significant relationship with accountants' attitudes toward accounts manipulation. While the relationship of dispositional Machiavellianism with accountants' attitudes is positive as hypothesized, the relationship of dispositional agreeableness is also positive, which is contrary to what was hypothesized. A moderate negative relationship of dispositional Machiavellianism with dispositional agreeableness and locus of control can also be observed. Such a relationship is regularly reported in personality studies and can therefore be regarded as normal. None of the respondents' demographic variables nor company size and auditing status show a statistically significant relationship with the dependent variable.

## Multiple Regression Analysis

Tables 5 to 7 report on the results of multiple regression analysis. An ordered probit model was selected as the most appropriate because the dependent variable is of an ordinal type.

**Table 6.** Parameter Estimates

	Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Dispositional Machiavellianism	0.034	0.012	8.182	1	<b>0.004</b>	0.011	0.058
Dispositional agreeableness	0.053	0.016	11.118	1	<b>0.001</b>	0.022	0.084
Locus of control	0.010	0.027	0.143	1	0.705	-0.043	0.064
Sex	-0.073	0.197	0.138	1	0.710	-0.458	0.312
Age	0.083	0.071	1.365	1	0.243	-0.056	0.222
Education	-0.063	0.081	0.602	1	0.438	-0.222	0.096
Company size	-0.068	0.067	1.022	1	0.312	-0.200	0.064
Company auditing status	0.141	0.155	0.827	1	0.363	-0.163	0.445

Source: Author

**Table 7.** Test of Parallel Lines

Model	-2 Log Likelihood	Chi-Square	df	Significance
Null Hypothesis	863.060			
General	828.454	34.606	24	0.073

Source: Author

As we can see, results of the ordered probit regression are basically the same as the results of correlational analysis. The only two personality traits, statistically significantly related to our dependent variable, are again dispositional Machiavellianism and dispositional agreeableness. Directions of the relationship for both are positive, too. The model as a whole is statistically significant at 0.012 (Nagelkerke pseudo R-square 0.065). The test of parallel lines is statistically insignificant ( $p > 0.05$ ), therefore confirming that assumption of proportional odds is not violated.

## Discussion

Based on the results of the study, only one of the three stated hypotheses on the relationship between personality traits and accountants' attitudes toward accounts manipulation can be confirmed, i.e., hypothesis H2, addressing the impact of dispositional Machiavellianism. This finding adds to the growing number of studies, confirming dispositional Machiavellianism's status as one of the personality traits most frequently found to have an impact on individuals' ethical decision-making. Nevertheless, it is difficult to overlook that, although statistically significant, effect size of the found relationship is rather small, thus indicating that dispositional Machiavellianism might not be a particularly important determinant of individuals' ethical decision-making.<sup>9</sup> It is important to note,

<sup>9</sup> We were able to find only one other study, investigating the impact of Machiavellianism on accountant's attitudes toward accounts manipulation. Findings of the Shafer and Wang's (2011) study are similar to ours, confirming that higher Machiavellianism is related to a more positive attitude toward accounts manipulation, but that this relationship is rather weak.

however, that, although this might be perfectly true, results of the study do not warrant such a conclusion. Only one scenario was tested in our study, and, consequently, generalizing its results beyond the accounts manipulation context and method utilized in the scenario would be wrong, notably because it has been previously found that individuals' attitudes toward accounts manipulation behavior are quite context and method sensitive. It is though possible that results of the study could be quite different, if a different scenario, utilizing different accounts manipulation method context, was used.<sup>10</sup>

Particularly, pro-organizational context of accounts manipulation utilized in our scenario is something that could have an important impact on the strength of accounts manipulation attitudes' relationship with dispositional Machiavellianism. Because Machiavellian individuals are frequently described as egoistic and self-centered, it can be expected or at least convincingly speculated that, in more pro-self contexts of accounts manipulation, Machiavellianism traits could prove to have a stronger impact on individuals' attitudes toward accounts manipulation than in pro-organizational contexts

<sup>10</sup> For example, it has been found in previous studies that accountants' attitudes toward accounts manipulation for the predominantly personal benefit of key actors (i.e., pro-self accounts manipulation) are much more negative than the same attitudes toward accounts manipulation, when it is done for the benefit of the organization of employment (i.e., pro-organizational accounts manipulation). Also, it has been found that individuals' attitudes are much more negative, when accounts manipulation is done by violation of accounting rules than when it is done by operational means. It is possible that such case sensitivity of individuals' attitudes toward accounts manipulation could also have an impact on the strength and direction of its relationship to observed personality traits.

such as the one in our scenario. Consequently, findings of our study cannot be generalized beyond the specific context and method utilized in our scenario; accordingly, the hypotheses can only be confirmed or rejected limited to the same specific scenario accounts manipulation context and method.

Although results for dispositional agreeableness do not confirm our hypothesis that higher agreeableness is related to more negative attitudes toward accounts manipulation and vice versa, they are nevertheless interesting. Results show that a statistically significant relationship between agreeableness and accountants' attitudes toward account manipulation does exist but is in the opposite direction than hypothesized. Higher levels of dispositional agreeableness are related to more positive attitudes toward accounts manipulation behavior and vice versa. Consequently, hypothesis H1 cannot be confirmed and is therefore rejected.

We are not aware of any previous studies investigating the relationship between dispositional agreeableness and accounts manipulation, but, with respect to ethical decision-making in general, agreeableness has frequently been found to be related to more ethical rather than ethically problematic or dubious choices. Consequently, there must be something special in our case because accountants with more agreeable personalities also hold more lenient attitudes toward accounts manipulation, and this connection is even stronger than the connection to Machiavellianism.

Again, we believe that a convincing explanation for such a behavior can be found in the pro-organizational nature of an accounts manipulation scenario utilized in our study, and also in the broader context of the widespread financial crisis the whole story was placed into. Because agreeable individuals are frequently described as those high on care, empathy, cooperation, etc., it can be speculated that pro-organizational context of accounts manipulation as well as the fact that a company is under pressure and in distress promotes an empathic response, leading one to become more agreeable toward the behavior that in different circumstance he or she would reject strongly.

It has been found previously that an individual's agreeableness is connected to one's willingness to break rules in order to help someone. This behavior has been labeled as so-called prosocial rule-breaking. It is possible that pro-social rule-breaking is also the explanation, at least in part, for more lenient accounts manipulation attitudes of agreeable accountants, observed in our study. If this is true, it can be expected that, if a more "pro-self" accounts manipulation scenario was utilized, results could be quite different and maybe even in line with what was hypothesized.

Locus of control is third and final personality trait tested in our study for its impact on accountants' attitudes toward account manipulation. No statistically significant relationship between accountants' locus of control orientation and their attitude toward accounts manipulation has been found. Consequently, hypothesis H3, hypothesizing more negative attitudes for accountants with more internal locus of control orientation and positive attitudes for accountants with more external locus of control orientation cannot be confirmed and is rejected. Again, it is important to note that such a rejection is limited only to the context and method of accounts manipulation, observed in our study. With different contexts and methods of accounts manipulation, results could also be different, as previously explained for Machiavellianism and agreeableness.

Finally, the results of our study are not only interesting from a tested hypotheses perspective but also on their own. They show a somewhat worrisome picture of, on average, quite lenient attitudes of Slovenian accountants toward this professionally clearly unethical practice. It is evident from frequency distribution of accountants' attitudes that only 26.1% of participating accountants exhibits more negative than positive attitude toward such a behavior (semantic differential response options -2 and -1), while all the others exhibit either neutral or more positive attitude (semantic differential response options 0, +1, and +2). Ideally, from a profession's point of view, the satisfactory level of acceptability should be 0. Consequently, professionally, such results cannot be evaluated differently but poorly because they show quite a low level of professional moral/ethical awareness and motivation of Slovenian business accountants. For their defense, results are not that different from the results of similar studies in other countries (e.g., Merchant, 1990; Merchant & Rockness, 1994). Still, this is something regulators and institutions of professions should observe more closely.

### **Limitations of the Study and Recommendations for Future Research**

The biggest limitation of our study is that only one scenario was utilized to test the impact of selected personality traits on accountants' attitudes toward accounts manipulation. As previously explained, the multiple scenario method is generally preferred over the single scenario, but it was the concern with the response rate that was decisive for our decision to utilize only one scenario. Consequently, findings of the study cannot be generalized beyond the accounts manipulation context and method, utilized in the scenario, because they could be significantly different if other scenarios were used. It is our recommendation for future research to test the same

hypotheses as our own with a variety of additional scenarios, utilizing different context and methods of accounts manipulation. This way, gradually a more complete account on the impact of Machiavellianism, agreeableness, and locus of control on accountants' attitudes will emerge, including the role/influence of different accounts manipulation contexts and methods.

Another important limitation of our study is that only three personality traits were tested for their impact on accounts manipulation attitudes. Many other personality traits besides the ones tested exist, which could have an impact on observed accountants' attitudes. For example, honesty/humility from the HEXACO big six personality traits model, or propensity to the feelings of guilt and shame, etc., are examples of traits that have a potential for being important determinants of individuals' attitudes toward accounts manipulation. Therefore, it is our recommendation for future research to identify additional personality traits that are potentially important for individuals' ethical decision-making and test them for their relationship with accounts manipulation attitudes.

Again, this way it can be expected that, gradually, a more comprehensive picture about the role of personality traits in accounts manipulation attitudes will emerge, assisting future researchers in devising more complex models of individuals' accounts manipulation attitudes and behavior, including models combining the effects of personological as well as situational explanatory variables.

From a methodological perspective, the use of a univariate measure to measure accountants' attitudes is also an important limitation of our study that has to be noted. A multivariate measure would no doubt add to the reliability of results, while different aspects of one's attitude could also be observed, providing deeper insights into individuals' thinking and feelings with relation to accounts manipulation. Use of multivariate multidimensional measures of attitudes such as, for example, the multidimensional ethics scale (MES) of Reidenbach and Robin (1990) is, therefore, another of our recommendations for future research because it could add significantly to the reliability as well as relevancy of its findings.

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## Appendix (accounts manipulation scenario)

The following is a short description of a company in a crisis situation and decisions made by some of its key individuals. **Please read the story carefully and evaluate appropriateness or inappropriateness of individual actions.**

**THE STORY:** A major production company has a loan arrangement with a bank, which it needs to finance its normal business operations. The current arrangement is slowly coming to an end, and it is the requirement of the bank that a certain minimum year-end profit threshold must be met before the existing contract can be renewed or a new contract negotiated. Because of a widespread crisis, the data show that the company will not be able to attain the required year-end profit, especially because many of its customers are in crisis, too, and are not settling their liabilities as they should. Consequently, at the end of the year, the company should significantly increase its reserves for bad debt, causing additional negative impact on its profit figures. *Because the bank insists on its requirements, the CEO of the company decides that the only way to retain bank financing is not to recognize reserves for bad debt in full amount but partly to postpone their recognition until after the current year annual report.*

**On the scale between both extremes (from -2 on the left to +2 on the right), mark the option closest to your opinion about the decision of the CEO. Please be as realistic and sincere as possible (imagine how it would be if you were in the same position).**

	-2	-1	0 (midpoint)	1	2	
Very unethical and immoral decision	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	In given circumstance ethically and morally justified and acceptable decision

## Author

**Robert Horvat** is a senior lecturer at the Faculty of Economics and Business at the University of Maribor. His areas of research are accounting, auditing, and ethics in accounting and auditing. His bibliography consists of multiple articles, conference papers, discussion papers, and other scientific and professional contributions. From 2016, he has been a member of The Slovenian Institute of Auditors' Accounting Standards Commission.

# Vpliv izbranih osebnostnih lastnosti na odnos slovenskih računovodij do prikrojevanja računovodskih podatkov in informacij

## Izveček

V raziskavi smo preizkusili vpliv treh izbranih osebnostnih lastnosti na odnos slovenskih računovodij do prikrojevanja računovodskih podatkov in informacij. Glavni namen raziskave je bil ugotoviti, ali ima osebnost kakorkoli pomemben vpliv na to, kako slovenski računovodje zaznavajo to poklicno in tudi sicer etično problematično poslovno prakso. V raziskavi je sodelovalo 310 vodij računovodstva slovenskih srednje velikih in velikih podjetij, katerih odgovori so bili zbrani s pomočjo elektronske ankete. Obstoj morebitnih povezav med osebnostnimi lastnostmi in odnosom do prikrojevanja računovodskih podatkov in informacij smo preverili s korelacijsko in regresijsko analizo. Samo dve od opazovanih osebnostnih lastnosti (makiavelizem in sprejemljivost) sta pokazali statistično značilno povezanost s proučevanim odnosom, medtem ko pri tretji (mesto nadzora) takšne povezanosti nismo ugotovili. Tako za makiavelizem kot tudi sprejemljivost je smer povezave enaka. In sicer sta močnejši makiavelizem in sprejemljivost povezana z bolj pozitivnim (sprejemljivim) odnosom do tovrstnega početja, šibkejši makiavelizem in sprejemljivost pa z bolj negativnim (odklonilnim).

**Ključne besede:** prikrojevanje računovodskih podatkov in informacij, prirejanje poslovnega izida, osebnost

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# Corporate Governance and Corporate Social Responsibility Synergies: A Systemic Approach

**Jelena Nikolić\***

University of Kragujevac, Faculty of Economics, Serbia  
jnikolic@kg.ac.rs

**Dejana Zlatanović**

University of Kragujevac, Faculty of Economics, Serbia  
dejanaz@kg.ac.rs

## Abstract

Respecting the importance of corporate governance (CG), particularly various corporate governance mechanisms for improving corporate social responsibility (CSR) activities, the paper highlights relevant CG–CSR synergies from the perspective of systems thinking. The paper further aims to demonstrate the ways in which selected systems methodologies can support CG–CSR synergies. Accordingly, we selected appropriate systems methodologies, such as dialectical systems theory, soft systems methodology, and system dynamics. We defined the dialectical system, consisting of essential corporate governance mechanisms, which contribute to CSR; we also identified the key stakeholders and their perceptions of CG–CSR relations through CATWOE analysis; thus, the appropriate root definition and conceptual model, including the activities that are relevant for CG–CSR relations, were developed. Developed systemic framework provided a relevant methodological support to highlight the various issues of corporate governance, such as institutional framework, market for corporate control, ownership structure, board structure, and their contribution to CSR.

**Keywords:** corporate governance, corporate social responsibility, CG–CSR synergies, systemic approach, combined use of selected systems methodologies

## Introduction

In contemporary theory and practice, both corporate governance (CG) and corporate social responsibility (CSR) present relevant research areas that produce many dilemmas and disagreements. We begin by shedding light on the core concepts of CG and CSR from different theoretical perspectives. Most review studies tackled either CG (e.g., Jensen & Meckling, 1976; Fama & Jensen, 1983; La Porta et al., 1999; Daily et al., 2003; Yoshikawa & Rasheed, 2009; Aguilera et al., 2008; Aguilera et al., 2015), or CSR (e.g., Windsor, 2006; Maon et al., 2008; Devinney, 2009; Aguinis & Glavas, 2012; Mulej et al., 2013a, b), yet few are focused at the CG and CSR nexus or interface (e.g., Aguilera et al., 2006; Neubaum & Zahra, 2006; Sjöström, 2008; Jamali et al., 2008; Ioannou & Serafeim, 2012; Dam &

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\* Corresponding author.

Scholtens, 2013; Zhang et al., 2013; Fernandez-Feijoo et al., 2014; Jain & Jamali, 2016). Moreover, only a few studies are dedicated to comprehensive results, which can confirm the positive/negative impact of corporate governance mechanisms on corporate social responsibility (CSR). Particularly, there are no papers dealing with relations between corporate governance and corporate social responsibility in the conceptual framework of systems thinking, i.e., in conceptual framework of selected systems methodologies (to the best of the authors' knowledge, no such research has yet been conducted), such as dialectical systems theory, soft systems methodology, and system dynamics. It is a research gap, which this paper aims to overcome.

This paper deals with the synergies between corporate governance and corporate social responsibility in the conceptual framework of systems thinking. In fact, the links of corporate governance and corporate social responsibility are researched and presented by using the tools of the selected systems methodologies, i.e., dialectical systems theory, soft systems methodology, and system dynamics. The aim is to find an answer to the question of how systems methodologies can help in identifying and studying the relations between corporate governance and corporate social responsibility.

Accordingly, the paper is structured as follows. First, a literature review concerning the essentials of effective corporate governance and corporate social responsibility is presented. Thus, starting from agency problems, the key corporate governance mechanisms and theories are introduced. In addition, the relevant features and definitions of CSR are specified. Accordingly, the links between corporate governance and CSR are identified. Taking into account the identified links between CG and CSR, appropriate systems methodologies are selected to support the synergies between corporate governance mechanisms and CSR.

## Literature Review

### Corporate Governance

Beginning with agency theory, company development created the need for the transfer of management rights from owners to managers and led to a growing interest of researchers to deal with agency relationships between owners as principals and managers as agents. Shareholders have exclusive control over shares but waive their company management right. This right is transferred to company managers, leading to the creation of a specific relationship between owners, who have the role of principals, and managers, who become their agents (Nikolić & Babić,

2016). The principal–agent relationship can be seen as an advantage as well as a disadvantage. If managers have the necessary knowledge and skills to manage a company efficiently, owners benefit. However, under domination of managerial opportunism, owners suffer losses caused by poor management, so owners need to find effective mechanisms to monitor and control managers.

Accordingly, separation of ownership and control causes problems with manager monitoring and control. In fact, ownership dispersion reduces the power of shareholders to monitor and control managers because a small stake has a negative impact on the motivation and ability of individual owners to bear the costs of monitoring (Monks & Minow, 2002, p. 92). The analyzed problem of ownership dispersion, defined as strengthening of managers' (agents') power in relation to owners (principals), can be solved by applying different corporate governance mechanisms. First, the lack of owners' control can be compensated by an active market for corporate control through mergers and acquisitions, which play a key role in disciplining managers (Savović, 2012). Second, in terms of the underdeveloped market for corporate control, ownership concentration is applied as a mechanism to control managers. The role of majority shareholders is to actively control managers and mitigate the free-rider problem (Crespi & Renneboog, 2010). Third, effective independent board control prevents managerial opportunism, i.e., the key board role is control of managerial decisions (Babić et al., 2011). Fourth, the institutional matrix, which comprises formal institutions, such as the laws and regulations, provides a flow of information and creates a framework within which investors can monitor the managers with relatively low transaction costs (La Porta et al., 1999). Additionally, informal institutions, such as socially valued beliefs and norms, particularly in terms of underdeveloped formal institutions, can contribute to mitigating the agency problem (Babić, 2010).

Although the primary focus is on the board and ownership concentration as internal corporate governance mechanisms, a holistic view of CG needs to also consider the external governance mechanisms, including mergers and acquisitions as well as the legal system. Bearing in mind that the legal system as the external corporate governance mechanism ensures the protection of investor rights and implementation of regulations, the market for corporate control becomes essential in case of large-scale failure of internal control mechanisms (Jamali et al., 2008).

The stakeholder theory calls for a redefinition of the agency concept "by replacing the state that managers have a duty to stockholders with the concept that managers bear a fiduciary relationship to stakeholders" (Bichta, 2016, p. 17). Its creators develop the idea that the company should not be

seen only as a mechanism to satisfy the interests of owners but of all relevant stakeholders that influence company growth and development. The main task of a manager is to manage a company in a way that allows for the integration of interests of shareholders, employees, customers, suppliers, community, and other groups to ensure long-term success of the company (Tricker, 2009, pp. 229–230). In fact, responsibilities of managers are extended and include not only a duty to protect the interests of owners but the interests of all stakeholders (Freeman, 1999). Establishing effective relations with all stakeholders is more important than simple participation in decision-making and control of managers.

In summary, from the stakeholder point of view, corporate governance deals with issues arising from complex interactions among the board, managers, owners, and other stakeholders. In this regard, the focus is on the social aspect of corporate governance, which refers to the capacity of corporate governance to respond to the interests of different stakeholders, through corporate governance mechanisms (Sanchez et al., 2011). Respecting the above, the resulting thesis reads: Relations in corporate governance can be improved with corporate social responsibility.

### Corporate Social Responsibility

Based on stakeholder theory, corporate social responsibility (CSR) is an important determinant of company success. The current definition of CSR, “postulates the engagement of a firm with stakeholders rather than shareholders alone,” is derived from the stakeholder model. This means that the CSR concept is an alternative to the traditional (agency) view of corporate governance meanings (Bichta, 2016, p. 8). The perceived unethical or socially irresponsible corporate practices can reduce reputation, increase costs, and reduce shareholder value. By contrast, corporate social responsibility can bring significant benefits through the development of positive attitudes toward a company, as well as by creating competitive advantages (Maon et al., 2008). Consequently, more and more companies develop strategic corporate responsibility plans and implement socially responsible initiatives. However, issues related to CSR concerning internal and external stakeholders are often different and conflicting, which increases complexity of the process of identifying relevant social issues and priorities. Accordingly, there are various definitions of CSR (e.g., Mulej et al., 2013a, b; Lebe & Mulej, 2014). Generally, “CSR concerns companies’ actions beyond their legal obligations towards society and environment” (Ženko et al., 2013).

A large number of theorists also see CSR as comprising two dimensions: internal and external. Within the internal dimension, companies review their internal priorities and harmonize

due diligence with their responsibility to internal stakeholders, covering issues concerning skills and education, workplace safety, working conditions, human rights, equity, equal opportunities, health and safety, and labor rights. The external dimension of social responsibility applies to all external stakeholders and often to the wider regional and even global environment. In the other words, the key element of the external accountability is associated with responsible behavior toward the environment (Stojanović-Aleksić et al., 2016). ISO 26000 – Guideliness for Social Responsibility (ISO, 2010) replaces the concept of corporate social responsibility (CSR) with the concept of social responsibility. This change indicates a shift from corporate social responsibility to the responsibility of all organizations – profit and nonprofit, small, medium, and large – toward stakeholders and the environment (Zlatanović & Mulej, 2015).

Taking into account different approaches to defining CSR, academic and professional communities have long been engaged in discussions about the importance of corporate social responsibility. The basic dilemma is reflected in the search for an answer to the question of whether CSR activities should be seen as a cost or as investment (Devinney, 2009). That dilemma is based on Fiedman’s position that the only responsibility of companies is reflected in the creation of profit, as opposed to investment in general social interest when a company spends “other people’s money,” i.e., money of shareholders, customers, and employees. However, the view that corporations must not spend “other people’s money” would make sense if investment in corporate social responsibility was viewed as an expense. However, a company can make a profit by investing in various forms of social responsibility, referring to the increase of intangible assets, building goodwill through brand strengthening, and improving business image. Therefore, we can conclude that corporate governance plays an important role in improving CSR.

Although definitions and understanding of CSR vary, there are certain common characteristics. One of the most important common characteristics is the understanding of CSR as a holistic approach to company operations. The common characteristic is the view of CSR as company activities aimed at stakeholders but also linking CSR to sustainable development. Thus, despite different positions on CSR, the concept of CSR is cohesive, i.e., described as

- A holistic approach to the functioning of the company, with a focus on stakeholders and the environment;
- A concept that affects the overall functioning of the company; and
- The prerequisite of sustainable development.

This prevents short-term company gains at its own expense in a longer term and of the society, facing a variety of modern challenges (climate change, poverty, unemployment, etc.).

From the above discussion, one can conclude that corporate social responsibility is a new stakeholder approach, which is opposed to the traditional view of promoting the exclusive interests of shareholders. Thus, the thesis is confirmed and deserves detailed elaboration of the links between the corporate governance (CG) and (corporate) social responsibility (CSR).

### Links Between CG and CSR

Starting from the stakeholder theory, a necessary precondition of improving corporate performance is governing a company in a responsible manner, i.e., respecting the interests of society as a whole. In line with the above-mentioned, corporate governance mechanisms can influence corporate social responsibility and vice versa, which is why it is important to investigate the links between them. The impact of institutional framework, as an external corporate governance mechanism, on CSR, can be seen through the influence of formal and informal institutions on CSR. The nature of the legal and political systems predicts that regulations could promote shareholder protection versus stakeholder orientation (Jain & Jamali, 2016). In line with formal institutions, informal institutions also have significant influence on the shaping of corporate governance, primarily through differentiation of countries based on power distance and culture (individualist versus collectivist). Starting from the differences between corporate governance models, we can conclude that the countries that apply the Anglo-Saxon model are characterized by individualistic culture, while Europe, as a representative of the continental model, is characterized by a collectivist culture (Tricker, 2009, pp. 184-187). It further implies that countries with a collectivistic culture emphasize greater involvement of stakeholders, i.e., they are more focused on CSR activities.

The market for corporate control, as an external corporate governance mechanism, is developed in the USA and the United Kingdom, which apply the Anglo-Saxon model of corporate governance. In countries applying the continental model, takeover processes are rare (Babić & Nikolić, 2016). Despite a general agreement on M&A activities increasing the wealth of target company shareholders due to high premiums paid, empirical research shows that acquiring companies do not obtain higher post-acquisition financial profitability (Savović, 2012). Not only is morality of M&A activities based on their effect on company stock price, it's also based on their influence on all stakeholders.

In addition to the above-mentioned external mechanisms, the formation of the CG–CSR relationship is under the impact of ownership structure, as an internal corporate governance mechanism. The ownership structure is the most important

corporate governance mechanism for countries applying the continental model because the majority owners control the managers. The results of empirical studies largely confirm the influence of ownership structure on key strategic decision-making (Nikolić & Babić, 2016) as well as the use of the voting rights when decisions are made in regard to socially responsible investment (Aguilera et al., 2006; Dam & Scholtens, 2012).

This position is based on the fact that owners can be motivated or not motivated to encourage investment in socially responsible activities for various moral or economic reasons, which is in line with the dilemma of whether CSR is seen as a cost or investment. If owners observe socially responsible activities as an investment that contributes to the achievement of certain benefits for a company, they will encourage management to make decisions that stimulate CSR activities and vice versa. As different owners may have different motives and awareness of the CSR importance, ownership structure plays an important role in shaping CSR. From the stakeholder perspective, concentrated ownership encourages investment in socially responsible activities because it is believed that this promotes long-term value of a company (Harjoto & Jo, 2011). Furthermore, given the fact that majority owners in the long run can achieve tangible and intangible benefits from investing in CSR, concentration should have a positive impact on the development of CSR.

Pursuant the assumption that owners have different awareness of the importance of CSR, due to their different motives and interests, numerous studies analyze the impact of the following owner types on CSR: institutional ownership, family ownership, and state ownership. Based on Jain and Jamali (2016), one can conclude that the results are often heterogeneous. Institutional shareholders can have long- or short-term investment perspectives and possess both the incentives and the power to control corporate decision-making (Shleifer & Vishny, 1997). This means that institutional owners, depending on whether they have a long- or short-term orientation, see CSR investment in different ways. In fact, institutional investors with long-term orientation generally encourage CSR investment.

Family ownership has not been sufficiently studied in terms of its impact on CSR, although this type of ownership is significant for several reasons. Family-owned companies usually retain ownership for a long time, actively monitor managers, and play an active role in making strategic decisions. However, bearing in mind that the family as owner does not want to lose control by attracting capital from the financial market, family-owned companies may have aversion to risk. Besides, family owners' interest for increasing family wealth is fueled not only by financial but also social and emotional reasons (Jain & Jamali, 2016).



Although some studies show a negative impact of family ownership on CSR (Rees & Rodionova, 2015), we argue that it is predominately positive.

If the state is a majority owner, company objectives are often colored by political and social objectives, such as low product prices or rise in employment. In fact, stimulation of nonprofit behavior is a key feature of state ownership because state-owned companies are expected to achieve low performance in terms of conventional performance measures. On the other hand, the state has significant resources, which may bring benefits to state-owned companies in respect to lending, liquidity, or costs of capital. Despite the mixed empirical results regarding the influence of state ownership on CSR (Huang, 2010; Zhang et al., 2010; Chang et al., 2015), we can presuppose that firms with higher proportion of state ownership have a positive impact on CSR.

In addition to the analysis of ownership structure, a large number of studies focus on influence of the board of directors, as a complementary internal corporate governance mechanism, on CSR. In accordance with the corporate governance model, the board may be one-tier or unitary (Anglo-Saxon model) or two-tier (continental model). Those board models vary in their shareholder/stakeholder representation and formal structure. In line with shareholder/stakeholder representation, one-tier boards represent shareholder interests by maintaining independent oversight, while two-tier boards mostly represent stakeholder interests by having stakeholder oversight (Block & Gerstner, 2016, p. 44).

Regarding the formal board structure, board effectiveness is contingent on board composition, CEO duality, and board size (Babić et al., 2011; 2013). Although agency theory states that an independent board structure helps protect owners' interests with a negative impact on CSR (Arora & Dharwadkar, 2011), a large number of studies confirm the positive impact on CSR due to strict control of management decisions by an independent board (e.g., Huang, 2010; Mallin et al., 2013; Zhang et al., 2013). Based on the agency theory, chairman and CEO roles should be separated. Nevertheless, CEO duality makes sense in business because the CEO is familiar with the way the company runs (Babić et al., 2013). According to the view that dual board leadership structures can improve social capital and stakeholder representation within boards, we can assume that it positively influences CSR. Board size is another issue on which no apparent consensus has yet been reached. Its size tends to relate to company size. Optimal board size may vary according to a board's life-cycle stage, its mission, fundraising needs, and whether it is a national or a local board. According to the agency theory, the number of board members indicates CEO domination as well as capacity to co-opt external influences (Larcker & Tayan, 2011, p. 155). Therefore, in line with stakeholder theory, large boards can encourage CSR investment.

In accordance with the above, one can conclude that, in a "shareholder-based corporate governance model or Anglo-Saxon model, directors and managers' fiduciary obligations run the company and its shareholders only, as in the United States and the United Kingdom. In contrast, the stakeholder or continental model of corporate governance, such as in continental Europe, requires a more comprehensive perspective on whose well-being matters and, therefore, how to manage the firm" (Devinney et al., 2013, p. 413). Consequently, we consider the continental model as being more suitable to support CSR activities.

### Selected Systems Methodologies To Support CG–CSR Synergies

Various holistic tools can also support socially responsible behavior (e.g., Mulej et al., 2013; 2015; Lebe & Mulej, 2014; Zlatanović & Mulej, 2015). Because the growing complexity of social issues causes interconnectedness of stakeholders, in such a highly interdependent environment, companies face problem situations, i.e., complex, interactive, dynamic, and ambiguous systems of problems. It further implies a need for systems thinking in decision-making and acting.

In order to deal with CG–CSR synergies, we selected Dialectical Systems Theory (DST) (Mulej, 1974; Mulej, 2000), soft systems methodology (SSM) and Systems Dynamic (SD) as relevant holistic tools and presented their potential combined use. As a soft systems approach based on its law of requisite holism, DST enabled us to define a network of all essential viewpoints or factors concerning CG–CSR synergies. We selected the corporate governance mechanisms based on an appropriate corporate governance model that affects CSR activities. It is a dialectical system consisting of the following corporate governance mechanisms: institutional framework and market for corporate control as essential external mechanisms as well as ownership concentration and board of directors as essential internal mechanisms. In line with the specified dialectical system, SSM (Checkland, 1981) will be helpful in defining the context, i.e., in identifying the key stakeholders and their perceptions of CG–CSR relations. In this sense, the following CATWOE analysis can be useful.

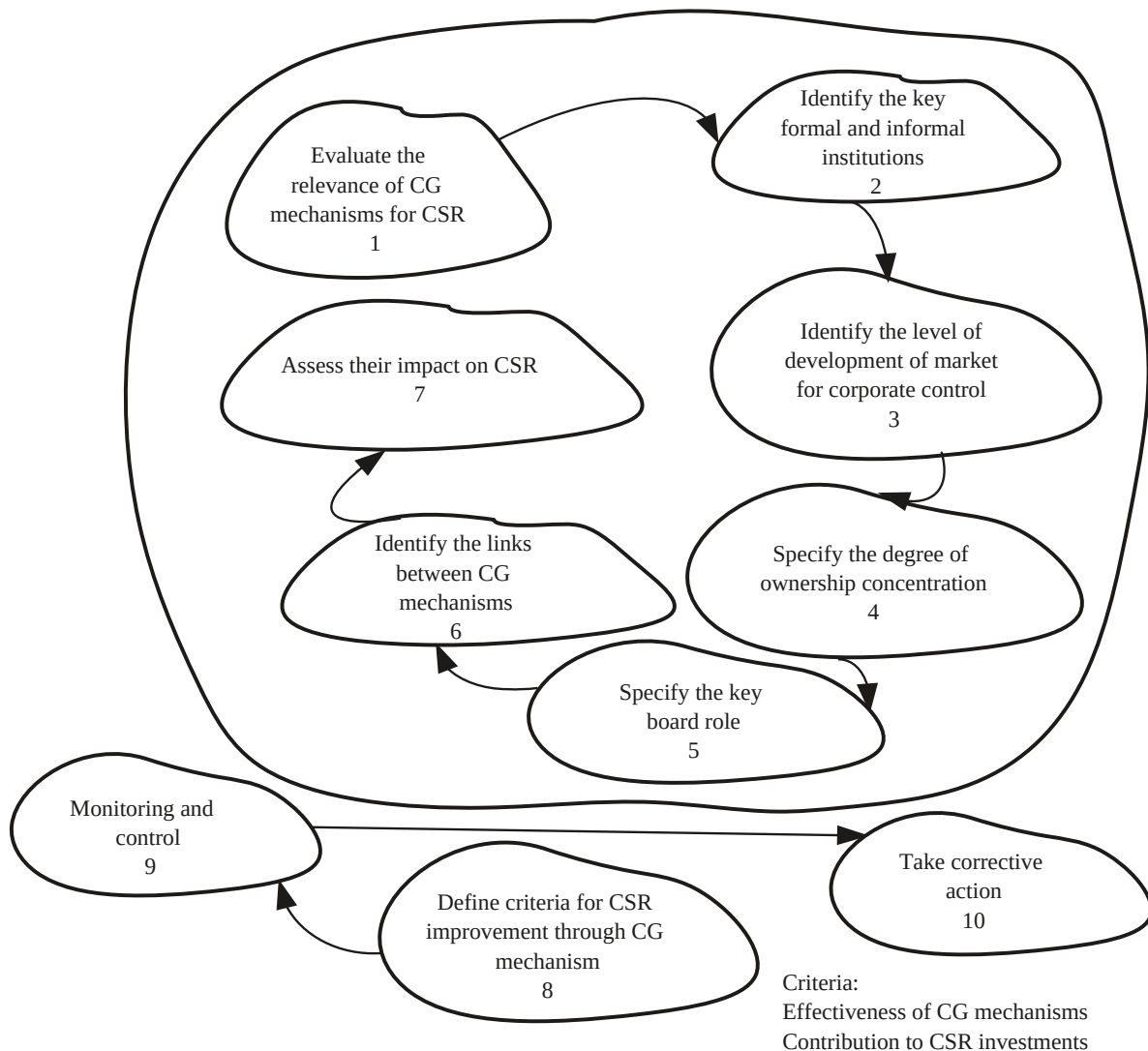
- **C** (*Customers* - those who have benefits from purposeful activity, i.e., from CSR activities caused by appropriate corporate governance mechanisms): national economy/society as a whole;
- **A** (*Actors* - those who would implement the CSR activity): socially responsible corporations and/via their influential members;
- **T** (*Transformation process* - purposeful activity, i.e., transformation of input to output): corporate governance model à external/internal mechanisms à CSR activities;

- **W** (*Weltanschauung* – worldview that makes the purposeful activity meaningful in the selected context): effective corporate governance mechanisms contributing to CSR activities result in improving the corporate performance and welfare;
- **O** (*Ownership* - those who could stop the purposeful activity): relevant internal and external stakeholders;
- **E** (*Environmental constraints* - elements outside the system taken as given): undeveloped institutional framework which implies legal framework, codes and principles of corporate governance, as well as informal institutions.

Based on identified essential factors and CATWOE analysis, we can define the following root definitions as another tool of SSM. **Relevant system** is a system based on effective corporate governance mechanisms, which includes institutional framework and market for corporate control as essential

external mechanisms as well as ownership concentration and board of directors as essential internal mechanisms, enhancing CSR activities, which results in protection of stakeholders’ interests and thus social well-being. According to root definition, the appropriate conceptual model is presented in Figure 1. However, respecting the fact that the aim is to examine the interdependence between corporate governance mechanisms, as well as the links between these mechanisms and CSR, the causal loop diagrams as the relevant tools of SD are used to determine their interconnections. In fact, based on the theory of information feedback and control, system dynamics is focused on “the problems that can be modeled as systems, essentially made of different elements and flows, i.e., the relations that create a feedback loop and are represented as continual processes” (Zlatanović, 2012). As a relevant functionalist systems approach, SD is based on the assumption that system’s behavior is preliminary caused by its structure. SD uses different types of diagrams in

Figure 1. Conceptual Model



Source: Authors, adapted from Zlatanović, 2015

representing feedback structures, e.g., causal loop diagrams, stock and flow diagrams, structure diagrams, and policy structure diagrams (Lane, 2008).

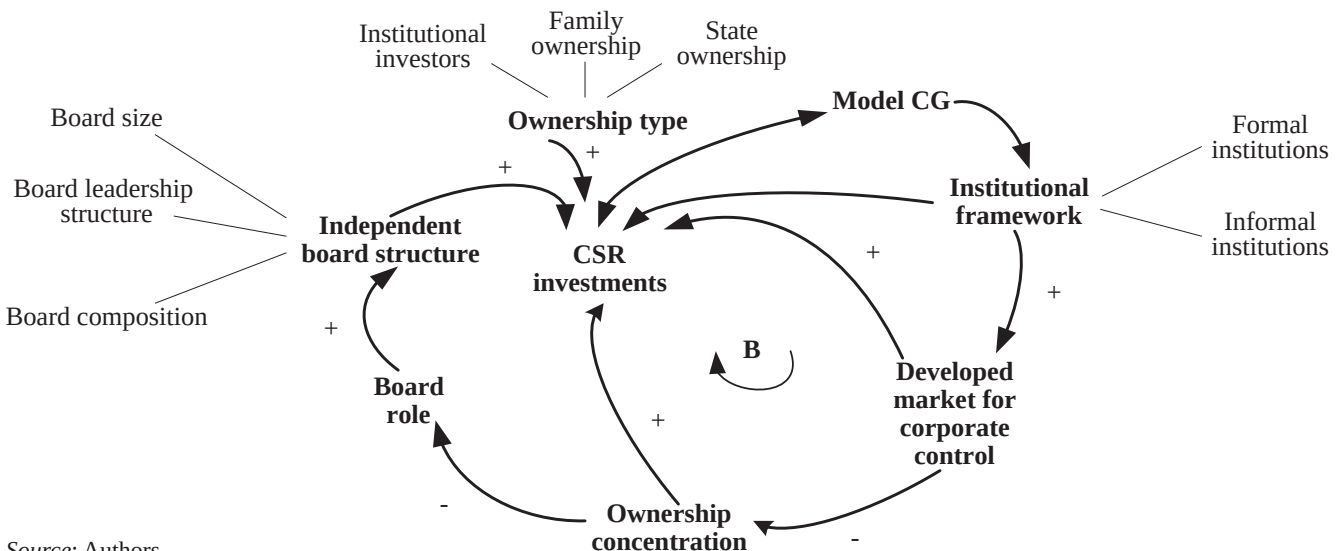
We choose to use causal loop diagrams (CLD), which show the orientation of feedback, as well as the key elements, i.e., variables, and their mutual interaction. Variables are connected by causal links, represented by adequate arrows. Relations that produce change in the same direction (rising or falling) are marked with a positive sign in the causal loop diagram. The positive feedback link means that “if the cause increases, the effect also increases above what it would otherwise have been. Also, if the cause decreases, the effect decreases below what it would otherwise have been. Opposite to that, the negative feedback link means that if the cause increases, the effect decreases below what it would otherwise have been; and if the cause decreases, the effect increases above what it would otherwise have been” (Sterman, 2000, 139; after Zlatanović, 2012). The aim of diagramming the presentation of identified CG–CSR synergies is to communicate the key features of SD model in order to “explain why different behaviour modes arise and why certain policy levers are effective” (Lane, 2008). This provides greater availability and understanding of the users because representing the causal assumptions through equations as well as complex softwares’ simulation of behavior are available and understandable only for a minority, i.e., for experts. Respecting all of the above-mentioned, we chose to present CG–CSR synergies by the following feedback structure, i.e., the causal loop diagram in Figure 2, without developing a mathematical model, which can arise from this diagram.

This diagram can be useful in predicting future behavior, i.e., CSR investments driven by different corporate governance

models and mechanisms. The diagram is based on the above-mentioned analysis of CG–CSR links. These links can be considered as follows. Above all, effectiveness of corporate governance mechanisms as well as their interdependence is determined by the given corporate governance model. Accordingly, one can see certain interdependence between corporate governance mechanisms, which can be correlated with the increase/decrease in CSR activities. For countries applying the continental model, informal institutions grow stronger and encourage ownership concentration. Furthermore, the noted interdependence of the market for corporate control and ownership concentration encourages investment in CSR, which is in line with the dilemma of whether CSR is seen as a cost or investment. The majority owners observe socially responsible activities as an investment that contributes to the achievement of certain benefits for the company given their long-term orientation, so they stimulate management to make decisions that encourage CSR activities and vice versa. Impact of ownership concentration on CSR should not be viewed in isolation but include the ownership type. From the viewpoint of CSR, there are the following relations: institutional investors with long-term orientation generally motivate CSR investment, while the impact of family ownership and state ownership on CSR is mixed but mostly positive.

Given that the interdependence of mechanisms not only relates to the link between internal and external mechanisms, it also relates within internal mechanisms. Figure 2 illustrates the link between ownership concentration and the board of directors as complementary internal mechanisms. In fact, when there is a strong ownership concentration, the majority owners have a dominant influence on key strategic decision-making, which reduces the need for a board’s control. Furthermore, board involvement in the process

**Figure 2.** Feedback Structure Representing the CG–CSR Synergies



Source: Authors

of strategic decision-making decreases if ownership concentration increases. In addition, board contribution to the strengthening of CSR activities depends on its structure. Moreover, one can observe a significant link between board structure and CSR activities, i.e., independent composition has a positive impact on CSR due to objective control of manager decisions by an independent board. In line with stakeholder theory, the dual board leadership structures positively influence CSR in the same way, as large boards can improve CSR activities.

In regard to the above, Figure 2 shows the following potential mutual influence of corporate governance mechanisms as well as their influence on CSR. First, the link between institutional framework and market for corporate control is marked as positive, i.e., strengthening the formal institutions encourages development of a market for corporate control, while the link between a developed market for corporate control and ownership concentration is marked as negative, i.e., developed market for corporate control decreases the need for ownership concentration as a control mechanism. Also, the link between board role and ownership concentration is presented as negative because the ownership concentration reduces the need for control board role. Furthermore, the links between some corporate governance mechanisms and CSR are marked as positive; these links include market for corporate control and CSR (because a developed market for corporate control stimulates CSR investments), ownership concentration and CSR (because the majority owners have a dominant influence on strategic decisions concerning CSR), ownership type and CSR (because some ownership types, such as institutional investors with long-term orientation, family ownership, and state ownership stimulate CSR), board through independent structure and CSR (respecting the above-mentioned relations between structural variables and CSR). Taking into account that this feedback structure consists of positive and negative links, the loop polarity is marked as negative, i.e., as balancing.

## Conclusions and Future Directions

Researching of corporate governance is related to the problem of separation of ownership from control and the emergence of managerial opportunism. The purpose of corporate governance mechanisms is to reduce agency costs and to align the interests of owners and managers through the effective mechanisms to control the managers.

Despite the fact that corporate governance often focuses too narrowly on board effectiveness as the key internal mechanism, in order to examine the links between corporate governance and CSR, based on the stakeholder theory, it is necessary to consider much broader issues of corporate governance. Consequently, we highlighted the relevance of institutional framework and market for corporate control as external corporate governance mechanisms as well as ownership structure as a complementary internal mechanism contributing to CSR. In addition, starting from the significance of a systems approach to CSR, we developed an appropriate systemic framework that involves combining the tools of the selected systems methodologies to support researching the synergies between corporate governance and CSR. In this way, we demonstrated the ways in which these methodologies can help to identify and study the relations between corporate governance and corporate social responsibility.

According to the above findings, the contribution of the research here is reflected in introducing a new synergetic systemic approach to corporate governance and CSR. Moreover, research on the interdependence of corporate governance mechanisms and their impact on CSR, which is closely linked to the application of certain corporate governance models, is presented in the conceptual framework of selected systems methodologies. However, the paper does not address the issues concerned with different aspects or dimensions of CSR (e.g., internal and external dimension). Consequently, the impact of corporate governance mechanisms on these various dimensions of CSR, to the best of our knowledge, has not been researched. Also, the presented systemic framework for reinforcing the synergies between corporate governance and CSR focuses on some aspects of CSR and CG interdependence, while some aspects are not taken into account (e.g., the issues related to stakeholders' power). Therefore, the selected systems methodologies need support from, e.g., critical systems heuristics, as representative of emancipatory systems thinking.

These limitations present the guidelines for future research. On that note, it would be helpful to explore the influence of corporate governance mechanisms on various CSR areas. The presented research can be a basis for creating an appropriate questionnaire, which could be distributed to companies in order to examine the real state of CSR activities (e.g., see Zlatanović, 2015). The above-mentioned systems methodologies can be useful in further studies dealing with the improvement of various areas of CSR through corporate governance mechanisms.

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## Authors

**Jelena Nikolić** is an assistant professor on the following subjects: introduction to management, decision making theory, and corporate governance at the Faculty of Economics, University of Kragujevac, Republic of Serbia. She received her PhD from the University of Kragujevac, Faculty of Economics. Her research focus is on strategic decision-making, corporate governance, and corporate entrepreneurship. She is author/co-author of numerous scientific papers and monographs chapters.

**Dejana Zlatanović** is an assistant professor, teaching the subjects of management science and economic cybernetics at the University of Kragujevac, Faculty of Economics, Republic of Serbia, where she received her PhD degree. Her research interest is focused on systems thinking and its application in business economics, i.e., systems methodologies for problem situations, structuring, innovation management, and corporate social responsibility. She is author/co-author of numerous scientific papers and monographs chapters.

# Sinergije korporativnega upravljanja in družbene odgovornosti podjetij: sistemski pristop

## Izvleček

Upošteva pomen korporativnega upravljanja, zlasti različnih mehanizmov le-tega za izboljšanje dejavnosti družbene odgovornosti podjetij, so v članku izpostavljene relevantne sinergije korporativnega upravljanja in družbene odgovornosti podjetij z vidika sistemskega razmišljanja. Namen prispevka je prikazati načine, kako lahko izbrane sistemske metodologije podpirajo te sinergije.

V skladu s tem smo izbrali ustrezne sistemske metodologije, kot so dialektična teorija sistemov, mehkosistemska metodologija in sistemska dinamika. Opredelili smo dialektični sistem, ki ga sestavljajo bistveni mehanizmi korporativnega upravljanja, ki prispevajo k družbeni odgovornosti podjetij; opredelili smo ključne deležnike in njihovo dožemanje odnosov korporativnega upravljanja in družbene odgovornosti podjetij s pomočjo analize CATWOE; tako smo razvili osnovno definicijo in konceptualni model, ki vključuje dejavnosti, relevantne za odnose korporativnega upravljanja in družbene odgovornosti podjetij. Razvit sistemski okvir je zagotovil ustrezno metodološko podporo za poudarjanje različnih vprašanj korporativnega upravljanja, kot so institucionalni okvir, trg za obvladovanje podjetij, lastniška struktura, struktura upravnega odbora in njihov prispevek k družbeni odgovornosti podjetij.

**Ključne besede:** korporativno upravljanje, družbena odgovornost podjetij, sinergije korporativnega upravljanja in družbene odgovornosti podjetij, sistemski pristop, kombinirana uporaba izbranih sistemskih metodologij

# Professional Languages Alone Do Not Suffice for Successful and Socially Responsible Internal Communication between Different Cultures

## Darja Kukovec

PhD student at the University of Maribor, Faculty of Economics and Business, Slovenia

darja.kukovec@student.um.si

## Matjaž Mulej

University of Maribor, Faculty of Economics and Business, Slovenia

matjaz.mulej@um.si

## Simona Šarotar Žižek

University of Maribor, Faculty of Economics and Business, Slovenia

simona.sarotar-zizek@um.si

## Abstract

Successful internal communication in an intercultural environment depends on the organizational culture, business environment, social responsibility, and leaders' skills. Thus, internal communication and employee adaptation to changing business environments ask what a successful socially responsible internal communication requires. This contribution discusses theoretical foundations of qualitative research, how the organizational culture can define which direction the organization should choose to attain social responsibility, and how internal communication can improve understanding of professional language and be decisive in a working environment. The generated model offers insights into understanding social responsibility and organizational culture to improve internal communication.

**Keywords:** organizational culture, social responsibility, communication, internal communication, business languages.

## Introduction

Leading a successful organization is difficult. Employees are their organization's living workforce; their adaptation to new business environments crucially has an impact on business success. This proposes the question of whether knowledge of professional languages is enough for successful internal communication of different cultures, along with other questions, such as how much the knowledge of organizational culture matters in an organization for internal communication. One must understand how organizational communication matches social responsibility, too.

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In order to address the challenge of successful and socially responsible internal communication in different business environments, the authors structured this article into several chapters. The methodology of the research is presented in Chapters 2, 3, 4, and 5, in which the authors examine the theoretical foundations of organizational social responsibilities, organizational culture, and internal communication. The authors further search for interaction between theoretical foundations to better understand successful internal communication and indicate that simply understanding that knowledge of professional languages for successful internal communication may not be enough. The authors of this article ask two main questions: 1) Do business environment, social responsibility, and organizational culture affect successful internal communication? 2) Is business language enough for successful internal communication? Hence, the authors present two important hypotheses:

H1: Business environment, social responsibility, and organizational culture affect the success of internal communication.

H2: Business languages only partially suffice for success of internal communication.

For their theoretical research, the authors used scientific description, which helped them to define theoretical starting points on organizational culture, internal communication, social responsibility, and professional languages. The authors also used the comparison method. Thus, the authors explored and compared different theoretical starting points and facts. The methods of deduction and induction have a significant influence on the research, which helped the authors reach important conclusions. At the end of this paper, the authors define the practical purpose of their research.

## Methodology

The authors begin with a literature review on the findings of Slovene and global foreign authors on the organizational culture, internal communication, social responsibility regarding the leadership skills, and role of business languages.

Researchers' "biases" also belong to the majority limitations of this article, including the authors' relationship to the problem under research. The authors explain their reasons for researching it, i.e., to increase their credibility. It is important to select a dialectical system of perspectives on the same topic (Mulej, 1979).

To match the selected limits, the authors used the following keywords: social responsibility, organizational culture, organizational culture analysis, internal communication, and business languages for the databases Google Scholar,

Cobbi.si, and Scopus. The authors found in Google Scholar 31 sources linking corporate social responsibilities and organizational culture; in Cobbi.si, 22 sources; in Scopus, nine source. Links between corporate social responsibilities and internal communication were found in Google Scholar in over 200 sources; in Cobbi.si, 12 sources; in Scopus, one source, only two works on the authors' topic were found similar, which proved beneficial for this work. The first used article researched coherence between organizational culture and changes in corporate social responsibility in an economic downturn (Jaakson et al., 2012); the second described a variety of perspectives on corporate social responsibility (McWilliams et al., 2006). Jaakson et al. (2012) explored manifesting of different types of organizational culture in certain corporate social responsibility activities to uncover how the presence of certain types induces changes in social responsibility caused by drastic shifts in the economic environment. McWilliams et al. (2006) offer a good indicator of a variety of perspectives on corporate social responsibility, which were used to develop a framework for consideration of the strategic implications of corporate social responsibility.

The method used, i.e., single case study, serves as an exploratory study.

## Corporate Social Responsibility

In its globally official (and sense-making) definition (in ISO 26000), the social responsibility means one's responsibility for one's influences over society, i.e., humans and nature, reaching beyond and including legal obligations (ISO, 2010). Social responsibility belongs to human attributes expressed with seven principles in ISO 26000, i.e., accountability; transparency; ethical behavior; respect for stakeholders; respect for rule of law; respect for international norms; respect for human rights; crucial are two concepts from systems theory: interdependence and holistic approach (ISO, 2010). Thus, social responsibility should replace, in a nontechnological innovation process, the current abuse of the government and market by the most influential persons via neoliberalism. This will require innovation of values, culture, ethics, and norms and can hardly result from activities of humans with no (positive) mental toughness (e.g., Potočnik, 2016; Zupančič, 2016; Cunk, 2016; Felber, 2012; Štrukelj, Boršič, 2014; Štrukelj, 2015; Rašič, 2015; Schwab, 2016; Gostiša, 2017).

Originally, one saw in social responsibility a human attribute; later one started discussing corporate social responsibility (Zore, 2016). However, organizations make no decisions and undertake no actions; they are tools of decisive persons. Companies are called "legal entities" to diminish the humans' individual responsibility and to divide it from decisive humans'

rights. (See contributions in Hrast eds., 2016–2017; Mulej & Dyck, ed., 2014 & 2015 [four books]; Mulej et al., ed., 2013, 2014, 2015 [three guest-edited journal issues]; Mulej et al., ed., 2016 [three books]; Gostiša, 2014 & 2017; etc.)

Wartick and Cochran's (1985) model for corporate social responsibility redefined Carroll's (1979) four dimensions of corporate social responsibilities as the "principles of corporate social responsibility." Hence, an organization's culture would form the basis to formulate and manage its social responsibilities. The corporate social responsibility dimensions and activities that are most relevant to the business environment in developing countries relate to workplace, society, and environment (Visser, 2005).

Social responsibility constitutes a strong commitment to social obligations via the organizational culture emphasizing the execution of organization's obligations toward its employees and other stakeholders (Sharma et al., 2009, p. 207 in Milfelner et al., 2015, p. 222). A good definition of corporate social responsibility, with a common terminology, as in ISO 26000 (ISO, 2010), aids humans in modeling the role of organizational culture and leadership in determining the importance of their corporate social responsibility. Researchers now can analyze how changes in corporate control, particularly through mergers or acquisitions, affect the type and level of corporate social responsibility activity in organizations (McWilliams et al., 2006).

Analysis of the strategic implications of corporate social responsibility is hampered by cross-country/cultural differences in the institutions that regulate market activity, including businesses, labor, and social agencies. Environmental differences lead to different expectations and returns to activity. For companies operating in multiple countries/cultures, this complicates the decisions on which activities to engage in and how much to invest. As the knowledge base on corporate social responsibility develops worldwide, one will be better able to analyze and advise on corporate social responsibility regarding an organizational culture (McWilliams et al., 2006).

## Organizational Culture

The literature in the 1980s (Peters & Waterman 1982) discussed organizational culture and explored the success of Japanese companies (Ouchi, 1981; after Alvesson, 2002). In early 2000, authors started to define organizational culture as a comprehensive system of norms, values, notions, beliefs, and symbols (Rozman 2007, 2008, & 2010; Schein, 1990; Denison et al., 2012; Fullan, 2014, pp. 5–6; Verčič, Verčič & Sriramesh, 2012; Schein 2010). Sweeney and McFarlin (2002, p. 336) define organizational culture as beliefs, values, and behavior, which are visible internally

and externally. "How we do things around here" reads their understanding of it.

Many authors on organizational changes involve organizational culture in one sense or another (Alvesson & Sveningsson, 2008, p. 15). Their common denominator may be social responsibility, exposing responsibility, interdependence, and holism (ISO, 2010; EU, 2011) and principles and measures of business innovation as integral parts of the values, organizational culture, ethics and norms of behavior. Their implementation should make employees, for normal egoistic reasons, be less selfish (short-term and narrow-minded) than in the previously dominant practice. Therefore, the solution to the problem can be found in the new synergy of knowledge of the growing dominance of the creative class, requisite holism, and social responsibility, thus replacing affluence as a dead-end; the new motivation lies in proper organizational culture, which would lead also to employees' creativity-based well-being (Žižek et al., 2009a, p. 9). Culture is often either the key issue to be changed or something that one must take seriously to enable change (Dauber et al., 2012).

## Modifying the Organizational Culture

One must define the norms and values of organizational members who interact with organizational internal communication to understand an organizational culture better (Treven, 2001, p. 45).

When companies are expanding into other countries, leadership must become much more sophisticated, and the companies must prepare their employees to adapt to the new culture and communication, putting the new organizational culture in the framework of social responsibility (Fullan, 2014, pp. 5-6). Some authors (Alvesson & Sveningsson, 2008) suggest that the frequent neglect of the aspect of organizational culture is a major reason why organizational change efforts often fail to match the plan. Few if any organizational changes navigate around culture rather than tackle cultural changes. The organizational change involves confronting the persistent pattern of behavior that is blocking an organization's higher performance, diagnosing its consequences, and identifying the underlying assumptions and values that have created it. At a minimum, culture may create problems and deserves consideration. This demands a look beyond surface and at the meaning, definitions, and identities of the people involved (Alvesson & Sveningsson, 2014).

Many researches confirmed the effect of organizational culture and knowledge on sharing behaviors, especially those that matters for social responsibilities (Bhatt, 2001; Koskinen eds., 2003; Arenius eds., 2003).



Organizational configuration is any multidimensional constellation of conceptually distinct characteristics that commonly occur together (Meyer & Hathaway, 1993). With this kind of analysis and the possibility of subsequent business environment changes, management can carry out such an analysis successfully with the help of internal communication (Meyer & Hathaway, 1993). Analyzing and changing internal communication regarding the business environment and social responsibilities is important and complex. Thus, global organizations must support organizational values such as openness to change and learning, including adoption of values of social responsibility, ethical behavior (Keyton et al., 2012, pp. 13–15).

### Internal Communication

Every employee has information that is necessary for the entire staff and critical for the successful internal communication and, consequently, the social responsibilities (Thill & Bove, 2002). If one poorly understands the organizational culture, one's expert knowledge of languages will not enable successful communication; it might cause the failure of it, which in turn will lead to organizational and individual stress. Then, one will realize that a successful internal communication (Možina et al., 2004) demands several interaction skills for successful leadership. They include the employees' socialization, identification with their organization, training, information, animation, motivation and loyalty, knowledge of the organizational culture, social responsibility, etc. Then, the professional languages will matter more because the goals will be clear.

Poor internal communication indirectly causes poor organizational performance: employees lose confidence in their leaders (Bitenc, 2006), especially if they detect that the organizational culture is neither matching social responsibility nor their own values regarding the organizational culture. Employee satisfaction drops, and (good?) organizational results can no longer make them loyal to an organization. Employee dissatisfaction causes poor work performance, more absence, grouping, poor work quality, and a lack of interest in creating progress—all of which causes long-term problems in the organization's operations.

### Model of Successful and Socially Responsible Internal Communication

The resulting new management model of successful and socially responsible internal communication matters (Figure 1). It can help one understand the preconditions for successful social responsible internal communication when an

organization is in a new business environment and is confronting different business cultures.

Successful and socially responsible internal communication in multinational organizations demands perception of the national (and regional) culture and its role in internal communication in a multicultural business environment. To understand this connection, first, one must determine the culture's influence on employees' behavior, which consequently affects the values and norms of organizational culture or can even break social responsibility. The interaction between national culture in a new business environment and expanded organization is shown in the authors' model of successful and socially responsible internal communication (see Figure 1).

Why is understanding of internal communication important and why is such a model necessary? There are many reasons, including the successful organization's performance based on realizing its social responsibility, which the authors included (Figure 1). Waldman et al. (2004) apply strategic leadership theory to corporate social responsibility because certain aspects of transformational leadership are positively correlated with the propensity of organizations to engage in corporate social responsibility. These leaders employ corporate social responsibility activities strategically (McWilliams et al., 2006). This means that corporate social responsibility is also visible in employees' health, administrative innovation, business learning, life-long learning, and environmental questions, which directly reflect in an organization's leadership and organizational culture (Terpstra & Sarathy, 2000, p. 91). One proves many links of corporate social responsibility to the organizational strategy (Waldman et al., 2006; McWilliams et al., 2006; McWilliams & Siegel, 2001; Baron, 2001; etc.), but links to the internal communication are still poorly researched.

For successful and socially responsible internal communication, one must know the differences of organizational cultures between various business environments and their characteristics (see Figure 1). Differences between cultures cause invisible barriers, which one can be overcome with knowledge and willingness to change the latter for a successful operation within the organization. If knowing and understanding the cultural differences of a business environment within social responsibility, managers can direct their employees in the right direction with successful internal communication. Taking into account cultural characteristics and business practices of other countries matters for successful business and competitiveness (Brenčič & Hrastelj, 2003, p. 261).

Diversity of languages is a major difference in cultures (Terpstra & Sarathy, 2000, p. 94), i.e., language expresses

character and values of a culture but not an organizational culture itself, which depends on other norms, beliefs, etc. Based on that, the authors can claim that knowing and speaking another language is a first step toward knowledge of foreign country's culture, but neither toward knowledge of values of the organizational culture and corporate social responsibilities nor toward successful and socially responsible internal communication (Cateora & Graham 2002, p. 106).

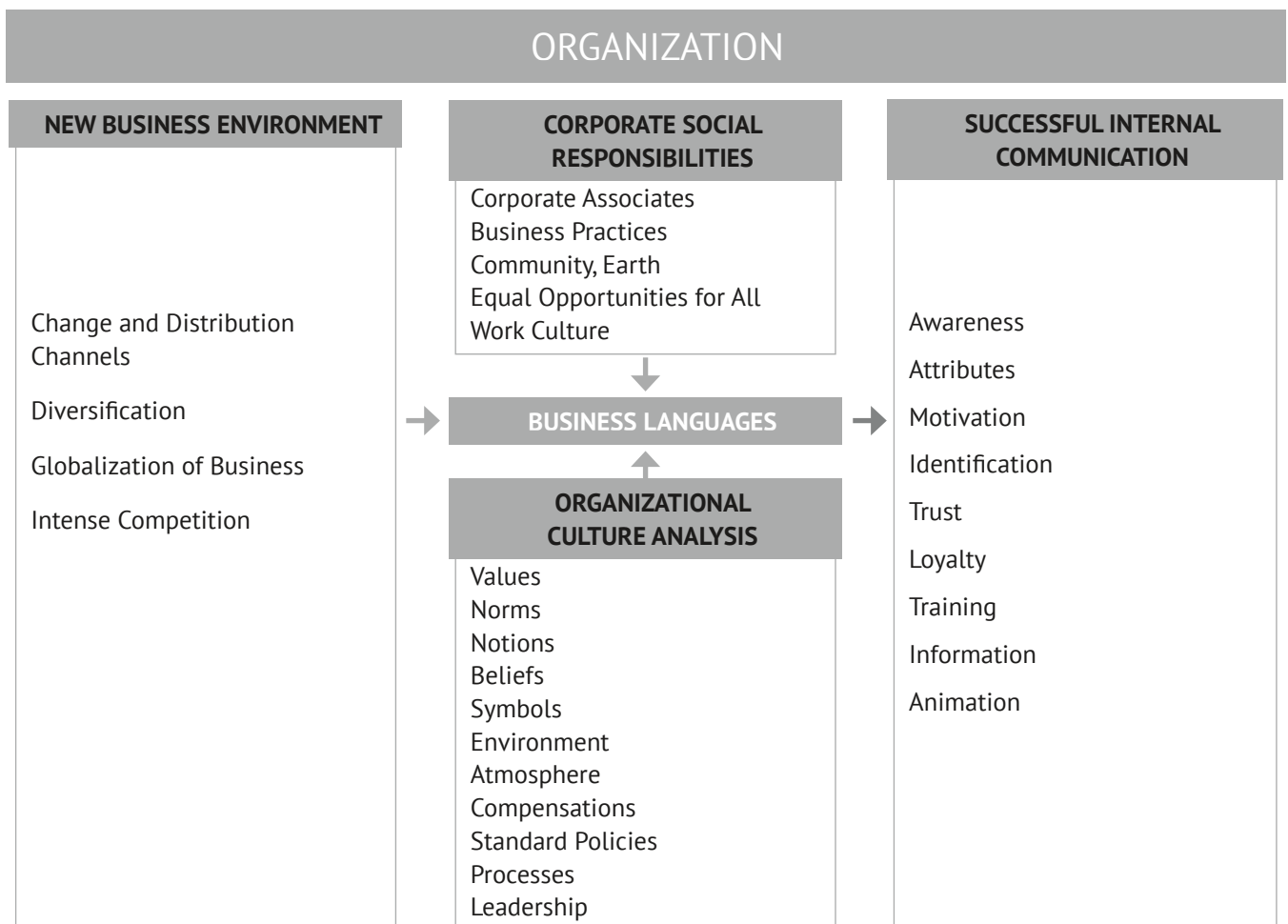
## Discussion and Implications

This article can help humans to realize that knowledge of professional foreign languages alone is not enough for successful and socially responsible internal communication between different cultures. Organizational culture differs from organization to organization and requires analysis for people to understand by which principles employees work and what are the goals of successful internal communication within social responsibilities as tools of the whole organization regarding their new business environment.

In regard to the first question of this article, if the business environment, social responsibility, and organizational culture affect successful internal communication, the authors can respond positively. The authors can add that one's knowledge of language barriers and understanding of intercultural organizational differences within the organization in other business environments can enable a successful organizational operation. Knowledge of a professional language is an important skill for highly qualified personnel, but understanding an organizational culture matters even more in successful internal communication, i.e., it shows the values and norms that are necessary for the successful operation of an organization, considering organizational cultures within social responsibilities.

The second question of this article asks if business languages alone suffice for successful internal communication. Thus far, the authors claimed that the importance of knowledge of foreign languages grows only when organizations are aware of their organizational culture and corporate social responsibilities regarding their business environment. Knowledge of foreign languages is an employees' indispensable competence; it belongs in an organization's objectives and vision.

**Figure 1.** Integrated Model of Successful and Socially Responsible Internal Communication



Source: Authors

But which foreign specialized language is the “essential” one for a successful business? From the literature (Wright 1999, p. 199), one can see that English is the official global working language in politics, economy, defence, judiciary, and culture. Language can achieve a global status in society only if it is globally recognized and widespread at ethnically heterogeneous political, economic, and other organizations (Crystal, 1997; Muha, 2003).

Relationships among a business environment, social responsibility, organizational culture, and internal communication are shown via comparison method in the first five chapters of this study, where the authors first used methods of scientific description and defined theoretical starting points. Chapter 6 discusses the followed methods of deduction and induction, where the authors make important conclusions from their theoretical research. With the help of the induction method, the authors created their hypotheses. The authors (Crystal, 1997; Muha, 2003; Wright, 1999, p. 199; Thill & Bovee, 2002, p. 165; Cateora & Graham, 2002, p. 106, et al.) claim that successful internal communication depends on many different factors such as understanding of organizational culture, organization strategy, intercultural competence, organizational environment, etc. Hence, the authors of this article support Hypothesis 1 and claim that business environment, social responsibilities, and organizational culture affect the success of internal communication. The second essential question asks if the knowledge of professional languages alone suffices for the successful internal

communication. Several authors (Crystal, 1997; Muha, 2003; Wright, 1999, p. 199; Thill & Bovee, 2002, p. 165; Cateora & Graham, 2002, p. 106, et al.) claim that knowledge of business language is important, but it is not the only factor that matters for successful internal communication. Thus, the authors of this article support and accept Hypothesis 2, which states that business languages only partially suffice for successful internal communication.

The authors (Terpstra & Sarathy, 2000, p. 91; Mumel, 2008, pp. 187-188; Golobič, 2010, Lipičnik, 2005, et al.) claim that successful implementation of socially responsible internal communication requires control over its most common obstacles. Thus, the authors include the consequences of (1) the different meaning of information for individuals, (2) the false belief, (3) the mentality, the relationship between superiors and employees, (4) the characteristics of vertical and horizontal communication in the organization, (5) mutual distrust, (6) the transfer of only positive information in order to glorify oneself, (7) competitiveness, (8) too quick conclusions and other factors.

Further research should be based on the development of the questionnaire (measurement instrument) aimed to measure types of organizational culture and social responsibility regarding new business environments and business languages, which should be utilized in daily business. Measurements should support socially responsible internal communication in multinational organizations, which are often in different business environments.

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## Authors

**Darja Kukovec** is a master of business economics in the field of management. She received a master's degree at the Faculty of Economics and Business in Maribor in 2010. After that, she started her business career abroad as a financial assistant to the CFO of institution for nuclear energy. After one year of work experience, she continued her business career as a specialist in telecommunications purchasing. After more than two years of work experience, she became employed as a project purchaser for People Development Trainings.

**Matjaž Mulej**. Born in 1941, is a doctor of economy (in systems theory) and of (innovation) management. He is Professor Emeritus of systems and innovation theory at the Faculty of Economics and Business, University of Maribor. He developed the dialectical systems theory and innovative business theory (covering transitional conditions). He has published (with co-authors, mostly) more than 1,800 texts (including more than 70 books/proceedings and more than 60 articles in first-class journals) in almost 50 countries. He served as a visiting professor abroad for 15 terms, including at Cornell University in Ithaca, NY. He is a member of three international academies of sciences and arts.

**PhD Simona Šarotar Žižek** is Associate Professor at the University of Maribor's Faculty of Economic and business. She holds a PhD in Economic and Business Sciences. She has been permanently completed her theoretical knowledge by practical work and career development in the Slovenian company Mura d. d. She joined University of Maribor, Faculty of Economics and Business in 2007 as Assistant Professor in the field of Human Resource Management. She is author or co-author of articles in several international and Slovenian journals and scientific and expert conferences. She is also the main leader of many international projects.

## Poklicni jezik ne zadošča za uspešno in družbeno odgovorno interno komunikacijo med različnimi kulturami

### Izvleček

Na uspeh notranje komunikacije v medkulturnem okolju pomembno vplivajo organizacijska kultura, poslovno okolje, družbena odgovornost in veščine vodij. Za uspeh le-te in adaptacije zaposlenih na spremembe okolja je ključno, kaj je potrebno zanj glede na družbeno odgovornost. Članek predstavlja teoretična izhodišča kvalitativne raziskave in prikaže, kako lahko pravilno definirana organizacijska kultura v delovnem okolju ob upoštevanju poslovnega okolja pomaga izboljšati interno komunikacijo; pri tem izpostavi znanje tujih jezikov. V članku je tako oblikovan model redne pozornosti na razumevanje družbene odgovornosti in organizacijske kulture, kateri izboljšuje notranjo komunikacijo.

**Ključne besede:** organizacijska kultura, družbena odgovornost, komunikacija, notranja komunikacija, poslovni jeziki



## NAVODILA AVTORJEM

Revija **Naše gospodarstvo / Our Economy** objavlja znanstvene članke iz vseh področij ekonomije in poslovnih ved. Avtorje vabimo, da v uredništvo revije pošljejo originalne prispevke, ki še niso bili objavljeni oziroma poslani v objavo drugi reviji. Avtorji podeljujejo lastniku revije ekskluzivno pravico za komercialno uporabo članka, ki stopi v veljavo na osnovi sprejetja članka v objavo. Avtorji v celoti odgovarjajo za vsebino prispevka. Objavljamo samo članke, ki dobijo pozitivno oceno naših recenzentov.

Prispevki naj bodo napisani v angleškem jeziku. Na posebni strani navedite ime avtorja, njegov polni akademski ali strokovni naziv ter ustanovo, kjer je zaposlen. Prva stran naj vsebuje naslov, izvleček (maksimalno 250 besed) in ključne besede, vse troje v slovenskem in angleškem jeziku. Strukturirani povzetek naj obsega naslednjih 4-6 vsebinskih delov: namen, metodologijo/pristop, ugotovitve, omejitve raziskave (če je primerno), implikacije (če je primerno) in izvirnost/vrednost. Dodajte tudi ustrezne kode JEL klasifikacije, ki jih najdete na <https://www.aeaweb.org/econlit/jelCodes.php?view=jel>.

Za besedilo članka uporabljajte praviloma pisave Times, Times New Roman CE, SL Dutch in podobne v velikosti od 10 do 12 pik (points). V tabelah in slikah obvezno uporabljajte pisavo brez serifov (Helvetica, Arial, Arial CE, SL Swiss ali podobno). Za poudarke v besedilu uporabljajte poševni tisk, ne krepkega ali podčrtanega tiska.

Morebitne tabele in slike naj bodo oštevilčene ter naslovljene nad, opombe in viri pa pod tabelo oziroma sliko. V tabelah uporabljajte enojne okvirje, debeline pol pike (1/2 point). Sprotno opombe naj bodo oštevilčene in navedene pod tekstom pripadajoče strani. Oštevilčite tudi morebitne enačbe.

Vire v tekstu in v seznamu virov je potrebno urediti skladno z APA standardom – navodila na <http://www.apastyle.org/learn/tutorials/basics-tutorial.aspx>.

Nekaj osnovnih napotkov:

*Navedbe virov v tekstu*

Primer 1a: Another graphic way of determining the stationarity of time series is correlogram of autocorrelation function (Gujarati, 1995).

Primer 1b: Another graphic way of determining the stationarity of time series is correlogram of autocorrelation function (Gujarati, 1995, p. 36).

Primer 2a: Engle and Granger (1987) present critical values also for other cointegration tests.

Primer 2b: Engle and Granger (1987, p. 89) present critical values also for other cointegration tests.

*Navedbe virov v seznamu virov*

Primer 1 – Knjiga: Gujarati, D. N. (1995). *Basic Econometrics*. New York: McGraw-Hill.

Primer 2 – Članek v reviji: Engle, R. F., & Granger, C. W. J. (1987). Co-integration and Error Correction: Representation, Estimation and Testing. *Econometrica*, 55(2), 251-276.

Primer 3 – Poglavlje v knjigi, prispevek v zborniku: MacKinnon, J. (1991). Critical Values for Cointegration Tests. In R. F. Engle & C.W. J. Granger, (Eds.), *Long-Run Economic Relationships: Readings in Cointegration* (pp. 191-215). Oxford: University Press.

Primer 4 – Elektronski vir: Esteves, J., Pastor, J. A., & Casanovas, J. (2002). *Using the Partial Least Square (PLS): Method to Establish Critical Success Factors Interdependence in ERP Implementation Projects*. Retrieved from <http://erp.ittoolbox.com/doc.asp?i=2321>

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*References in the text*

Example 1a: Another graphic way of determining the stationarity of time series is correlogram of autocorrelation function (Gujarati, 1995).

Example 1b: Another graphic way of determining the stationarity of time series is correlogram of autocorrelation function (Gujarati, 1995, p. 36).

Example 2a: Engle and Granger (1987) present critical values also for other cointegration tests.

Example 2b: Engle and Granger (1987, p. 89) present critical values also for other cointegration tests.

*References in the list of references*

Example 1 – Book: Gujarati, D. N. (1995). *Basic Econometrics*. New York: McGraw-Hill.

Example 2 – Journal article: Engle, R. F., & Granger, C. W. J. (1987). Co-integration and Error Correction: Representation, Estimation and Testing. *Econometrica*, 55(2), 251-276.

Example 3 – Book chapter or article from conference proceedings: MacKinnon, J. (1991). Critical Values for Cointegration Tests. In R. F. Engle & C.W. J. Granger, (Eds.), *Long-Run Economic Relationships: Readings in Cointegration* (pp. 191-215). Oxford: University Press.

Example 4 – Web source: Esteves, J., Pastor, J. A., & Casanovas, J. (2002). *Using the Partial Least Square (PLS): Method to Establish Critical Success Factors Interdependence in ERP Implementation Projects*. Retrieved from <http://erp.ittoolbox.com/doc.asp?i=2321>

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