

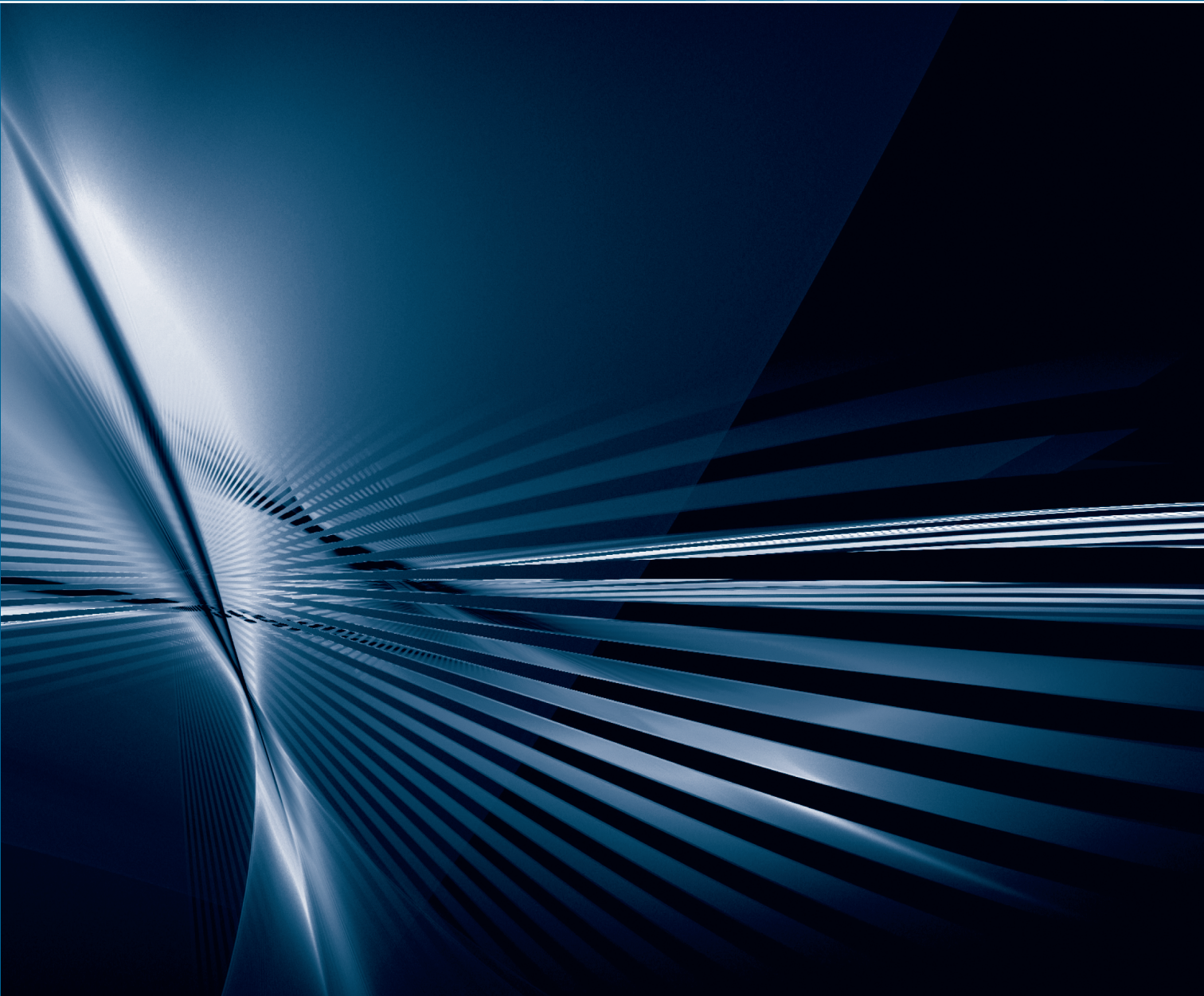
# ORGANIZACIJA

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# Strategic Management in Development of Youth and Women Entrepreneurship - Case of Serbia

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**Background and Purpose:** Volume and sophistication of scientific research related to different aspects of entrepreneurship have significantly increased in recent years. Many authors point out the positive influence that development of micro, small and medium enterprises and entrepreneurship has on economic growth and job creation. According to various researchers, youth entrepreneurship and women entrepreneurship are two very important elements of this global phenomenon. The purpose of this paper is to provide the analysis of strategic framework for the support to the development of youth and women entrepreneurship in Serbia.

**Design/Methodology/Approach:** Situational analysis of youth and women employment and examination of official Government strategic documents related to strategic framework for the support to the development of youth and women entrepreneurship in Serbia will be conducted.

**Results:** Concrete activities have to be performed by different stakeholders, mostly non-government organizations. The activity stakeholders are on the bottom of the institutional framework, which provides the support to MSME (Micro, Small and Medium Enterprises) sector that will execute the operations in accordance with the defined strategic framework.

**Conclusion:** Youth-run enterprises provide numerous benefits for society; they reduce youth unemployment and help young people prepare for their future. Female entrepreneurs also have strong economic and social impact.

**Keywords:** *entrepreneurship; micro small and medium enterprises; MSME sector; entrepreneur; women; strategy; strategic management*

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## 1 Introduction

Considering the strategic role that entrepreneurship has in economic development (Baptista and Thurik, 2007), research area of this phenomenon has been widened significantly in recent years, providing increased number of scientific papers related to different aspects of this topic (Kreiser, Marino and Weaver, 2002; Landstrom, Harirchi and Åstrom 2012; Uyar and Deniz, 2012). Positive influence of entrepreneurship on acceleration of economic ac-

tivities and GDP growth (Wennekers and Thurik, 1999), as well as its potential for job creation (Thurik, Carree, van Stel and Audretsch, 2008), influenced researchers from different fields to pay more attention to this subject. It is necessary to emphasize the importance of micro, small and medium enterprises (MSME) and entrepreneurship development in country economy (Todorović, Komazec, Jevtić and Pintar, 2016). A positive relationship can be identified between the relative size of the MSME sector and economic growth (Beck, Demircug-Kunt and Levine,

2005). The experience of countries with developed market economies shows that solving socio-economic problems depends largely on the level of development of MSME (Micro, Small and Medium Enterprises) category enterprises (Ratanova, Reshina, Bruna, and Gross, 2014). Their major role is accelerating the economic growth and alleviating consequences of structural unemployment through self-employment of the unemployed (Płaziak and Rachwał, 2014). Development of MSME can directly influence the country opportunities to participate in world economic processes (Acs, Morck and Yeung, 1997).

Special attention is given to development of MSME in transitional and developing countries, which are facing major challenges in terms of tackling high unemployment and unequal distribution of earnings (Erić, Beraha, Đurićin, Kecman and Jakšić, 2012). Government support programs are crucial for development of MSME sector (Komazec, Todorović and Jevtić, 2016). The authorities at various levels has the option to solve identified problems in the MSME sector by using appropriate government programs (Audretsch, Keilbach, and Lehmann, 2006), and the role of governments should be facilitative, not dictatorial, in order to achieve the intended results (Wilson, 2007).

As it was explained previously, due to the comprehensiveness of the subject and its huge influence on economic growth, different issues related to the entrepreneurship are constantly being researched by various authors. Two very important issues are youth entrepreneurship (Chigunta, 2002) and women entrepreneurship (De Bruin, Brush and Welter 2007). This paper aims to provide situational analysis of youth and women employment and entrepreneurship in Serbia and the overview of the strategic government plans for their development, as well as to identify key aspects that have to be approached carefully during the strategy implementation phase. Second chapter will emphasize the importance of youth and women entrepreneurship and give theoretical background, paragraph three will explain the research methodology, section four will present situational analysis, while in fifth will be described adopted strategic framework for the developments of youth and women entrepreneurship in Serbia. Final chapter will present our conclusions and directions for further research.

## 2 Literature Review

This paragraph will provide the review of the scientific literature and previous research related to the phenomena of youth entrepreneurship and women entrepreneurship, in order to present their social and economic influence and to emphasize the importance of strategic management in development of youth and women entrepreneurship at country level.

### 2.1 Youth entrepreneurship

Youth unemployment is one of the major economic and social issues worldwide. Youth development and empowerment are vital stages in life for building the human capital that allows young people to avoid poverty and lead better, and possibly have a more fulfilling life (Awogbenle and Iwuamadi, 2010). Long spells of unemployment in early age can have serious long-term effects for individuals, such as reduced earnings and social exclusion (OECD, 2012). According to Gregg and Tominey (2005), single year of unemployment during youth can reduce annual earnings at age 42 by up to 21%. Additionally, it is estimated that and that additional three months of unemployment prior to the age of 23 results in an extra two months of unemployment, on average, between the ages of 28 and 33 (Gregg, 2001).

Self-employment and entrepreneurship can provide career options for young people by unleashing their economic potential (UNIDO, 2016). Entrepreneurship development is increasingly accepted as an important mode of technical assistance and a useful alternative for income generation among young people (Ryan, 2003). Youth entrepreneurship can be defined as the practical application of enterprising qualities, such as initiative, innovation, creativity, and risk-taking into the work environment, using the appropriate skills necessary for success in that environment and culture (Schnurr and Newing, 1997). The human capital formed in youth is an important determinant of long term growth and poverty reduction on national level (Awogbenle and Iwuamadi, 2010). Youth-run enterprises (YREs) provide valuable goods and services to society, especially the local community (Chigunta, 2002). Aspiration towards self-employment should be developed in early period, since ageing has unfavorable impact on entrepreneurial activity (Troha Akanni and Čepar, 2015). Considering the significant effect of entrepreneurship and self-employment on generating new jobs and economic growth, promotion of youth entrepreneurship and strategic support to YRE creation and development is of huge importance for every country.

### 2.2 Women entrepreneurship

Since Schwartz (1976) published the first important scientific paper related to women entrepreneurship, it has become interesting topic for many researchers, and the recognition of its significance to development of entrepreneurship has widely increased (Revenga and Shetty, 2012). However, in most cultures there is a strong division between male and female roles (Duflo, 2012). When we look at the world population, there are more women than men, but female employment is lower than male employment, and their salaries are usually inferior (Mitchelmore and Rowley, 2013). Additionally, women are rarely on executive positions (Zlatkov Cvetković, 2015), they are

often excluded from decision-making (Pines, Lerner, and Schwartz, 2010) and, compared to men, they have less opportunity to control their lives (Revenge and Shetty, 2012).

However, many women have the adequate level of creativity, expertise and skills necessary to start and run a business, but often do not have equal access to finance, education and information as male entrepreneurs, which are required for successful business management (Witbooi and Ukpere, 2011). Besides gender discrimination, additional obstacle for women to become entrepreneurs is their engagement in the households and with children (Vossenbergh, 2013). Despite all barriers, there are bright examples of women with different backgrounds who have entered the private business and founded a MSME (Alam, Senik and Jani, 2012). Factors of motivation for women to start a new business can be various (Kalyani and Kumar, 2011), but the main reasons are usually to ensure family existence and the aspiration to prove their own abilities (Gidarakou, 2015). Their engagement in entrepreneurship is highly personalized and they often bring their personality and values into the business (Rey-Marti, Tur Porcar and Mas-Tur, 2015).

Female entrepreneurship has been recognized as an important source of economic growth (Dufflo, 2012). It also has a strong impact on achieving gender equality, democratization and development of society, the preservation of peace and poverty reduction (Sarfaraz, Faghieh and Majd, 2014). Women entrepreneurs create new jobs for themselves and others and by being different also provide society with different solutions to management, organization and business problems as well as to the exploitation of entrepreneurial opportunities (Kokotović, Rakić and Kokotović, 2016). Nevertheless, this mechanism has not been fully utilized, especially in developing countries (Minniti and Naudé, 2010). In order to reach its potential, women entrepreneurship needs strong support and promotion from policy makers and government institutions (OECD, 2004).

### 3 Research methodology

We used the official statistical data to explore current situation when it comes to youth and women employment in Serbia and to compare it with EU countries. Through the interviews with the representatives of the youth and women business infrastructure in Serbia, which includes business incubators and accelerators, business associations and clusters of youth and women, NGOs and civil society organizations, we identified key problems for young people and female in Serbia to start and run their own business. Then we examined official strategies and action plans of Serbian Government regarding the entrepreneurship of youth and women, in order to understand and present institutional framework for its development, as well as strategic management in this area. Finally, we gave our conclusions based on the analysis whether all the identified issues

related to the youth and women entrepreneurship in Serbia have been identified and managed in the government strategic framework

## 4 Overview of youth and women employment in Serbia

According to the Statistical Office of the Republic of Serbia (2014), Serbia has significantly higher unemployment rate of younger population comparing to total population. For the population aged 15-24, the unemployment rate is 47.1%, compared to 19.7% for the working age population. By region, the comparison of youth and total unemployment rate is shown in Figure 1. There is a huge gap in youth unemployment rate between EU and Serbia. The 2013 statistics provided by the Ministry of Youth and Sports, Republic of Serbia (2015) show that the youth unemployment rate in the EU was 23.4% for young people aged 15-24, while in August 2014 the youth unemployment rate in Serbia was 41.7% for young people aged between 15 and 24 and 33.27% for young people aged between 15 and 30.

Besides the lack of professional experience and practical training, which can be an aggravating factor in the decision to start the business, young people face the problem of underdeveloped entrepreneurial skills as a result of the lack of adequate educational programs in secondary schools and universities, designed to encourage development of entrepreneurship among young people. According to the annual surveys on barriers to business growth, conducted by the Serbian Union of Employers (2013), the lack of adequate staff is nearing the top of the list: from the 8<sup>th</sup> place in 2006 to the 3<sup>rd</sup> place in 2013. This is a clear indication that it has become increasingly difficult for the corporate sector to find quality staff; although the corporate sector funds the education system in Serbia through the tax system, employers must invest additional funds in training their staff, instead of using these resources in other areas of business development.

The unemployment rate in Serbia is the highest for the age 15-24, but more growing problem is the inactivity rate of young population. According to the definition used by the Statistical Office of the Republic of Serbia (2014), it refers to the individuals who are not employed and who are not actively looking for a job (in the last month have not taken any steps to find a job). The activity rate for young people in the labour market in Serbia is very low. The activity rate of young people aged 15 to 24 was 28%. This rate is far lower than in the EU Member States 15-24, where over 40% of young people participate actively in the labour market. The reasons for the low participation rate among young people in the labour market are: disposal operation for purposes of study; low rate of women participation; inadequate qualifications or inadequate ed-

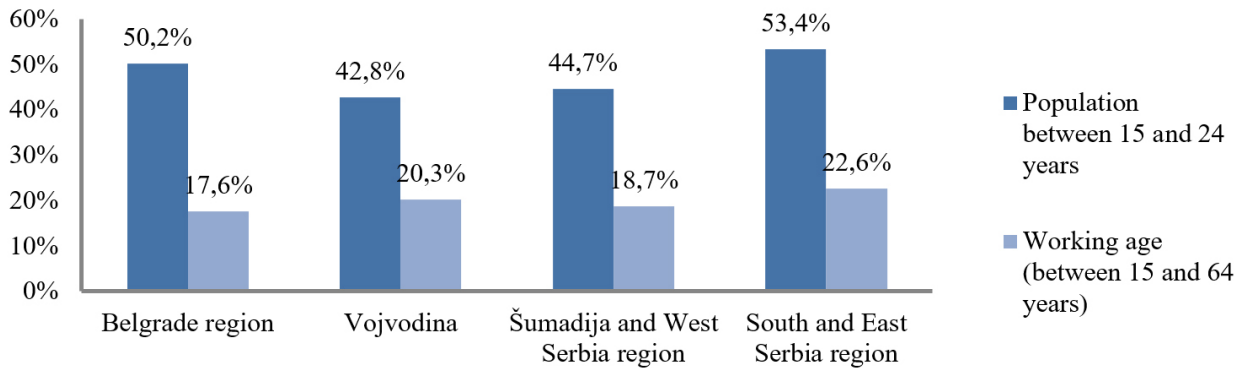


Figure 1: Youth and total unemployment rate in Serbia by region

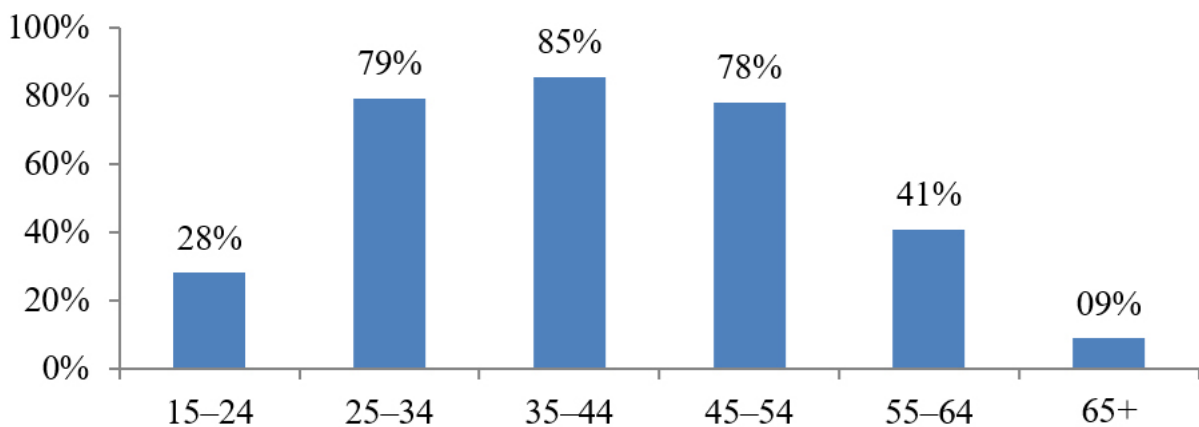


Figure 2: Activity rate of Serbian population by age

education for those who have not acquired during schooling or dropped out, but did not establish a connection with the labour market; belonging to rural areas. Activity rate of Serbian population by age is presented in Figure 2.

So, if we look at the young generation, starting from teenagers to more mature age, the situation is changing. In the group of young people up to 19 years in the labour market is active only 10.9% of persons, in the age group of 20 to 24 years 44.9%, while the percentage of active young people in the group from 25 to 29 years is 75.6%. Overall, the activity rate of young people aged 15 to 29 years was 44.8%, versus 48.4% for the overall work force.

Particularly favorable picture of the status of young people on the labour market gives an employment rate that is far lower than the average for the active population. Specifically, in 2014 the employment rate of young people (15 to 29 years) was only 26.2%, with a particularly low employment rate of young women (20.2%). The employment rate of the working age population in the Republic of Serbia amounted to 37.7%. This tendency is accompanied by a disturbing unemployment rate of 15-29 which in 2014 amounted to 18.6%, while at the same time 17.7% of

women of working age 15-29 were unemployed. Given the failure of the formal educational system with the needs of the labour market, young people are very difficult to find a job regardless of the achieved level of formal education. In fact, most of the young long-term unemployed, with nearly 4/5 of young people wait for employment for more than 24 months. Also, a very high influx of young people into the labour market, who are first-time job seekers, contribute to the growth of the national unemployment rate.

Most young people based their first employment with the employer, so that 79% of young people work for pay, while a significantly smaller number of those who opt for self-employment (11%), and the rest helps their household members either in agricultural production, either in actions. Broken down by gender, the situation is somewhat different, since a higher percentage of young women seeking a safe job, choose to work for the employer, while a very small percentage of women have a tendency towards self-employment (5.6%). Presented data refer to the fact that the female population is much less interested in activating and finding employment. Differences between the percentage of inactive men and women in Serbia by region



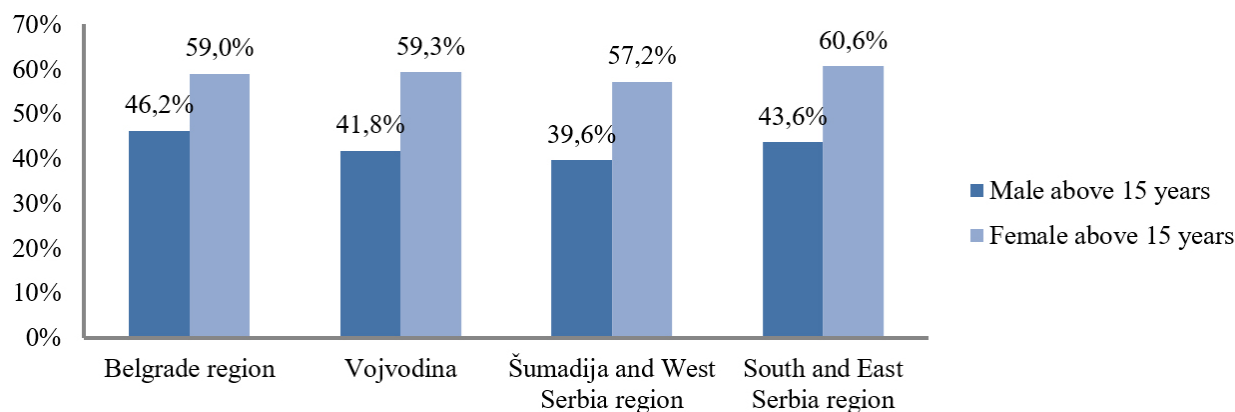


Figure 3: Male and female inactivity rate in Serbia

are presented in Figure 3 (Ministry of Youth and Sports, Republic of Serbia, 2015).

Of all inactive persons who do not seek a job because of childcare or incapacitated adult care, 97% are women, of which 54% are aged 15-34. Young women account for one half of young people in Serbia and their position is different from the position of young men, including in the labour market. According to Commissioner for Protection of Equality, Republic of Serbia (2013), young women are exposed to discrimination in employment much more, primarily because of childbirth, but they are also exposed to sexual harassment. However, in Serbia, there is no strategy that is directly and exclusively focused on development of women's entrepreneurship, although the importance of women entrepreneurship is clearly indicated in several official documents, such as The national strategy for improving and promoting gender equality in the Republic of Serbia (Ministry of Labour, Employment, Veteran and Social Policy, Republic of Serbia, 2009), Action plan for the implementation of the National strategy for improving and promoting gender equality 2010 to 2015 (Ministry of Labour, Employment, Veteran and Social Policy, Republic of Serbia, 2010), and The national employment strategy for the period 2011-2020 (Ministry of Labour, Employment, Veteran and Social Policy, Republic of Serbia, 2011). Based on information available from multiple sources, it is clear that the economic potential of women in Serbia is not used enough, either as a business owner or as a workforce (Vrbanac, Milovanović and Perišić, 2016).

#### 4.1 Key problems for youth and women to start their own business

According to Chigunta (2002), usual critical areas for development and promotion of youth and women entrepreneurship are following:

- Access to micro-credit for young people,

- Training and business development services,
- Information and marketing,
- Policies and institutional intermediation,
- Financing youth enterprise development and research.

Besides these global issues that were confirmed during our research youth and women entrepreneurship in Serbia also have certain specific threats, such as brain drain, national culture and corruption (Todorović, Komazec, Jevtić and Pintar, 2016). Brain drain refers to the fact that young experts are constantly leaving Serbia. During the last decade of the 20<sup>th</sup> century and the first decade of the 21<sup>st</sup> century, more than 40.000 people emigrated from Serbia to North America and EU countries (Grečić, 2010). Turbulences in the last two decades also influenced the culture of Serbian people, who now difficulty accept risk, which is necessary for becoming an entrepreneur. And high level of corruption in Serbia causes the obstacles for youth and women to have adequate institutional support and equal treatment, especially when it comes to government subventions and grants for entrepreneurs.

During the interviews with the representatives of the youth and women business infrastructure in Serbia, following problems of young and female entrepreneurs were pointed out:

- Access to finance,
- Lack of entrepreneurial skills in university curriculums,
- Insufficient institutional support and specialized programs.

Governments can help young entrepreneurs by securing a supportive infrastructure that can help overcome barriers associated with lack of networks, skills, finance for premises and access to associated start-up support (OECD, 2012). In next section will be presented and analyzed the infrastructure and strategy for development of youth and women entrepreneurship in Serbia.

## 5 Strategic and institutional framework for development of youth and women entrepreneurship

Authorities in Serbia have recognized the importance of investing in development of entrepreneurship. The strategy for support to the development of SME, entrepreneurship and competitiveness from 2015 to 2020 was prepared by the Ministry of Economy (2014) and adopted by the Serbian Government. Furthermore, the Ministry of Economy (2015) also developed Action plan for the implementation of the strategy for support to the development of SME, entrepreneurship and competitiveness from 2015 to 2020. In accordance with this action plan, in May 2015 Government of the Republic of Serbia established the Council for

SME, entrepreneurship and competitiveness, as an occasional working body of the Government, whose members are representatives of relevant ministries, representatives from the industry and other interested parties. The main duty of the Council is to monitor and coordinate the implementation of The strategy for support to the development of SME, entrepreneurship and competitiveness from 2015 to 2020, but it also provides suggestions, opinions, initiatives and professional explanations and initiates the activities related to cooperation between different ministries, as well as the ministries and other organizations and institutions related to MSME sector. Institutional framework for MSME development in Serbia, defined by the Ministry of Economy, Republic of Serbia (2015) and adopted by the Government, is presented on following Figure 4.

Youth and women entrepreneurship was given a spe-

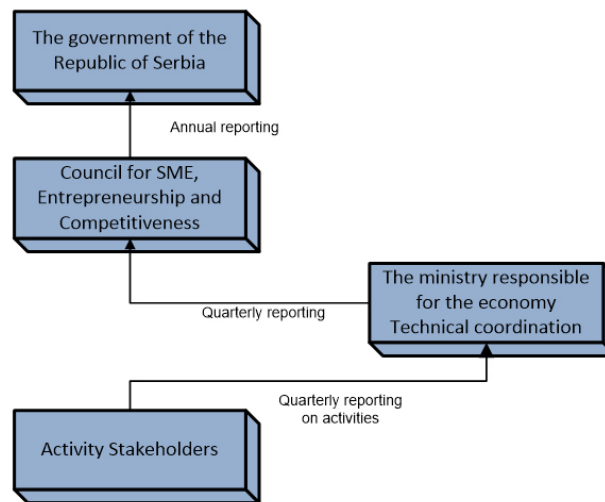


Figure 4: State institutions, which provide support to MSME sector in Serbia



Figure 5: Strategic framework for development of youth/women entrepreneurship in Serbia

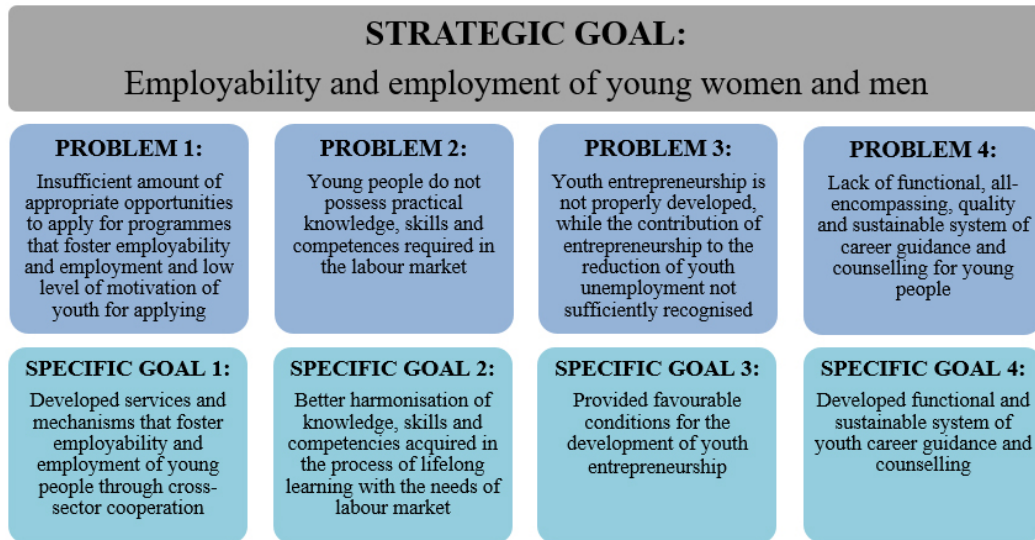


Figure 6: Strategic framework for development of youth employment in Serbia

cial importance in The strategy for support to the development of SME, entrepreneurship and competitiveness from 2015 to 2020, which recognizes six strategic goals:

1. Improvement of business environment,
2. Improvement of the access to sources of finance,
3. Continuous development of human resources,
4. Enhancing the sustainability and competitiveness of MSMEs,
5. Improvement of the access to new markets,
6. Development and promotion of entrepreneurial spirit and encouragement of youth/women entrepreneurship and social entrepreneurship.

As can be noticed, development of youth and women entrepreneurship was identified as one of the strategic goals in development of Serbian MSME sector for the period 2015-2020. Specific goals and measures for achieving this strategic goal were defined in The action plan for the implementation of The strategy for support to the development of SME, entrepreneurship and competitiveness from 2015 to 2020. Strategic framework for the development of youth and women entrepreneurship in Serbia from 2015 to 2020 is presented in Figure 5.

Additionally, National youth strategy 2015–2025, prepared by the Ministry of Youth and Sports (2015) and adopted by the Serbian Government, also points out the importance of youth and women entrepreneurship. The first strategic goal in this document is defined as “Employability and employment of young women and men”. It recognizes four main problems and proposes four specific goals, as presented in Figure 6.

Action plans related to The strategy for support to the development of SME, entrepreneurship and compet-

itiveness from 2015 to 2020 and National youth strategy 2015–2025 also define concrete activities for the realization of set goals. When complete strategic framework is analyzed, it can be concluded that main problems of young and female entrepreneurs in Serbia have been identified and that certain solutions have been proposed. Some of them are on top level, among strategic and specific goals, and the others are among the activities. This is a huge step for the entrepreneurial environment of youth and women in Serbia and a ground stone for its advance. In order to promote the development of MSME sector, and the strategic framework for the development of youth and women entrepreneurship as its important part, in March 2016 Serbian Government presented the national project “Year of Entrepreneurship 2016”. Furthermore, several projects have been initiated, with the goal to identify key industry sectors in which the entrepreneurship of youth and women should be encouraged and supported (Komazec, Todorović and Jevtić, 2016).

However this is just the strategic plan, most of the work still has to be done. In following years the Government must ensure its implementation. The institutions can provide necessary support, but the concrete activities have to be performed by different stakeholders, mostly non-government organizations. The activity stakeholders are on the bottom of the institutional framework which provides the support to MSME sector, so the authorities should identify the appropriate organizations from the youth and women business infrastructure that will execute the operations in accordance with the defined strategic framework. All the activities performed by the activity stakeholders have to be transparent, and the institutional framework must prevent the possible corruption (Krstić et al., 2013). Another

challenge for the authorities is to define the methods for evaluating the projects executed by the selected activity stakeholders, which is very important for successful implementation of the strategy (Obradović, Petrović and Mihić, 2013). The frameworks for institutional and strategic support to the development of youth and women entrepreneurship in Serbia have been set up, but the improvements can only be achieved by its adequate implementation in following years.

## 7 Conclusion

Authorities in Serbia have recognized the positive aspects that development of MSME sector and entrepreneurship can bring to the economic revitalization of the country. Many authors pointed out social and economic impact of entrepreneurship, which reflects in acceleration of economic activities, job creation and GDP growth. Government support is necessary for full utilization of these benefits. This is particularly significant for developing countries.

Human capital developed at early stage provides the base for future success in career and reduces the possibility of unemployment in older age. This is also important on macro level, since YREs provide benefits for society and develop local communities. Youth entrepreneurship is a successful mechanism for poverty reduction and long term growth of the country. Women entrepreneurship also reduces unemployment and influences economic growth, but female entrepreneurs add new dimension in solving business problems by bringing their personality and values into the company.

Youth and women are two specific categories of entrepreneurs that have to be approached carefully. Unemployment rate in Serbia is highest among young people, while women are generally inferior in business environment comparing to men. Youth and women in Serbia have certain obstacles to start and run own business. Their main problems are poor access to finance, inadequate entrepreneurial skills and lack of specialized support programs. High level of corruption in Serbia strengthens these barriers and causes brain drain. Consequently, they are not ready to risk and found an enterprise. For all these reasons they need a strong backup by policy makers and adequate support of government institutions in order to achieve their entrepreneurial potential.

Most of the issues identified in this research have been recognized in the strategic documents related to development of youth and women entrepreneurship that were adopted by the Serbian Government. The priorities may be discussed, but the measures for solving key problems have been proposed. The only issue that should deserve more attention is the possible corruption. Next challenge for the authorities will be to provide the transparency and to ensure that all the potential users have equal chance. Evaluation of the related projects will be of huge importance for

the implementation of defined strategies. Additional task is to identify the adequate activity stakeholders in youth and women business infrastructure that will carry the projects in accordance with the strategic framework.

Future research in this area should be focused on the implementation of strategic frameworks for increasing the employment rate of young people and developing youth and women entrepreneurship in Serbia that were presented and analyzed in this paper, on monitoring the realization of the accompanying action plans, as well as on defining performance indicators and evaluating the effects of the taken measures.

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## **Strateški management v razvoju podjetništva mladih in žensk – Primer Srbije**

**Ozadje in namen:** Obseg in zapletenost znanstvenih raziskav v zvezi z različnimi vidiki podjetništva sta se v zadnjih letih močno povečala. Številni avtorji izpostavljajo pozitiven vpliv, ki ga ima za razvoj mikro, malih in srednjih podjetij in podjetništva na gospodarsko rast in ustvarjanje delovnih mest. Po mnenju različnih raziskovalcev, sta podjetništvo mladih in žensko podjetništvo dva zelo pomembna elementa tega globalnega pojava. Namen tega članka je ponuditi analizo strateškega okvira za podporo pri razvoju podjetništva mladih in žensk v Srbiji.

**Oblikovanje / Metodologija / Pristop:** Izvedena bo situacijska analiza zaposlovanja mladih in žensk ter pregled uradnih vladnih strateških dokumentov, povezanih s strateškim okvirom za podporo razvoju podjetništva mladih in ženskega v Srbiji.

**Rezultati:** Konkretno aktivnosti morajo biti izvedene s strani različnih deležnikov, predvsem nevladnih organizacij. Interesne skupine so na dnu institucionalnega okvira, ki zagotavlja podporo MMSP (mikro, mala in srednja podjetja) sektorju, ki bo izvajal postopke v skladu z opredeljenim strateškim okvirom.

**Zaključek:** Podjetja, katera vodijo mladi, zagotavljajo številne koristi za družbo; zmanjšujejo brezposelnosti mladih in pomagajo mladim pri pripravi na njihovo prihodnost. Tudi ženske podjetnice imajo močne gospodarske in socialne učinke.

**Ključne besede:** *podjetništvo; mikro, mala in srednja podjetja; sektor MMSP; mladi; podjetnik; ženske; strategija; strateški management*



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# Marketing Mix and Tourism Destination Image: The Study of Destination Bled, Slovenia

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**Background and Purpose:** The aim of the research was to find out how business partners from the field of tourism estimate the dimensions of the image of Bled and the marketing mix used to promote Bled. Further on we were interested in evaluating the influence of image and marketing mix on the scope of sales measured in overnights. The following dimensions of image were explored: perceived uniqueness of image as a whole, perceived uniqueness of attractions and experiences, perceived quality of the environment (cleanness), perceived feeling of safety, as well as the dimensions of the marketing mix: perceived quality of products (accommodation, culinary offer, transfers, etc.), perceived price of services, perceived manner of sales for the promotion of Bled, perception of promotional channels, perception of residents (politeness, friendliness, multicultural and religious openness, etc.) and a positive experience of visiting Slovenia.

**Design/Methodology/Approach:** The survey was dispensed among 400 incoming agencies, foreign tour operators, tourist agencies and associations that promote the product of Bled. 235 units were received, 164 of them were completed. The respondents come from 30 countries from all over the world.

**Results:** The findings disclose how service quality, tourist provider competencies and environmental factors are estimated. Safety at Bled has the highest arithmetic mean and the lowest standard deviation. The lowest ranking is linked to traffic and tolerance towards other religions. It is alarming to find the service quality, as the core of tourism business, rated poorly during the main season.

**Conclusion:** Having overviewed the available literature it might be concluded that the analysis can be regarded as the first research of the tourist destination Bled performed in this manner and scope.

**Keywords:** *Bled; image; marketing*

## 1 Introduction

Literature overview of destination image and destination marketing shows that the topic has been broadly researched. However, the researchers rarely focus on the connection among the marketing mix, destination image and scope of sales measured in overnights. Our research focuses on this very topic. It tests the influence of (1) image and (2) mar-

keting mix on the scope of sales i.e. overnights in the tourist destination Bled. To rephrase the research question: we were interested to identify how saleable is the destination image of Bled and how the marketing mix might amplify sales. To what extent do the image and marketing mix affect tourism product sales? This question can be regarded as timeless, contemporary and always interesting.

The analysis of the world tourism trends (WEF, 2015)

places Slovenia with the tourist brand »I Feel Slovenia« and its corresponding strategy on the 8th position. The rating for the country image efficiency and the number of attracted tourists on the other hand substantially falls down to the 96th position. This clearly demonstrates that the image and the tourist brand are not capitalized to their full advantage and that the marketing and sales process is below the level of half of European rated countries.

Bloom Consulting's Country Brand Ranking© for Europe (2016) positions Slovenia's tourism brand on the 23<sup>rd</sup> place. The country brand strategy is rated 9<sup>th</sup> best in the world. This means that the messages / imagery promoted by the National Tourist Office match the most demanded tourism products, assets and activities searched for by potential tourists in search engines. Slovenia has shown a growth of 5% from 2014 to 2015 (Bloom Consulting, 2015) and it is now the second most searched for country in the world for "Spa"-related activities, being only surpassed by its neighbour Austria.

It is our assumption that the final sales result depends on both factors, namely the image as well as the marketing mix. Although MacKay and Fesenmaier (1997) claim that an image is of subjective nature, the goal of each marketing process, using advertising and other marketing tools, is to evoke a positive image with contrasting elements on several levels. The brand herein should play a supportive role.

Marketing specialists exert the destination image as the promotional tool for positioning the destination in the market and for exposing destination's competitive advantages (Hosany, Ekinci & Uysal, 2006; Morgan, Pritchard & Piggott, 2003). Other authors (Kotler, Haider, & Rein, 1993) basing on the example of London and other bigger cities prove that each marketed place, region or city had already been informally marketed by visitors, workers, investors and buyers centuries before their final market visibility. On the case of Bled that already celebrated the first millennium of being mentioned in written sources we could undeniably say that informal marketing started with the first pilgrims. Planned marketing with a broad use of marketing tools to enhance recognition has been used in the recent years. Developing a multidimensional and coherent image is of crucial importance for all East-European countries since the very image is the most influential factor when achieving better recognition and success (Szondi, 2015).

### 1.1 Tourism and tourist destinations

**Tourism** is one of the most prosperous and fastest growing economic branches in the world. Recent analyses show that the world tourism with 284 million employees (1 of 11 employees on average) forecasts a 3.5% growth for 2015, which is 1 percentage point higher than the world economic growth (World Travel and Tourism Council [WTTC], 2015). Tourism represents 9% of the world GDP, moreover,

the forecasts for 2030 with an annual growth of 3.3% show that the number of world overnights might even reach 1.8 billion. Traditional markets with Europe grow at a 2.2% rate and new destinations grow two times faster. Eastern Europe (that frequently includes Slovenia as well) shows a growth of 3.5% (World Tourism Organization [UNWTO], 2015). The growth of Slovenia's tourism has been recorded since its independence, and in 2014 results exceeded the level of 6 million tourist overnights. According to the records of WTTC (2016) the share of tourism in total gross domestic product should increase by 2.5%. Employment figures demonstrate a moderate growth; tourism currently provides jobs to 104,500 people. The outlooks of WTTC reveal that Slovenia should have a 4% future growth in tourism, which might result in 13.8% of the GDP.

In 1942 Walter Hunziker and Kurt Krapf scientifically defined tourism with a statement that tourism is a mix of relations and phenomena that stem from travel and living of foreigners in a certain place if that is not connected with permanent settling or economic activities (Planina & Mihalič, 2002). The world organization for tourism states that tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.

A **tourist destination** can be epitomized as a managed tourist system with balanced relations among its participants and with a political consensus on a geographically defined area with sufficient natural and constructed tourist attractions, developed infrastructure, ability to create added value for its visitors and the ability to ensure sustainable tourism development. A visitor perceives its final goal of travel and such tourist destination as a complete unit i.e. complete tourism product with an added value (Semija, 2011). The term of the tourist destination has been interpreted in many different ways, but the majority acknowledge that this is a coherent geographical region with uniform identity and various tourism products. A tourist destination has the appearance of an independent and competitive product (Kotler et al., 1993). Bieger (2000) delineates the tourist destination as a geographical region (city, area, and town) that a visitor or a tourist segment chooses for its travel goal. Smith (Hall, 2008; Konečnik, 2001) defines characteristic criteria of the destination, but acknowledges that the limits of destinations in reality are hard to define. According to his criteria destination should:

- include cultural, physical and social attributions that commonly define the regional identity,
- include tourist infrastructure to support the development of tourism,
- display more than one tourist attraction,
- include existing attractions or have the potential to develop interesting attractions,
- be able to support planned marketing of the tourist region,

- be available to a broader number of visitors.

## 1.2 Image of the tourist destination

The acknowledged definition of the term image states that these are mental pictures or mental images of an individual about something. The image can be contrasted with the identity. The identity is something that objectively exists, while the image is the subjective reflection of the identity. The subjects perceive the identity of an organization, an individual or an entity in a different way. It should be noted that an organization, an individual or an entity can have various images since there are numerous different individuals in the environment. Particular individuals might perceive the same identity utterly different. Theorists claim that an image is a set of person's beliefs, ideas and impressions with a reference to a certain object (Kotler et al., 1993). Crompton (1979) further on defines the image of a tourist destination as a structure of beliefs, ideas and impressions that an individual has about a tourist destination. Interestingly Gartner (1996) sees in the image of a destination three hierarchically connected components: a mental, an emotional and an impulsive one. The emotional component is also supported by Parentau (1995) who links the image to the favourable or unfavourable prejudice that the public has about products or destinations. Cohen, Evans-Pritchard, Morgan and Pritchard (in Brezovec: 2009) also add visual images due to the fact that they analyse the characteristics and the expressiveness of visual images (photographs, films, brochures, logotypes), and thus they open the dilemma whether a visual image reflects reality or distorts it. In the field of tourism the image would be mutually defined as an »imitation of an appeared object« or as a »visually marked identity of an object« (UNWTO, 2016).

More than 50 years ago theorists have shown that the destination image (as a combination of mental images, perceptions, opinions and impressions of an individual or a group) is the key factor that affects the decision, assessment and consequently the positioning of tourist providers (Brezovec: 2007).

We could interpret the destination image as the »mental imitation of an actual appearance of the tourist destination«. Thus we defined the research variables referring to the:

- perceived uniqueness of the complete image of Bled,
- perceived uniqueness of tourist attractions and activities in Bled,
- perceived quality (cleanness) of the environment,
- perceived safety.

## 1.3 Destination marketing mix

Marketing endeavours to understand the needs (as essentially existent in the human nature) and wishes (individuals strive for goods to satisfy their needs) of potential buyers. It affects the purchase power and aspires to create the demand that can be met with a tourism product. A user will not only feel satisfaction, but will also perceive the value that occurs as the relation between the benefits received and costs made. The next logical step represents the core of sales, namely exchange. This is a process that creates value and improves the position of both sides if a comparison is made to their positions prior to the exchange (Konečnik, 2010).

Theoretical basics of marketing need to be addressed as well. Harvard scholars were the first to introduce the term marketing mix with twelve different marketing elements (Dolan, 2000). Theoretical and practical inputs later led to the product marketing mix called 4P named after McCarthy with the following elements: product, price, place and promotion. Selling services further on led to additional 3P elements: people/ participants, processes and physical evidence. Marketing of tourist destinations added two more P elements: politics and paucity. Kotler, Bowen & Markens (2014) recently conjectured two further dimensions: internal and interactive marketing. The historic overview of marketing strategies exhibits a profound transformation in time (Kodrin, 2011):

- production (cheap products, productivity is of crucial importance) and product concept (practical products of high quality are preferred),
- sales concept (the user needs to be convinced into purchasing a service),
- marketing concept (the sense-and-respond philosophy should help us offer the proper services for users),
- socially responsible concept (sustainable, socially- and eco-friendly oriented services).

Kotler et al. (2014) persist that the goal of each business operation is to create and keep satisfied and profitable clients. Once their needs are met such clients will share their opinions and experiences with others.

Due to the »nature of a tourism product, which is a combination of services and products« (Konečnik, 2010) or due to the mix of physical products, services and natural or cultural goods (Alič & Cvikič, 2011) slightly altered marketing approaches need to be employed so as to achieve better results. Konečnik (2010) defines marketing in tourism as a »process of voluntary exchange among users and providers of tourism products / services / experiences where both participating sides should be satisfied. The providers are bound to offer products / services / experiences that give modern tourists the utmost experience. When providing experiences to specific user groups tar-

geted marketing combined with destination marketing mix should be used.

A client satisfied with the provided service is the crucial element of tourism. Satisfaction can be interpreted as the »level of personal satisfaction felt when a client compares the achieved with the expected satisfaction with using a product or a service» (Alič & Cvikl, 2011). Aside the two mentioned dimensions of the expected and the experienced; the quality of the service, linked to the fact by whom, when and how this is achieved, is the most important element. The adjusted elements of the marketing mix are hence the focal point of our research:

1. product quality (accommodation, culinary offer, transfers, etc.),
2. price of the service,
3. the manner in which Bled is sold,
4. marketing communication channels used to promote Bled,
5. residents (politeness, friendliness, openness to multi-cultural visitors and religions, etc.),
6. positive experience of Slovenia.

In the course of our research the following facts were adopted as guidelines:

1. It is indicative of tourism and hotel business that services are related to the experiential quality and the quality of trust. The latter has a high degree of subjectivity that makes achieving excellence even more demanding or less manageable, and more dependent on understanding each individual or each business entity. Consequently, we can talk about quality relativity (Marolt & Gomišček, 2005).
2. Uranc (Kodrin, 2011) claims that value is relative; »the value perceived by the users may not be equal to the one the providers feel they are giving. Users vary and so do their systems of values«. If we can recognize how users respond to the characteristics of tourism products, price and marketing, we can attain greater added value and get a favourable position when compared to other tourism providers.
3. Motives of reason and emotions drive a potential tourist into purchasing a tourism product. A need or a desire act as motivators towards an activity. The purchase behaviour in the end relies on psychological factors. The human need to purchase tourism services functions as drive, depending on the fact how each situation is perceived. It is not the reality itself, but the perception of reality affecting the person's purchase behaviour that is the most crucial.
4. There are different destination management models that define key factors as well as the prerequisites for establishing and managing a tourist destination. Semeja (2011) ranks the most relevant ones: the model of the Swiss Tourism Management Institute in Graubünden, Bieger's ITM model, the Ritchie/

Crouch model, the integrated model of Dwyer and Kim and Heath's model. Beritelli, Reinhold, Laesser and Bieger (2015) recently presented the St. Gallen model that introduces a new concept of understanding and promoting destinations. It is based on the fact that many service providers and other participants are not able to recognize the travel motives or habits of visitors.

5. Tourist services are always provided by people. As Kotler et al. (2014) recommend the service culture should commence in the top management and descend hierarchically. World tourism evaluates the importance of human factor regularly and the tourism competitiveness report for human resources of the World Economic Forum (WEF, 2015) reveals that Slovenia has the index 4.69, which is far below Switzerland that supremely leads with the index of 5.64 and thus presents the highest level of quality services.
6. As it is defended by many authors (Kotler et al., 2014; Brezovec, 2009) even beliefs that come from actual *knowledge* (e.g. experiences) or *trust* (in a brand or in a person stating something) may lead to a different purchase act, or even have a negative influence on business (e.g. the conviction that »a country is not safe«).

## 1.4 Bled

### Bled as a tourist destination

Some authors claim that the Alps and the seaside regions of the Mediterranean Sea played the most important role in the development of European tourism (Alič & Cvikl, 2011). In 1818 Switzerland emerged as the first destination where 14-day horse-carriage tours were organised and thus Geneva, Lausanne, Vevey, Montreux and Chamonix were the first summer destinations to be placed on the tourist map. The geographical characteristics of Slovenia make it easy to compare the country with Switzerland. Therefore, the next logical step could be a parallel comparison between Swiss and Slovene development of lake-side and Alpine towns. The best example would be Bled where the Swiss Arnold Rikli started to develop tourism in 1854. The Alps are regarded as the second most popular tourist destination in the world (Vrtačnik, 2005).

Right after Ljubljana and Piran, Bled with the Julian Alps is the third most visited place in Slovenia. As shown in Table 1 in 2014 Bled had 6,077 beds and in 2015 684,015 overnight stays of guests that came from 139 countries of the world. Interestingly Sirše (2005) asserts that »Bled presents 0.1 % of the total receptive tourism in the region of the European Alps and Northern Adriatic that in total have 3.1 million of beds and 745 million of potential overnight stays per year.»

The tourism competitiveness report (WEF, 2015) analyses 141 countries and after the leading country Switzer-

Table 1: Number of overnight stays and number of beds in Bled (SURS, 2016)

Year	2008	2009	2010	2011	2012	2013	2014	2015
Beds	5.149	4.825	5.630	5.798	5.856	5.805	6.077	6.284
Overnight stays	540.480	509.230	549.590	571.756	598.396	628.491	643.975	684.015

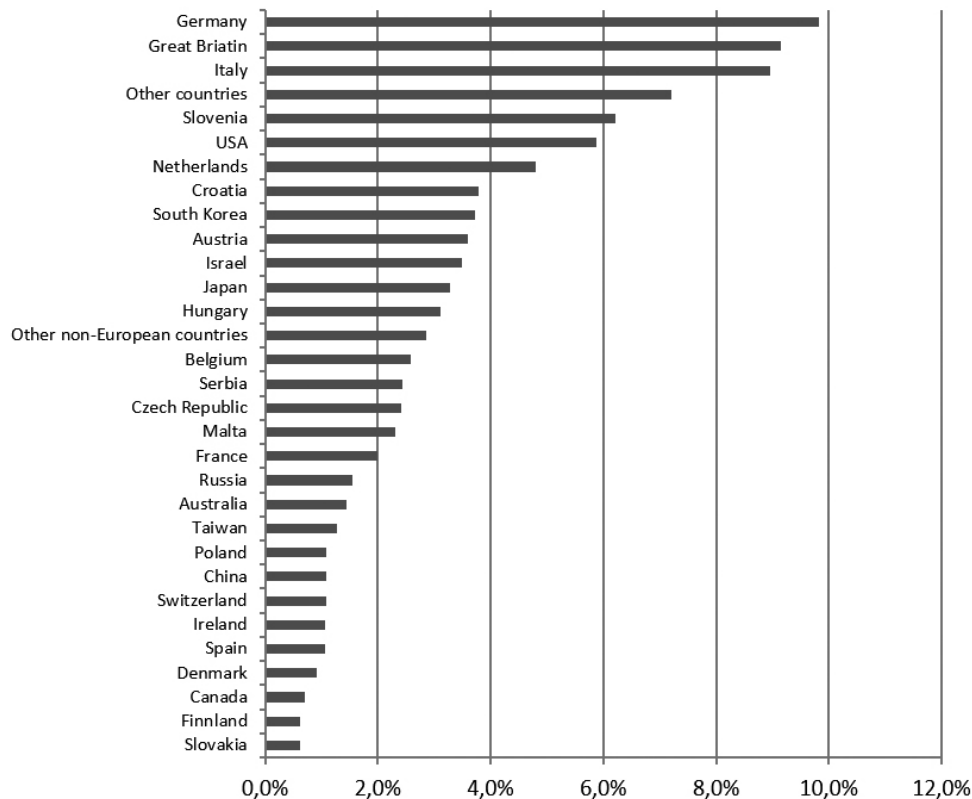


Figure 1: Key markets for Bled according to the annual number of overnight stays in 2015 (SURS, 2016)

land Slovenia, with a similar Alpine resort of Bled, reaches only the 39th place. This proves that Slovenia with Bled as the flagship still has a potential to grow. It is interesting to note that Bled as many other Alpine destinations experiences the shortening of overnight stay to less than 3 days, which means that further efforts need to be invested into attracting more clients with different interests and backgrounds to achieve the same results. Bled offers a mixture of products for different generations, segments (leisure, MICE, groups, FIT), seasons, events and interests. However, the main challenge remains the same, namely how to increase occupancy in low-season periods. Figure 2 shows main season peaks and the challenging less profitable low-season periods.

Figure 1 shows Bled's key markets where none of them breaks the 10% share of the total. The three leading countries are Germany, Great Britain and Italy (SURS, 2016).

Different marketing approaches have been applied to promote Bled from the beginnings, but none so far have addressed the destination image. The 2009-2020 Bled marketing strategy introduced a slogan that puts the image in the forefront: *Bled, imago paradisi* or the image of paradise.

#### Image of Bled

The image of Bled was used as the cornerstone of the national image of former Yugoslavia and Slovenia. In the beginning of the 20th century, Bled boasted as the resort of the pre-war elite and after the Second World War, it co-created the image of Yugoslavia that based its monetary influx and reputation on tourism. The English High 50 (2016) mentions how the former president Tito used devaluated currency *dinar* to attract English tourists to Pula, Split, Dubrovnik and Bled. The image of lake Bled

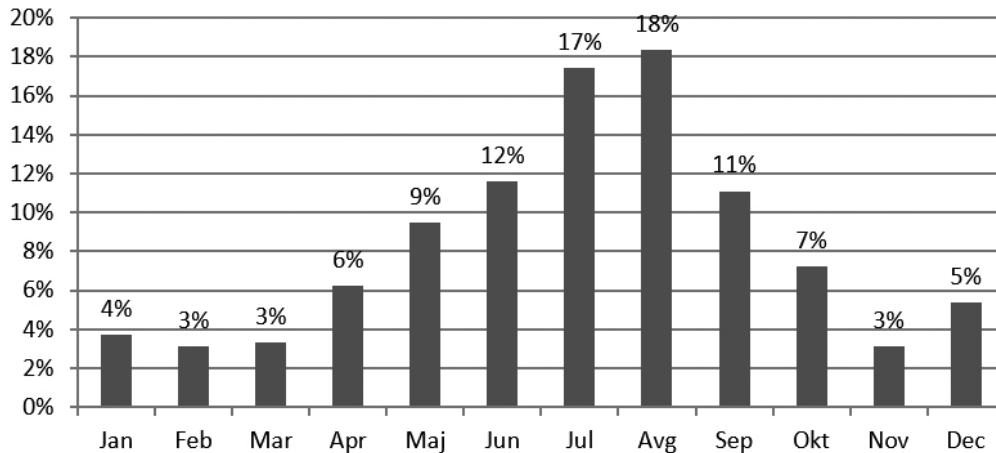


Figure 2: Monthly overnight stay shares in 2015 (SURs, 2016)

with the church was always used at the side of the image of the old city of Dubrovnik. Towards the end of the 1980s Yugoslavia with Bled was the second favourite destination for English tourists.

Nowadays Bled is positioned relatively high on various informal ratings by The National Geographic, The Forbes, The Lonely Planet, The Guardian and many other media (the criteria being: the most beautiful lakes, the most hidden, interesting, romantic, natural places or similar). Tourist guides recommend Bled as the must-see sight that needs to include the *pletna* boat ride to the island, the climb of 99 steps towards the island church with the wishing bell, the visit of the castle of Bled and the walk around the lake that must be topped up with a traditional cream cake dessert called *kremšnita*. Further dimension of the image of Bled that are at the same time also tourism products are next to that: the traditional horse carriage ride with the coachmen called *fijaker*; the gorge of Vintgar, climbs for eye-catching views from the hills of Ojstrica and Kuhovnica, the adventure park Straža. Product portfolio has been increased with the Pokljuka plateau, the Triglav National Park, the cave under Babji zob, the waterfall Iglica. Certain segments or markets (such as German-speaking tourists) would link the visit of Bled with a stop-over at the folk music homestead of Avsenik, the pilgrimage church of Brezje. The English, on the contrary, may relate Bled to weddings at the castle. The Americans would connect Bled with an obligatory visit of the former president Tito's summer mansion Vila Bled. For the Slovenes it is a must to walk around the lake, skate on its frozen surface and relish a cream cake with a view of the lake.

### Marketing promotion of Bled

There are two sectors in charge of the promotion of Bled, development of tourism and its products:

- the public sector: municipality of Bled, institute for tourism development Turizem Bled, facility and infrastructure maintenance Infrastruktura Bled, Bled Culture Institute, Higher Vocational College for Hospitality and Tourism Bled, tourist and local associations, locals, clubs, Slovene Tourist Organization, Directorate for Tourism at the Ministry of the Economy;
- the private sector: hotels, boarding houses, tourist agencies, restaurants and catering services, medium- and small-sized companies, the Business School of IEDC.

Compliant with the strategy Bled 2009-2020, Turizem Bled as the leading promoter focuses not only on reconciled coordination of public and private partners, but also on the following key values:

- **nature:** the unique island with the church, the lake and surrounding mountains, the Triglav National Park,
- **tradition:** hiking, state protocol services and business tourism, international sports events,
- **people:** locals and tourist workers.

Due to the fact that target groups originate in various parts of the world and are different in the scope of interest numerous promotional channels are used and adjusted according to preferences and characteristics of visitors.

## 2 Methods

### 2.1 Research questions

Our research aimed to answer the following research questions:

1. How are the dimensions of Bled's image rated according to:
  - perceived uniqueness of complete image,
  - perceived uniqueness of attractions and experiences,
  - perceived quality of the environment (cleanness),
  - perceived feeling of safety.
  
2. How are the dimensions of the marketing mix rated according to:
  - perceived quality of products (accommodation, culinary offer, transfers, etc.),
  - perceived price of services,
  - perceived way by which Bled is sold,
  - perception of promotional channels,
  - perception of locals (politeness, friendliness, multicultural and religious openness, etc.) and
  - an existing positive experience of visiting Slovenia.
  
3. We were also interested to analyse if there is a connection between:
  - the »rated image dimensions of Bled« and the »scope of sales i.e. number of overnights«,
  - the »rated marketing mix dimensions« and the »scope of sales i.e. number of overnights«.

### 2.2 Instrument

The variables of the »image« group and the »marketing mix« group were measured with an online survey. The questionnaire items are authors' work and were not adopted from previous studies. Perceived uniqueness of the image was tested with 3 statements (*I know a few similar places. Natural sights are really worth visiting. One can have plenty of new and unique experiences.*). The respondents could state their opinion using the Likert scale: from saying that they strongly disagree to saying that they strongly agree, or they could express that no estimation could be made. Perceived uniqueness of attractions and experiences was examined with a question asking which of the 15 entities (*the lake, the island with the church, the wishing bell in the island church, etc.*) are the most unique. The respondents could evaluate each entity on the Likert scale: from not unique at all to completely unique, or they could express that no estimation could be made. Perceived quality of the environment was measured with four statements and the Likert scale expressing strong disagreement or agreement (*Bled is clean and neat. Bled is bound to sustainable and eco-friendly development. There is too much*

*traffic. It is too noisy. Much more should be done to protect nature*). Perceived feeling of safety was examined with two statements (*during my evening walk I feel safe; as a tourist you need to be quite careful*). Perceived quality of products was evaluated with eight statements (*quality is comparable to similar places; the quality of services decreases in the main season; hotel accommodations rank as Slovenia's best. etc.*). Perceived price of services was measured with two statements (*Visiting Bled is worth every euro. Bled is cheaper than lake-side resorts in Austria and Italy*). Perception of residents was examined with 4 statements (*Each tourist worker at Bled should speak 3 foreign languages. Locals are willing to help. Life is multicultural here. The locals are not keen on other religions*). A positive experience of visiting Slovenia was tested with three statements (*I am impressed and I will surely recommend Slovenia. The Slovenes are not aware of the country's treasures. Cultural heritage and tradition are not sufficiently appreciated*).

Closed-type questions were used with an increasing five-level Likert type scale in order to rate the level of agreement or disagreement with marks from 1 to 5 (1 showing full disagreement and 5 showing full agreement), the option 6 was given as a not-possible-to-estimate option. During our statistical analyses, negative statements were recoded.

Perceived way by which Bled is sold was examined with 8 assertions; several answers were possible (*I have already known Bled. It was part of the travel package. I have read about Bled in articles and printed media, etc.*). Perception of promotional channels was investigated with a question asking which promotional channels provided the respondents with further information about Bled; several answers were possible (*websites such as Tripadvisor, Travelocity and similar; online travel agents like Booking.com, Expedia, social media, websites of accommodation providers, Bled's local tourist organization website, Slovene tourist organization's website, tourist fair, press or fam trip, promotional leaflet, promotional TV film, radio, other*).

We measured the variable »scope of sales« by asking each respondent how many overnights at Bled they sell per year on average.

The online questionnaire was developed on the website [www.lka.si](http://www.lka.si) and the survey took place from 14 March until 2 April 2016. Time needed to fill in the survey with 26 questions divided in 15 subsequent sections was estimated to 6 minutes. The survey was written in the English language and the link to the survey was sent by e-mail to 400 general addresses or to direct e-mail addresses of decision makers in sales or similar departments.

### 2.3 Sampling

The research was done among representatives of the tourism. Experience and many researchers have shown that

the image evaluation of a tourism representative bears an equal weight to the one of the potential destination visitor (McLellan & Foushee, 1983; Gartner, 1993; Gartner & Bachri, 1994; Baloglu & Mangalolu, 2001). Bitner & Booms (1982) similarly assert that tourists take final decisions which destination to visit for the first time upon the recommendations of a tourist agent. Invitations to cooperate in the research were sent to key tour operators and agents coming from the key markets of Bled, as well as to Slovene, Croatian, Czech and other neighbouring incoming agencies that bring guests from the countries that rank as the most important ones for Bled. 400 incoming agencies, tour operators, associations and travel agents that sell Bled and work with one of the authors at the major hotel chain at Bled were asked to participate. We received 235 fulfilled questionnaires. Out of them 164 respondents finished the survey and 71 respondents filled in the survey only partly. In the group of 164 respondents with the survey finished there are some who did not answer all the questions in full.

Respondents mainly come from the leisure segment, which is compliant with the analysis of the World Travel and Tourism Council (2016) which shows that Slovenia has 86.7% of leisure tourism and 13.3% of corporate and congress tourism. Respondents came from 30 world countries and this shows a wide geographic spread (and coverage) of the sample according to the nationality of the respondents. The term of nationality is used here with the reference to the country of origin of the business partner as well as of the guest making an overnight at Bled (statistics record guest nationalities and overnights). Because the national tourism statistics for Bled shows that the number of countries where visitors originate from increases and diversifies in time, we could estimate that good response from different countries present a satisfactory overview of currently active business partners. Figure 3 shows that the majority of respondents are decision makers who already have Bled in their sales portfolio or they might yet opt for it in the future. Correspondingly, the interpretation pre-

sented herein bears a solid weight, especially when taking into consideration that similar destination image surveys are mostly addressed to random individual guests or business partners.

### 3 Results

Research results are presented in two subsections covering the image dimensions as well as the marketing mix.

#### 3.1 Image dimensions

##### Image uniqueness

The comparison of the arithmetic mean (Table 2) of answers shows that Bled is somewhat similar to the Austrian lake Zell am See and the German lake Bodensee, but a bit less similar to the Italian Garda Lake.

##### Uniqueness of attractions and experiences

As demonstrated in Table 3 the most unique attraction of Bled is the island with the church and the pletna boat. High ranking of the pletna boat according to the mean value came as a big surprise, whereas the result of the island was expected, since the island with the church is shown on practically every promotional material of Bled. Respondents find swans and the golf course the least unique. Moreover, we could interpret the answers about swans and the golf course as »of no distinctive value«. Consequently this opens the debate whether the golf course is really »nothing special« or maybe this exemplifies an inappropriate way of promotion.

##### Quality and cleanness of the environment

The respondents rated Bled as neat and clean with great strivings towards sustainable and eco-friendly development (Table 4). On the other hand, they find heavy traffic and noise disturbing.



Figure 3: Positions and responsibilities of respondents

Table 2: Image uniqueness

Think of other regions that you have visited or heard of. Please compare Bled with other regions.	N	Mean	Std. Dev.
Zell am See (Austria)	106	3,19	1,096
Lago di Garda (Italy)	130	2,99	1,124
Lake Constance/ Bodensee (Germany, Austria, Switzerland)	106	3,15	1,040



Table 3: Uniqueness of attractions and experiences

<b>Which characteristics of Bled do you find most unique?</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>
The island with the church	160	4,29	,893
Boat pletna	141	4,16	,897
Bled castle	158	3,97	1,037
Wishing bell in the island church	149	3,97	1,111
99 steps on the island	139	3,96	1,080
Cream cake	143	3,62	1,244
Hills around the lake with viewpoints	156	3,62	1,182
The lake	159	3,57	1,280
Healing lake water and Alpine climate	150	3,44	1,102
Coachmen fijaker	119	3,20	1,161
Walking path around the lake	157	3,04	1,293
Villas and renown hotels at the lake shore	156	3,01	1,283
Summer sledding and adventure park	133	2,92	1,178
Golf course Bled	126	2,69	1,203
Swans	152	2,48	1,207

Table 4: Quality and cleanness of the environment

<b>How would you estimate the quality of Bled's environment?</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>
Bled is clean and neat.	141	4,11	,931
Bled is bound to sustainable and eco-friendly development.	130	3,97	,940
There is too much traffic; it is too noisy.	132	2,86	1,320

Table 5: Perception of safety

<b>Please estimate safety at Bled:</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>
During my evening walk, I feel safe.	134	4,64	,698
Please estimate safety at Bled: As a tourist you need to be quite careful.	134	1,99	1,176

### Perception of safety

Arithmetic mean and standard deviation values in Table 5 show that the majority finds Bled safe. The modifier safe or »safety« scored highest among all the statements of the survey. This is rather unusual since the concept of safety at Bled, when compared with other promoted specifics, is weekly communicated. On the other hand, we may relate this to the results of the World Economic Forum study (2015) which ranked countries according to safety. Out of 144 countries, Slovenia was positioned 14th. Our results thus could open the debate whether the promotion could be based on the concept of safety as well.

### 3.2 Marketing mix dimensions

#### Product quality

The comparison of arithmetic means in Table 6 shows that Bled is really worth visiting for the natural environment and to test diverse culinary offer as well as various activities. Bled's infrastructure is poorly rated. Next to that, it is surprising to find the quality of services and the quality of hotels on such a low level.

The respondents were asked to evaluate the product quality as a unit and the arithmetic mean value was only 3.26 (standard deviation 0.607). If we compare the results with other examined attributes such as the image uniqueness, uniqueness of attractions and experiences, then it needs to be stressed that quality is valued poorly and shows an unprosperous trait for the destination of Bled.

Table 6: Quality of the product

How much do you agree with the statements relating to quality, competencies and diversity?	N	Mean	Std. Dev.
Natural sights are really worth visiting.	148	4,56	,827
Tourists appreciate culinary diversity.	146	3,93	,987
There is not much night life.	111	3,81	1,124
Quality is comparable to similar places.	131	3,54	1,010
There are plenty of activities and events in most of the year.	132	3,48	,945
Each tourist worker at Bled should speak 3 foreign languages.	140	3,39	1,198
Hotel accommodation ranks as Slovenia's best.	131	3,29	1,071
The quality of services decreases in the main season.	106	3,15	1,040
Cultural heritage and tradition are not sufficiently appreciated.	127	3,00	1,155
Bled has poor infrastructure.	127	2,92	1,212

Table 7: Perceived price of services

Please compare Bled with similar tourist destinations price-wise.	N	Mean	Std. Dev.
Visiting Bled is worth every euro.	139	3,85	1,056
Bled is cheaper than lake-side resorts in Austria and Italy.	124	3,65	1,142
I would be willing to pay more for richer service.	135	3,24	1,205

### Perceived price of services

The values of arithmetic means in Table 7 show that visitors think they get a fair value for the cost they pay, and at the same time they show a trend that we may be approaching the bottom line of how much a visitor can be charged for a richer scope of offer.

### Perception of promotional channels and the way Bled as a destination is sold

In the interpretation of Table 8 we can expose tourist fairs (40.8%) to be the most important promotional channel, the second and third place show that the second phase of gathering information takes place on the websites of the Slovene tourist organization (27.5%) and the local tourist organization of Bled (27.1), so it shows their great importance as well.

### Perception of residents

When we compare arithmetic means of statements for perception of residents in Table 9, we can see that they are considered to be friendly and willing to help. The tourist workers are estimated to perform their work in a professional way. On the other hand, the results show a rather reserved attitude towards other religions.

### Positive experience of Slovenia

Respondents estimated the existing experience of Slovenia in a positive way (arithmetic mean was 3.76 (standard deviation 0.843).

### Scope of Sales

Each respondent was asked to provide us with the information of average annual overnight numbers. They could choose among four options: up to 300 overnights, from 300 - 1.000 overnights, from 1.000 - 2.500 overnights or more than 2.500 overnights.

## 3.3 Analysis

### Variable dependence

We tried to find dependencies among variables:

- the »evaluation of image dimensions on the case of Bled« versus the »scope of sales« and
- the »evaluation of the marketing mix dimensions« versus the »scope of sales«.

The aim was to first use a factor analysis for the gathered data, then to perform a regression analysis on new factors, and as the third step to make contingency tables for questions without the 5-level scale to analyse and record the relationship between two or more categorical variables.

**All results showed that there is no dependence among the independent variables ("image" and "marketing mix") and the dependent variable (number of sold overnights).**

Statistical analysis of dependence among variables, however, displayed the following:

Table 8: Perceived promotional channels and the ways by which Bled is sold

<b>Which promotional channels provided you with further information about Bled? (Several answers are possible.)</b>	<b>%</b>
Websites such as Tripadvisor, Travelocity, etc.	16,5
Online travel agents like Booking.com, Expedia, etc.	8,7
Social media	17,0
Websites of accommodation providers	21,6
Bled's local tourist organization website	27,1
Slovene tourist organization's website	27,5
Tourist fair	40,8
Press or fam trip	19,1
Promotional leaflet	8,8
Promotional TV film	11,2
Radio	2,6

Table 9: Perception of residents

<b>How friendly are the tourist workers and locals of Bled? Do locals accept other cultures, habits, nationalities and religions?</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>
Locals are willing to help.	130	3,97	,889
Tourist workers perform their work with great skills.	138	3,91	,879
People speak foreign languages with great ease.	125	3,54	,947
Life is multicultural here.	117	3,21	1,178
The locals are not keen on other religions.	91	3,03	1,206

1. As mentioned not all respondents answered all the questions. The number of valid answers for the analysis is shown in the survey results. This may be due to the fact that the survey was composed of a relatively high number of questions or statements. It needs to be mentioned that the sample could not be bigger since almost the entire population (400 partners) was asked to participate and the response remained within the usual frame of such surveys.

2. Cronbach's coefficient alpha was calculated for sets of questions and statements. The test of reliability or internal consistency measures how reliable and valid the measurement of an individual scale is. Most Cronbach's alpha coefficients are above 0.6 (segments asking for a comparable place, unique characteristics, the most convincing experience, quality of the environment, quality of services, personnel competencies and friendliness, price comparison and a general impression of Bled). Due to the fact that we have five categories which might be difficult to measure (image, perception, personal experience, actual experience with the service and personal opinion) we accept a lower level of reliability satisfaction. Similar practice of accepting instruments that have moderate reliability was used also for tests of personalities

with Cronbach's alpha at 0.6 (Loewenthal, 2001). Therefore, the core of the interpretation relies on the analysis of arithmetic statistical means and standard deviations.

3. The survey addressed key tour operators and agents that originate from the key markets of Bled tourist destination. Respondents are from 30 (for Bled) most important countries (out of 139 countries the first 30 countries present 90% of all overnights). Based on that we estimate that the chosen target group was appropriately chosen. The problem lies in the fact that the dependent variable (scope of sales measured in overnights) is affected by the potential of each separate market (e.g. guest share from Germany or Great Britain reaches nearly 10%, whereas Slovakia holds only a 1% share), which may lead to the fact that the reason for difference is the power of separate markets. The survey was given to tour operators and agents from all most important markets, even the ones that contribute a smaller share of overnights to Bled.

4. With the multivariate data analysis for more than one variable, we proved that variables included in the model are linearly connected.

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Image uniqueness	Equal variances assumed	,109	,742	,188	107	,851	,03320	,17683	-,31734	,38375
	Equal variances not assumed			,194	72,224	,847	,03320	,17151	-,30867	,37508
Uniqueness of attractions	Equal variances assumed	1,268	,263	-,294	97	,769	-,04552	,15487	-,35290	,26186
	Equal variances not assumed			-,315	81,035	,754	-,04552	,14449	-,33302	,24198
Environment quality	Equal variances assumed	1,637	,203	-,046	118	,964	-,00694	,15219	-,30832	,29443
	Equal variances not assumed			-,050	81,620	,960	-,00694	,13956	-,28460	,27071
Safety	Equal variances assumed	,907	,343	,337	130	,737	,04843	,14374	-,23594	,33281
	Equal variances not assumed			,313	59,117	,756	,04843	,15490	-,26151	,35837
Product quality	Equal variances assumed	1,539	,218	-,512	78	,610	-,06628	,12945	-,32398	,19143
	Equal variances not assumed			-,555	68,857	,581	-,06628	,11945	-,30459	,17204
Price	Equal variances assumed	,059	,808	,503	118	,616	,09561	,19025	-,28113	,47235
	Equal variances not assumed			,511	59,766	,611	,09561	,18708	-,27864	,46986
Residents	Equal variances assumed	5,113	,026	,220	83	,826	,03371	,15318	-,27096	,33838
	Equal variances not assumed			,251	78,507	,803	,03371	,13445	-,23393	,30136
Positive experience of Slovenia	Equal variances assumed	1,937	,167	,460	112	,646	,07051	,15323	-,23309	,37412
	Equal variances not assumed			,486	78,404	,628	,07051	,14495	-,21804	,35907

Table 10: T-test of equality for arithmetic means

Despite the issues presented above the variables were additionally statistically tested. The dependent variable (the scope of sales measured in overnights) was according to the size (sold annual overnights) attributed with two new values, namely a »big-sized« and »small-sized« operator or agent. The relation among the dependent and all independent variables was tested with a t-test of equality for arithmetic means.

The differences among arithmetic means of responses are not statistically important (Table 10). Thus, the further statistical analysis did not bring any better statistically valid results that would show an important influence of marketing and promotion on sales.

## 4 Conclusions

The initial goal of our research was to find out how business partners of the destination Bled estimate the dimensions of the image and the dimensions of the marketing mix of Bled. According to the available information, this can be regarded as the first research of such value for the destination of Bled. The first scope of set goals was met fully since we could get the estimation of the service quality, environmental factors and competences of service providers.

The category »safety« ranked the highest in all responses; it has the highest arithmetic means and the lowest standard deviation. These findings are somewhat surprising since safety is positioned first before all other tested entities. It even leads before the natural features of Bled. Our expected assumption that the most unique attraction of Bled is the island with the church was confirmed. Since the pletna boat ranked so high it might be useful to base more promotional activities on the pletna boats as the second best attraction of Bled. Many respondents find high similarity with nearby tourist destinations in Austria and Italy. We can claim that there might be some actual resemblance (all destinations have Alpine lakes), however, the results do not show great similarity. This very fact and the uniqueness of the island with the church show that Bled is very special and unique. It needs to be continually promoted in this way. Having in mind that the pletna boats proved to be so appreciated and unique as well, they should be added to the promotional portfolio of Bled's characteristics and products in a more intense way. On the other hand, the frequently promoted historical specifics of Bled, the fijaker horse-carriage rides, do not get a good ranking and it might be wise to reconsider if they should be stressed as the forefront promoting element. Similar findings are also linked to the cream cake kremšnita.

Traffic was estimated with the lowest values. Unfortunately, the analysis of the results could not evaluate the

damage of the unregulated traffic in Bled. We were also surprised to see tolerance of locals towards other cultures and religions on such a low level. A poor level of service quality in the main tourist season is quite alarming as well. Similarly, it is a strikingly surprising fact that our research could not prove that the golf course of Bled, promoted as one of the most beautiful golf courses in Europe, is really unique at all. Maybe this only opens the debate that the golf tourism segment is more specific, but it can be stressed that there is no general awareness of unique golfing experience at Bled. Further on we can state that the price politics and market positioning of Bled need to be fully revised.

Based on the findings of the research we cannot claim with great certainty how big the influence of the image and marketing mix on the scope of sold overnights is. Respondents estimate the image attributes of safety and natural beauties as the best values. Low standard deviation for these two specifics (at the 5-scale estimation both have the value below 0.700) could not direct us towards finding any correlation between the mentioned variables and the scope of sales. On the other hand, we have no firm reverse proof that these two attributes in fact do not influence sales. It is our opinion that these are crucial elements for successful sales. Unfortunately, our empirical research results (e.g. correlation analysis) cannot directly support our estimation. We need to address the high importance of promoting Bled at specialized tourist fairs as well. Quality and informative tourist websites of a destination or of a country are similarly important promotional channels. Digital thinking is no longer a matter of innovation. It is what keeps destinations alive and competitive in a modern world where even the world's most prominent tourism destinations must be able to understand their potential tourists' online demand, the international trends, the strategy of their competitors and the competitiveness of their products. Google (2014) states that 65% of tourists do an online research before deciding for the next holiday destination. The importance of advice of friends and family is thus surpassed. Predicting behaviour from potential tourists from the analysis of online big data (searches, social media, meta-searches) may constitute the next big step to find not only the right promotion channels but also the right targets and messages to use.

While differentiating factors from other "Alpine" destinations have been found both in base and field research, it is important to be aware that the promotion of Bled can be considered underachieved. It is essential to note that the local political and tourism industry stakeholders need to work together towards finding the destination's central idea (the vision) and create the necessary policies, actions and activities necessary to promote a differentiated image of Bled abroad in key target markets.

Frequently it can be heard that each euro invested in the promotion returns in a fourfold measure, however, our final findings cannot confirm or deny that.

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**Marketinški splet in podoba turistične destinacije: študija turistične destinacije Bled, Slovenija**

**Ozadje in namen:** Namen raziskave je bil ugotoviti, kako poslovni partnerji s področja turizma ocenjujejo podobo Bleda in trženjskega spleta, ki se uporablja za promocijo Bleda. Nadalje nas je zanimala ocena vpliva podobe in trženjskega spleta na obseg prodaje, izmerjeno s številom prenočitev. Proučevali smo naslednje dimenzije podobe kraja: zaznavanje unikatnosti slike kot celote, zaznana unikatnost znamenitosti in izkušenj, zaznana kakovost okolja (čistost), zaznan občutek varnosti, kot tudi razsežnosti trženjskega spleta: kakovosti produktov (namestitev, kulinarčna ponudba, transferji, itd.), zaznana ceno storitev, zaznani način prodaje za promocijo Bleda, dojetanje promocijskih kanalov, dojetanje prebivalcev (vljudnost, prijaznost, multikulturna in verske odprtost, itd.) in pozitivna izkušnja na obisku v Sloveniji.

**Zasnova / metodologija / pristop:** Podatke za raziskavo smo zbrali z vprašalnikom, ki ga je izpolnilo 400 agencij, tujih organizatorjev potovanj, turističnih agencij in združenja, ki spodbujajo izdelek Bleda. Zbrali smo 164 kompletno izpoljenih vprašalnikov, izpolnili so jih anketiranci iz 30 držav z vsega sveta.

**Rezultati:** Ugotovitve kažejo, kako so ocenjeni kakovost storitev, kompetence turističnega ponudnika in okoljski dejavniki. Ocena varnosti na Bledu ima najvišjo ocenjeno aritmetično sredino in najnižji standardni odklon. Najnižja uvrstitev je povezana s prometom in strpnostjo do drugih religij. Zaskrbljujoče, je bila kakovost storitev, kot jedro turističnega gospodarstva, v času glavne sezone, nizko ocenjena.

**Zaključek:** Po tem ko smo pregledali razpoložljivo literaturo, da bi lahko sklepali, da je analiza mogoče obravnavati kot prvi raziskavo turistične destinacije Bled, izvedena na opisani način in v opisanem obsegu.

**Ključne besede:** *Marketing; Bled*



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# An Empirical Study of the Relationship between Entrepreneurial Competences and Innovativeness of Successors in Family SMEs

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**Background and Purpose:** In the recent period, scholarly interest for family entrepreneurship and succession has been increasing while the question of innovative capability of family SMEs and of innovativeness of founders and successors is relatively unexplored. Little is known about the factors, which are positively correlated, or affect innovativeness of successors in family SMEs. This research explores the relationship between entrepreneurial competences of the founders in family SMEs and innovativeness of their successors.

**Design/Methodology/Approach:** The target group were family SMEs of the first and the second generation – their founders and successors in Slovenia. As our research includes two independent samples with mostly ordinal data, we used univariate (analysis of means, variance, reliability index Cronbach alpha, t-test) and multivariate (simultaneous analysis of more variables, correlation) statistical methods to study the two constructs - entrepreneurial competences of the founders and innovativeness of successors, to test the positive correlation between the two.

**Results:** Results indicate that entrepreneurial competences like creativity, attitude toward risk-taking, attitude toward negotiations, technical knowledge and skills and marketing knowledge and skills of the founders in family SMEs positively correlate with innovativeness of successors. The results of this study indicate that entrepreneurial competences of founders are important factor for fostering innovativeness of successors.

**Conclusion:** This paper links the two studied constructs and presents a valuable contribution for entrepreneurship theory; therefore, the results could be used for a further scientific research as also for practical implications.

**Keywords:** *Entrepreneurial Competences; Innovativeness; Successors; Founders; Family SMEs; HRM*

## 1 Introduction

According to Antončič, Auer Antončič, and Juričič (2015), 83 % of companies in Slovenia are family businesses – micro, small, medium-sized and large. The importance of family business is significant in most of economies in terms of GDP creation and employment, e.g. in Slovenia they create 69 % of entire sales and 70 % of employments. The interest for research on the field of family entrepreneurship and mostly the issues of succession is increasing

since the nineties, but research on the field of innovativeness of family SMEs is very limited (Letonja, 2016; Cefis and Marsili, 2006).

The theoretical framework of our paper is laying in the resource-based theory (RBT) in connection with entrepreneurship theory (family business) – it is important for RBT, that production resources due to their tacit dimension and social complexity cannot be replicated. Tacit, socially complex production resources are on the field of entrepreneurship theory often linked to the founder and his firm.

According to Itami (1987; in: Širec, 2009; Letonja, 2016) these are idiosyncratic resources, having a higher value when used within the firm than outside the firm. Tacit resources are difficult to be observed, described or evaluated, but they have a large impact on competitive edge of the firm (Itami, 1987, in: Širec, 2009; Letonja, 2016). Many production resources, which enable heterogeneity, are socially complex and dependent on historical circumstances. Such a socially complex production resource are entrepreneurial competences, entrepreneur's experiential knowledge and skills or expert knowledge. They are allowing entrepreneurs to exploit business opportunities more effectively than others. Described production resources are not easy to emulate and competitive companies cannot just create entrepreneurial competences (Širec, 2009).

In this paper, we limit our research to the transfer of entrepreneurial competences of the founder of the family SME to the second generation of family SMEs. The transfer of the family firm between the first and the second generation is found to be the most problematic generational transfer (e.g., Miller et al., 2003) as only 30 % of the family firms survive this phase (Duh, Letonja and Vadnjak, 2015). The focus of our research are micro, small and medium-sized family SMEs.

The main goal of our research is to increase our understanding of the role of entrepreneurial competences of the founder of a family SME in successors' innovativeness. The main research question is: "Are the entrepreneurial competences of the founder in a family SME an important factor for fostering innovativeness of successors in family SMEs?" We begin our paper with the theoretical framework, then the methods – sample and data collection and description of measures are presented. We continue with the results, discussion and end our paper with conclusions - contributions, implications for theory, practice, limitations, and future research opportunities.

## 2 Entrepreneurial competences

Entrepreneurial competences, as perceived by Forster, Parrer and Woess (2013) are determined by personal characteristics. Some of these characteristics, e.g. willingness to take risk and pro-activity are important for an aggressive competitive behaviour and are prominent characteristics of successful founders (Preisendoerfer, 2002: in: Forster, Parrer and Woess, 2013). The path of a successful entrepreneur is likely to lead from personal to leadership competences (Forster, Parrer and Woess, 2013). Development of entrepreneurial competences is an individual, multi-stage and complex process. According to Kurowska-Pysz (2014) not everyone has the aptitude and ability to be a competent entrepreneur, but many skills associated with this function can be improved, developed with help of personal or general training.

Entrepreneurial competences of founders, which are

positively associated with the next generation, and entrepreneurial orientation of family SMEs, are crucial for the smooth and effective implementation of the succession and for innovation and survival of family SMEs in the hands of the next generation. Entrepreneurial skills are associated with the founder and leader of the organization (Mullins, 1996, in: Vidic, 2012). Below we present different definitions of entrepreneurial competences as seen by different authors.

Chandler and Jansen (1992, in: Vidic, 2012) have identified the entrepreneurial competences as: the ability to organize and motivate (effective delegation, the on-going development of the organization, setting and coordination of targets, monitoring, impact and management, mobilization and allocation of resources and maximization of results); the ability to recognize opportunities (identification of unmet needs, search for products and services that will bring benefits for customers, identification of products and services that customers want, exploitation of high-quality business opportunities); leading organizations to the harvest (conceptualization of the new business, regardless of the circumstances, avoiding collapse, personal development); technical and functional skills (experience in technical and functional areas, mastering of technical fields); political skills (integration of people with significant resources, support personnel and the integration of complementary teams).

Man and co-authors (2002, in: Vidic, 2012) analysed publications of various authors (Bird, 2002), and distilled the factors of entrepreneurial competences into six categories: competences related to identifying and exploiting market opportunities; competences related to interpersonal relationships - communication, confidence, connection set-up, interpersonal skills; conceptual abilities related to different conceptual skills, which are reflected in the behaviour - decision-making, understanding of complex situations, risk-taking and innovativeness; organizational skills - managing external and internal human, physical, financial and technological resources, including training, team building, employee management and controlling; strategic skills - the ability to set-up, manage and evaluate strategies; the abilities of belonging, leading the entrepreneur to insist his/ her business.

Litz and Kleysen (2001) linked factors of entrepreneurial competences with innovativeness and identified them as: divergent thinking (Guilford, 1963), attitude toward risk (Glassman, 1986), cognitive mode (Kirton, 1976), intrinsic motivation, appropriate skills in domain creativity skills (Amabile, 1988), political courage (Maute and Lomander, 1994), self-esteem, autonomy and openness (West and Farr, 1989), the energy charge, talent and creativity of individual members of the family (Kanter, 1988), family culture, freedom, flexibility, inter-generational respect and family atmosphere (Kanter, 1988). Ganzaroli and co-authors (2006) also linked factors of entrepreneurial compe-

tences with innovativeness and among them they placed: attitude to problem solving, managing entrepreneurship, social relationships, attitudes to risk, attitudes toward routine, perseverance, focus, motivation, commitment, negotiation skills, attitude towards teamwork, creativity, communication skills, technical, commercial, administrative knowledge and skills. As Širec says (2009) entrepreneurial competences enable entrepreneur to exploit business opportunities more effectively than the others. Such productive resources, of course, are not easy to imitate and competitors cannot just create entrepreneurial competences. Entrepreneurial competences change over time and can be obtained (Bird et al., 1995, in: Vidic, 2012). According to Mullins (1996), an entrepreneur can extend his/ her entrepreneurial competences through synergistic effects to the group.

Onstenk (2003) notes that entrepreneurial competences can be combined into the ability of managing business activities and solving business problems. In the family SMEs, founders transfer their entrepreneurial competences to the next generation and that is positively related to the development of entrepreneurial competences of the next generation and their innovativeness, leading to the greater competitiveness of family SMEs. In our study we follow Ganzaroli and co-authors (2006), who placed between the factors of entrepreneurial competences as the source of innovation (as already mentioned) the following competences: attitude to problem solving, managing entrepreneurship, social relationships, attitudes to risk, attitudes toward routine, perseverance, focus, motivation, commitment, negotiation skills, attitude towards teamwork, creativity, communication skills, technical, commercial, administrative knowledge and skills.

### 3 Innovativeness

Innovativeness is based on knowledge; a new way of doing things must be based on a new way of looking at things (Marcati et al., 2008). Innovation is the single business activity that most closely relates to economic growth (Soriano & Huarng, 2013; in: Peljko et al., 2016).

Definition of innovativeness which relates to the individual and not to the company, was written by Hurt, Joseph and Cook (1977); Hurt and Teigen (1977); Rogers and Schoemaker (1971), who understand innovation as the degree to which individuals, in comparison with others in a social system, relatively early adopt something new. Kim (1997) and Lall (1992) defined innovation as "the skills and knowledge needed for effective absorption, control and improvement of existing and creation of new technologies, products and processes", which is understood as a definition, which also refers to the level of the individual. Innovativeness is considered as a component of human personality. There are two different constructs - general and specific innovativeness (Kirton, 2003; Midg-

ley and Dowling, 1993, in: Marcati et al., 2008). General innovativeness refers to the openness and creativity of the individual, to his willingness to follow new paths and to a specific level of creativity in the cognitive style - that is the way in which individuals mentally process information, make decisions, solve problems. Specific innovativeness relates to the assumption to be the first in adapting innovation in a specific field (Goldsmith and Hofacker, 1991, in: Marcati et al., 2008). Verhees and Meulenberg (2004) have interpreted innovation and the willingness of the business owner to obtain information on innovation and adapting it to both - the supplier markets and customers, and thus portray innovation as a personality characteristic of creativity and conscious decisions on the level of openness to novel ideas. In addition, the authors derive from the insights of Kirton (1976, in: Verhees and Meulenberg, 2004), that the kind of creativity and decision-making is very individual and varies from adaptive to innovative. Adapters are doing things better within the accepted (given) frame of thinking while innovators prefer to do things differently, because they redefine the problem, moving away from established patterns and frames. As the study of Peljko et al. (2016) reveals, entrepreneurs should invent in their companies and stimulate innovative behaviour among their employees, which leads to synergies and higher innovativeness of companies (as well family firms) (Letonja, 2016).

### 4 Entrepreneurial competences of founders and innovativeness of successors in family SMEs

Our assumption is that entrepreneurial competences of founders in family SMEs can be passed to the successors and increase innovativeness of successors in family SMEs. With our assumption, we are in line with Man et al. (2002) who say that entrepreneurial skills change over time and can be obtained and with Mullins (1996), who associates entrepreneurial competences with the founder and manager of an organization.

Our main hypothesis is:

H: "Entrepreneurial competences are positively related to the level of innovativeness of the founders and of the successors in family SMEs."

Since based on our data it is almost impossible to test our main hypothesis, we will partially test it with the following three sub-hypotheses:

H<sub>1</sub>: "Entrepreneurial competences of the founder in a family SMEs affect innovativeness of successors in family SMEs."

H<sub>2</sub>: "Entrepreneurial competences of the founder, such as creativity, attitude toward risk-taking and attitude to-

*ward negotiations affect innovativeness of successors in family SMEs.”*

H<sub>3</sub>: *“Entrepreneurial competences of the founder, such as technical knowledge and skills and marketing knowledge and skills affect innovativeness of successors in family SMEs.”*

## 5 Methods

### 5.1 Sample and data collection

We adopted a quantitative empirical research approach, which was focused on entrepreneurial competences of the founders in family SMEs as one of the factors influencing innovativeness of successors in family SMEs. We grouped family SMEs into two groups – family SMEs of the first generation and family SMEs of the second generation. In the family SMEs of the first generation, the founders are strongly involved into management and daily operations of the firm, they are active and employed, while successors are already involved, but not actively, they are students and pupils and not employed yet in the family firm. In the second generation of family firms, successors are already formally involved in the family firm and they are employed, the management and ownership of the firm was already partly or entirely transferred from the founders to the successors, while founders are retired, but still active in a firm.

Empirical research on innovativeness of successors in the family SMEs in Slovenia was performed by survey method. To obtain data, we prepared and used two separate survey questionnaires - one for the founders of family SMEs, the second for the successors in the family SMEs. We designed closed-ended questions, well suited for the verification of the survey, as they are enabling generalization (Zelenika, 2000). Closed-ended questions do not allow in-depth answers, what is their weakness, but they enable quicker answers by respondents and are easier to process (Easterby-Smith et al., 2005, in: Štrukelj, 2015). The Likert scale was used in the questionnaires. It is suitable for further statistical analysis because already at the level of the variables (questions or arguments) it provides ordinal measurement level. We could also analytically check the validity and reliability of the shaped scales (Hlebec, 2009). Questionnaires were sent to a random sample of 408 family SMEs. We received 206 fully completed questionnaires from 103 family SMEs – 103 for the founders and 103 for the successors. After conducting the online research, primary data was controlled and edited. For processing and analysing data, we used the statistical program IBM SPSS Statistics 22 and used as well MS Excel 2013.

To make the concept of family business operational (e.g., Lambrecht and Lievens, 2008) we define a family

business as a business where the founder/ owner/ manager considers the business as a family one. Therefore, the first question was, “do you consider your firm as a family firm?” Using this approach, applied by Chua, Chrisman, Sharma (1999) and Sharma, Chrisman, Chua (2003), we avoid threat, that answers would not be representative, as they include answers of different interest groups from SMEs (Letonja, 2016).

All founders and successors from the 103 family SMEs declared their firms as family SMEs. The average age of the family SME in our research is 23.5 years. In the sample, the first generation family SMEs prevail in comparison to the second-generation family SMEs. Over half of the sample are micro firms, followed by small and medium sized firms. Although micro firms prevail in the sample, the average number of employed is 30, which is the size of a small firm and these firms employ on average three family members. Our sample is dominated by the SMEs from service industries (almost half of the firms), followed almost equally by the production firms and trading firms. The sample involves firms from all but one statistical region of Slovenia (Zasavje) and the distribution of the sample is broadly consistent with number of firms in statistical regions of Slovenia (SURS, 2015). The average revenues of these family SMEs in the recent five years (2010 – 2014) were 3.6 mio EUR, showing an increase of 32.6 % in revenues in this period. Male founders prevail in the sample and less than 20% of the sample are female founders. Most of the founders are still active and employed in their family SMEs. In 27 (26.2%) cases the management was transferred to the successors and in 20 (19.4%) cases entire ownership has been already transferred to the successors. The successors in our sample are mostly men, while female successors are represented by almost two fifth of the sample. Most of the founders finished technical high school or vocational school and most of the successors finished bachelor degree in business or a high school. Most of the successors do not have previous working experience from other companies (43.7 %).

### 5.2 Description of measures

Innovativeness of successors was measured with the help of Douglas N. Jackson’s personality inventory (JPI, *Jackson Personality Inventory*), which was adapted by Mueller and Thomas (2000) from Jackson (1994). JPI is a measure of the propensity to innovativeness and conceptually it is synonymous for creativity. Innovativeness scale is very similar to the various indicators of the creative personal style for different types of personalities, especially to the sub-scale of originality by KAI Mueller and Thomas, 2000). JPI guide, in which innovativeness is defined as the tendency to think and act creatively, uses this construct, because the innovativeness, creativity and initiative are defined as one of the permanent characteristics of entre-

Table 1: Basic demographic characteristics of the sample: founders/ successors  
Source: Letonja, 2016.

Variable	Structure of answers/ characteristics	
Family business	Yes, the SME is a family business	100,0 %
Average age of a family SMEs	103 family SMEs	23.5 years
Average number of employed in a family SMEs	All employed	30.26
Average number of employed family members in a family SME	Employed family members	2.77
Dominant activity of the family SME	production (28)	27.2%
	services (48)	46.6%
	trade (27)	26.2%
Region	Podravska (12)	11.6%
	Osrednjeslovenska (36)	35.0%
	Obalno-kraška (15)	14.6%
	Others	38.8%
Average revenues of a family SME	average revenues in EUR, 2010	2.694.052
	average revenues in EUR, 2014	3.572.927
Gender – founder	male (85)	82.5%
	female(18)	17.5%
Gender – successor	male (63)	61.2%
	female (40)	38.8%
Transfer of management and/ or ownership	management (27)	26.2%
	ownership - entirely (2)	1.9%
	ownership – partially (5)	4.9%
	management and ownership (20)	19.4%
	plan to transfer management (15)	14.6%
	plan to transfer ownership (4)	3.9%
do not plan transfer of management or of ownership in the next 5 years (30)	29.1%	
Generation of the family SME according to transfer of management and ownership	The first generation (82)	79.6%
	The second generation (21)	20.4%
Education founder	Vocational (19)	18.4%
	High school – techn. (27)	26.2%
	High school – general (14)	13.6%
	Bachelor degree – business (12)	11.7%
	Bachelor degree – techn. (14)	13.6%
	Other (17)	16.5%

Table 1: Basic demographic characteristics of the sample: founders/ successors (continued)  
Source: Letonja, 2016.

Education successor	High school – techn. (16)	15.5%
	High school – technical (23)	22.4%
	Bachelor degree - business (35)	34.0%
	Other (29)	18.1%
Successor's working experience prior to employment in a family SME	No prior working experience before employing in a family SME (45)	43.7%
	Work in another company – internship up to 3 months (13)	12.6%
	Work in another company over one year – different industry (23)	22.3%
	Other working experience (22)	21.4%

Table 2: Coefficient of reliability of the construct on the field of innovativeness of successors

Coefficient of reliability – successors	
Cronbach's Alpha	Number of Items
.764	11

preneurs (Mueller and Thomas, 2000; Timmons 1978). Adjectives used by Jackson (1994) in the JPI describe entrepreneurs who are innovative, with the words: imaginative, inventive, enterprising, original, inventive and forward-oriented. Definition of the individual who reaches on a scale JPI (Jackson, 1976) higher number of points is that it is creative and inventive individual, capable of original thinking, motivated to develop new solutions to problems, that appreciates new ideas, likes to improvise.

The scale for measuring innovativeness of individuals contains eight items, for example: "I often surprise people with my new ideas," or "I like to experiment with different ways of doing the same things." Studies have confirmed the reliability and validity of JPI to measure the generalized risk-taking (Jackson, 1976). Further research has also supported reliability (Howell and Higgins, 1990) and the validity of the scale JPI (Jackson, 1976; Sexton and Bowman, 1984).

For measuring innovativeness of successors in family SMEs, we used 11 variables. The coefficient of reliability (Cronbach alpha) is 0.764, which means that the reliability of the construct in the field of innovativeness of successors is good (coefficient between 0.70 and 0.90).

Entrepreneurial competences of the founders in fam-

ily SMEs, which are positively associated with the next generation, and the entrepreneurial orientation of family SMEs, are the following variable that is crucial for the smooth and effective implementation of the succession and innovativeness and survival of family SMEs in the next generation. Entrepreneurial skills change over time and can be obtained (Man et al., 2002). According to Mullins (1996), an entrepreneur can extend his entrepreneurial skills through synergistic effects to the group. In family SMEs, founders pass their entrepreneurial skills on to the next generation and thus influence the development of entrepreneurial skills of the next generation and their innovativeness, resulting in increased competitiveness of family SMEs. In our study we follow Ganzaroli, Fiscato and Pilotti (2006), which define the following factors of entrepreneurial competences as the source of innovativeness: "The attitude to problem solving; managing entrepreneurship; social relationships; attitude to risk; attitude to the routine; persistence; focus; motivation; work commitment; negotiation -skills; attitude to teamwork; creativity; communication skills; technical, commercial, administrative knowledge and skills."

In the construct on the field of the factor "entrepreneurial competences of the founder," the mean value of

Table 3: Descriptive statistics of variables of the construct on the field of innovativeness of successors  
Source: Letonja, 2016.

Variable	Statement – argument
V1	I often surprise with novel ideas
V2	I am often being asked to help people in creative activities
V3	I am more satisfied if I develop a novel idea as if I master a skill
V4	I prefer work which requires original thinking
V5	Usually I do not continue with work as I was used to do
V6	I prefer the work which requires inventiveness as skills and practice
V7	I am a very creative person
V8	I like to experiment with different styles of doing the same things
V9	In the recent 5 years I developed / started to market 0, 1, 2, 3-5, more than 5 new lines of products and services
V10	In the recent 5 years I developed / started to market 0, 1, 2, 3-5, more than 5 new processes
V11	In the recent 5 years the changes in production / services/ process lines ....

Measured on the Likert scale from 1 – I do not agree at all to 5 – I fully agree; exception V9 and V10, measured on the Likert scale from 1 – In the recent 5 years I developed 0 new lines of products and services/ new processes; 2 – In the recent 5 years I developed 1 new line of products and services /processes; 3 –In the recent 5 years I developed 2 new line of products and services /processes; 4 – In the recent 5 years I developed 3-51 new line of products and services /processes; to 5 – In the recent 5 years I developed more as 5 new lines of products and services/ processes.

Table 4: Coefficient of reliability of the construct on the field of entrepreneurial competences of founder in a family SME

Cronbach alfa – entrepreneurial competences of founder	
Cronbach's Alpha	Number of Items
.879	16

variables is between 3.51 (“administrative knowledge and skills”; V24) and 4.38 for the variable “dedication to work” (V25). The next highest mean value has the variable “persistence” (V20), 4.34, while the variable “attitude towards entrepreneurship” (V13) has the mean value of 4.27. The values of standard deviations are between 0,638 and 1,096. Except for the variable “administrative knowledge and skills” (V24), where the standard deviation exceeds 1.0, for the other variables in the construct in the field of the factor “entrepreneurial competences of the founder,” the value of the standard deviation is less than 1.0 and a dispersion of responses is consistent.

## 6 Results

In our research, we studied the relationship between the entrepreneurial competences of founders and innovativeness of successors in family SMEs. The correlations between the variables of both constructs are presented in table 6.

Our research revealed that between the two constructs, innovativeness of the successor in family SME, measured by 11 variables and entrepreneurial competences, measured by 16 variables, exist 27 positive correlations, ranging between weak to medium strength.

As shown in the table 6, the following seven variables of entrepreneurial competences of the founders positively, although mostly weakly, correlate with the variable of innovativeness of successors “I often surprise with new ideas” (V1): the “founder’s attitude to entrepreneurship” (V13), his “persistence” (V20), “technical knowledge and abilities” (V22), “commercial knowledge and skills” (V23), “work commitment” (V25), “motivational skills” (V27) and the founder’s “creativity” (V19). Only creativity correlates with a medium strength with the ability of the successor to surprise with the new ideas.

The following four variables of entrepreneurial competences of the founders positively correlate with the variable of innovativeness of successors “In the last five years I have developed / commercialized/ started to market 0, 1,

Table 5: Descriptive statistics of variables of the constructs on the field of factors of innovativeness of successors – entrepreneurial competences of founders in family SMEs

Source: Letonja, 2016.

Variable	Statement/ argument	N	Mean	Standard Deviation
V12	Attitude to problem solving	198	4.19	.669
V13	Attitude towards entrepreneurship	200	4.27	.638
V14	Social relationships	198	4.02	.719
V15	Attitude to risk	201	3.88	.804
V16	Attitude to routine	198	3.57	.936
V17	Attitude to negotiations	200	3.97	.859
V18	Attitude to team-work	201	3.94	.864
V19	Creativity	199	4.13	.816
V20	Persistence	201	4.34	.689
V21	Focus	198	4.27	.796
V22	Technical knowledge and skills	200	4.00	.908
V23	Commercial knowledge and skills	200	3.97	.891
V24	Administrative knowledge and skills	199	3.51	1.096
V25	Work commitment	200	4.38	.684
V26	Communication skills	200	4.15	.788
V27	Motivational skills	198	4.18	.779

Table 6: Correlation between entrepreneurial competences of founders (V12 – V27) and innovativeness of successors (V1 – V11) in family SMEs

Source: Letonja, 2016.

Innova-tiveness of successors		V12	V13	V14	V15	V16	V17	V18	V19
I often surprise with novel ideas (V1)	Pearson Correlation	.070	.219*	.086	.168	.022	.038	.052	.328**
	Sig. (2-tailed)	.492	.030	.401	.098	.834	.712	.611	.001
	N	98	98	97	98	97	97	98	98
I am often being asked to help people in creative activities (V2)	Pearson Correlation	-.040	.010	.104	.077	.056	.163	.114	.116
	Sig. (2-tailed)	.702	.921	.314	.456	.592	.114	.269	.262
	N	96	96	95	96	95	95	96	96



Table 6: Correlation between entrepreneurial competences of founders (V12 – V27) and innovativeness of successors (V1 – V11) in family SMEs (continued)

Source: Letonja, 2016.

I am more satisfied if I develop a novel idea as if I master a skill (V3)	Pearson Correlation	.241*	.097	-.108	.141	-.139	.083	.013	.242*
	Sig. (2-tailed)	.017	.344	.294	.166	.173	.420	.902	.016
	N	98	98	97	98	97	97	98	98
I prefer work which requires original thinking (V4)	Pearson Correlation	.190	.213*	.067	.158	-.098	.304**	.136	.192
	Sig. (2-tailed)	.061	.035	.515	.121	.340	.002	.182	.058
	N	98	98	97	98	97	97	98	98
Usually I do not continue with work as I was used to do (V5)	Pearson Correlation	.176	.155	-.033	.340**	.151	.182	.109	.180
	Sig. (2-tailed)	.085	.130	.749	.001	.143	.076	.286	.078
	N	97	97	96	97	96	96	97	97
I prefer the work which requires inventiveness as skills and practice (V6)	Pearson Correlation	.029	-.134	-.051	.189	-.044	.045	.029	.243*
	Sig. (2-tailed)	.776	.187	.620	.061	.670	.662	.776	.015
	N	99	99	98	99	98	98	99	99
I am a very creative person (V7)	Pearson Correlation	.118	.218*	.074	.218*	.027	.112	.113	.266**
	Sig. (2-tailed)	.245	.031	.470	.031	.796	.275	.269	.008
	N	98	98	97	98	97	97	98	98
I like to experiment with different styles of doing the same things (V8)	Pearson Correlation	.186	.218*	.068	.103	-.157	.086	.163	.241*
	Sig. (2-tailed)	.067	.031	.508	.314	.124	.402	.108	.017
	N	98	98	97	98	97	97	98	98
In the recent 5 years I developed / started to market 0, 1, 2, 3-5, more than 5 new lines of products and services (V9)	Pearson Correlation	.049	.069	.100	-.046	-.080	.123	.130	.094
	Sig. (2-tailed)	.648	.526	.359	.671	.460	.257	.226	.383
	N	88	88	87	88	87	87	88	88

Table 6: Correlation between entrepreneurial competences of founders (V12 – V27) and innovativeness of successors (V1 – V11) in family SMEs (continued)  
Source: Letonja, 2016.

In the recent 5 years I developed / started to market 0, 1, 2, 3-5, more than 5 new processes (V10)	Pearson Correlation	.011	.126	.228*	.074	.130	.143	.217*	.186
	Sig. (2-tailed)	.918	.255	.039	.507	.246	.199	.048	.092
	N	83	83	82	83	82	82	83	83
In the recent 5 years the changes in production / services/ process lines... (V11)	Pearson Correlation	.069	.084	.183	.147	.143	.054	.227*	.205
	Sig. (2-tailed)	.530	.444	.094	.181	.190	.622	.036	.060
	N	85	85	85	85	85	85	85	85
Innova-tiveness of successors		V20	V21	V22	V23	V24	V25	V26	V27
I often sur-prise with novel ideas (V1)	Pearson Correlation	.239*	.186	.296**	.200*	.092	.202*	.147	.263**
	Sig. (2-tailed)	.018	.067	.003	.049	.368	.047	.148	.009
	N	98	98	98	98	98	98	98	97
I am often being asked to help people in creative activities (V2)	Pearson Correlation	.044	.107	.185	.163	.223*	.056	.158	.258*
	Sig. (2-tailed)	.673	.301	.071	.112	.029	.589	.123	.012
	N	96	96	96	96	96	96	96	95
I am more satisfied if I develop a novel idea as if I master a skill (V3)	Pearson Correlation	.155	.012	-.025	.037	-.023	.040	.062	.087
	Sig. (2-tailed)	.129	.904	.803	.716	.826	.695	.547	.399
	N	98	98	98	98	98	98	98	97
I prefer work which requires original thinking (V4)	Pearson Correlation	.121	.019	.022	-.008	.026	.104	.114	.141
	Sig. (2-tailed)	.234	.852	.827	.939	.803	.306	.264	.168
	N	98	98	98	98	98	98	98	97
Usually I do not continue with work as I was used to do (V5)	Pearson Correlation	-.050	-.006	.088	-.005	.058	-.072	.107	-.015
	Sig. (2-tailed)	.627	.955	.392	.962	.573	.481	.299	.883
	N	97	97	97	97	97	97	97	96

Table 6: Correlation between entrepreneurial competences of founders (V12 – V27) and innovativeness of successors (V1 – V11) in family SMEs (continued)

Source: Letonja, 2016.

I prefer the work which requires inventiveness as skills and practice (V6)	Pearson Correlation	.008	.023	-.026	-.047	.050	.056	.094	.079
	Sig. (2-tailed)	.936	.822	.798	.644	.622	.580	.355	.440
	N	99	99	99	99	99	99	99	98
I am a very creative person (V7)	Pearson Correlation	.160	.166	.137	.009	.173	.064	.160	.193
	Sig. (2-tailed)	.117	.103	.178	.926	.088	.531	.116	.058
	N	98	98	98	98	98	98	98	97
I like to experiment with different styles of doing the same things (V8)	Pearson Correlation	.101	.132	.059	.066	-.012	.146	.134	.247*
	Sig. (2-tailed)	.320	.196	.562	.515	.908	.153	.187	.015
	N	98	98	98	98	98	98	98	97
In the recent 5 years I developed / started to market 0, 1, 2, 3-5, more than 5 new lines of products and services (V9)	Pearson Correlation	.088	-.009	.093	.218*	.001	.044	.085	-.019
	Sig. (2-tailed)	.415	.930	.390	.041	.996	.681	.429	.864
	N	88	88	88	88	88	88	88	87
In the recent 5 years I developed / started to market 0, 1, 2, 3-5, more than 5 new processes (V10)	Pearson Correlation	.133	.040	.358**	.299**	.110	.183	.183	-.019
	Sig. (2-tailed)	.231	.717	.001	.006	.322	.097	.098	.867
	N	83	83	83	83	83	83	83	82
In the recent 5 years the changes in production / services/ process lines... (V11)	Pearson Correlation	.088	.058	.187	.094	-.043	.112	.100	-.044
	Sig. (2-tailed)	.425	.595	.087	.393	.696	.308	.362	.690
	N	85	85	85	85	85	85	85	84

2, 3-5, more than 5 new processes" (V10): the founder's "social relationships" (V14), his "attitude to teamwork" (V18), "technical knowledge and abilities" (V22) and "commercial knowledge and skills" (V23). Only the last two variables of entrepreneurial skills correlate with a medium strength.

Between innovativeness of successors, measured by "I'm a very creative person" (V7) and the three variables of entrepreneurial competences of the founders: "attitude to entrepreneurship" (V13), "attitude to risk" (V15) and the founder's "creativity" (V19), there are positive, weak correlations.

As well among the innovativeness of successors, measured by "I want to experiment with different ways of doing the same things" (V8) and the following three variables of entrepreneurial competences: "founder's attitude to entrepreneurship" (V13), his "creativity" (V19), "motivational skills" (V27), there are positive, weak correlations.

As shown in the table 6, all other variables of innovativeness of successors correlate positively with at least one of the variable of entrepreneurial competences, and these correlations are mostly weak, while there are no correlations between the variables of entrepreneurial competences "attitude to routine", "focus" or "communication skills" and variables of innovativeness of successors.

## 7 Discussion

The study confirmed that there are many positive correlations between entrepreneurial competences of the founders of family SMEs by individual sources of these competences and innovativeness of successors in family SMEs.

Based on the analysis with correlation we can say that the transfer of entrepreneurial competences of founders partially positively correlates with innovativeness of successors in family SMEs. Among the variables of innovativeness of successors (V1 – V11) and the variables of transferring entrepreneurial skills of the founders in family SMEs exist 27 positive correlations. Strength of these correlations ranges between weak to medium. Based on this finding we can partly confirm the hypothesis H1: *"Entrepreneurial competences of the founder in a family SME affect innovativeness of successors in family SMEs."*

In particular, the following entrepreneurial competences of the founders are highlighted, which are positively, medium strongly associated with innovativeness of successors: the creativity of the founder (V19), the founder's attitude to negotiations (V17), the founder's attitude toward risk (V15), technical (V22) and commercial (marketing) knowledge and skills (V23) of the founder. Another important entrepreneurial skill is the attitude of the founder toward entrepreneurship and his motivational skills, although their correlations with the variables of innovativeness of successors are weak. Based on these findings we can confirm the two hypothesis: H2: *"Entrepreneurial*

*competences, such as creativity, attitude toward risk-taking and attitude toward negotiations affect innovativeness of successors in family SMEs,"* and H3: *"Entrepreneurial competences, such as technical knowledge and skills and marketing knowledge and skills affect innovativeness of successors in family SMEs."*

## 8 Contributions, implications for theory, research, practice and economic policy

The findings of our research have both theoretical and practical implications. The scientific contribution of our paper is a filled literature gap in the relation of entrepreneurial competences of the founders in family SMEs and innovativeness of successors. While family entrepreneurship and succession have become more often subject of research and from the nineties in the past century the interest for research in the area has been growing (De Massis, Frattini, & Lichtenthaler, 2013; in: Letonja, 2016), the question of SMEs capability for innovating remains relatively unexplored (Laforet, 2012; Laforet, 2013; in: Letonja, 2016). Research on innovativeness in family firms is limited and unfinished, although very important, as innovations affect business operations of companies, their growth and sustainability (Cefis & Marsili, 2006; in: Letonja, 2016). The research in the past revealed that creativity of the succeeding generations is affected by creativity of the predecessors and that there is correlation between the generation in control and innovation (Laforet, 2013; in: Letonja, 2016), but there has been no research on factors which affect innovativeness of successors in family SMEs.

From a theoretical perspective, our study contributes to definition of factors, which are affecting the innovativeness of successors in family SMEs. With our study we focused on entrepreneurial competences of the founders and proved which of entrepreneurial competences of the founders in the family SMEs are positively related to innovativeness of successors.

Entrepreneurial competences of founders of family SMEs come from various sources of entrepreneurial competences. Our research question was: "Are the entrepreneurial competences of the founder in a family SME an important factor for fostering innovativeness of successors in family SMEs?" Our study confirmed that there are many positive correlations between entrepreneurial competences of the founders of the family SMEs by individual sources of these competences (creativity, attitude toward negotiations, attitude toward risk, technical and commercial knowledge and skills; as well attitude toward entrepreneurship and motivational skills) and innovativeness of successors in the family SMEs.

The findings of our research indicate that entrepreneurial competences of founders are important factor for

fostering innovativeness of successors. Our findings correspond with the findings of Mullins (1996), which entrepreneurial competences of an entrepreneur (e.g. founder) can be extended to the group (e.g. successors) through synergistic effects and of Man et al. (2002) who say that entrepreneurial skills can be obtained.

## 9 Limitations and future research opportunities

Our study is of exploratory nature and it has some limitations. The study was limited to Slovenia as one of the transitional economies. From the legal aspect, Slovenia is not a transitional country anymore, but from the economic-development point of view, it is still a transition economy. From the economic-development point of view, transition means the crossing from the routine to innovative economy and society, which Slovenia has not achieved yet (Verbič & Polanec, 2014; in: Letonja, 2016). As the research in this area in transition economies is rare, the results of our study cannot be directly compared with any other country in transition but the research can be extended to these countries.

The research results cannot be generalized to any population of enterprises, as they are limited to the family SMEs. Further on the study was limited only to one of the factors affecting innovativeness of successors in family SMEs. Future research opportunity could be connection of additional variables, such as family culture, management style of the founders, social capital of the founders, and other measures, such as innovativeness and family SMEs performance.

Our research was quantitative. Our assumption is that in the future a qualitative research approach, using case study research methodology (e.g., Yin, 2003; in: Letonja, 2016), which has been widely accepted in family business research (e.g., Chirico, 2008, in: Letonja, 2016) could contribute to the verification of the individual constructs and factors such as entrepreneurial competences of the founders and their interconnectedness and its impact on the innovativeness of successors.

## 10 Conclusion

The research interest for innovativeness of family SMEs is growing, but the field of innovativeness of successors and factors affecting their innovativeness has remained unexplored. Our study revealed that in Slovenia founders pass their entrepreneurial skills to the next generation, which is positively related and affects the development of entrepreneurial competences of successors and their innovativeness, leading to greater competitiveness of family SMEs.

Since our research reveals some positive correlations between entrepreneurial competences of the founders in

family SMEs and innovativeness of successors in family SMEs, it should be stressed that there is a gap in the field of knowledge transfer in that direction from academia to the practice. The national strategy for developing SMEs sector in Slovenia should focus on findings of our research to improve the performance of family SMEs in Slovenia. It is widely recognized that innovativeness influences companies' growth, therefore this knowledge should be included into the educational process as well.

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## **Empirična raziskava o povezavi med podjetniškimi sposobnostmi in inovativnostjo naslednikov v družinskih MSP**

**Ozadje in namen:** V zadnjem obdobju se znanstveni interes za družinsko podjetništvo in nasledstvo povečuje, medtem ko je vprašanje inovacijske sposobnosti družinskih MSP in inovativnosti ustanoviteljev in naslednikov relativno neraziskano. Malo je znanega o dejavnikih, ki so pozitivno povezani ali vplivajo na inovativnost naslednikov v družinskih MSP. Raziskava se ukvarja s povezavo med podjetniškimi sposobnostmi ustanoviteljev v družinskih MSP in inovativnostjo njihovih naslednikov.

**Oblikovanje / Metodologija / Pristop:** Ciljna skupina so bila družinska MSP iz prve in druge generacije - njihovi ustanovitelji in nasledniki v Sloveniji. Ker naša raziskava vključuje dva neodvisna vzorca z večinoma ordinalnimi podatki, smo uporabili univariatne (analiza sredin, variance, indeks zanesljivosti Cronbach alfa, t-test) in multivariatne (istočasna analiza več spremenljivk, korelacije) statistične metode za preučevanje dveh konstruktov - podjetniške sposobnosti ustanoviteljev in inovativnosti naslednikov, z namenom testiranja pozitivne korelacije med njima.

**Rezultati:** Rezultati kažejo, da so podjetniške sposobnosti kot so kreativnost, odnos do prevzemanja tveganj, odnos do pogajanj, tehnično znanje in spretnosti in tržno znanje in spretnosti ustanoviteljev v družinskih MSP pozitivno povezane z inovativnostjo naslednikov. Rezultati raziskave kažejo, da so podjetniške sposobnosti ustanoviteljev pomemben dejavnik za spodbujanje inovativnosti naslednikov.

**Zaključek:** V članku povezujemo dva proučevana konstrukta in to predstavlja dragocen prispevek za teorijo podjetništva; zato lahko rezultate uporabimo za nadaljnje znanstvene raziskave, in jih interpretiramo v smeri, ki bi lahko izboljšala stanje na področju obravnavane problematike.

**Ključne besede:** *podjetniške sposobnosti; inovativnost; nasledniki; ustanovitelji; družinska MSP; človeški viri*

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# Mobbing in Company: Levels and Typology

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**Background and purpose:** The individual is exposed to ever more covert psychological violence or mobbing in workplace within companies. The aim of this study is to analyse the level and the types of psychological violence within a company in which the individual works in their daily lives.

**Design/Methodology/Approach:** Using systematic method current mobbing literature reviews were analysed. Based on a review and analysis of the literature, we recognised increasing amounts of workplace bullying. Then we used and extended Dilts' model and created a model in which we portrayed the different levels and types of bullying in a company. The presented model is a tool for identifying workplace violence within the company.

**Results:** At the company environment level, there is much bullying associated with social-demographic characteristics and working conditions. At the level of individual behaviour, the type of mobbing exists that is associated with the company's leadership styles. At the level of professional qualifications, a lack of confidence causes mobbing. At the level of values and beliefs, mobbing is present in attitudes and behavioural intentions. At the level of identity, we can observe mobbing according to sexual identity. At the level of organizational culture, we can recognize a type of mobbing called 'obsessive dedication' to working efficiency and organizational silence.

**Conclusion:** Based on the analysis of selected literature we exposed a range of types and levels of mobbing in company. The expanded Model on levels of mobbing in companies provides a framework for collecting information. The user can identify workplace violence and each strategic organizational level in the work organization

**Keywords:** *bullying; mobbing typology within the company; levels of mobbing in the workplace*

## 1 Introduction

The individual is exposed to more and more covert psychological violence in the workplace. The most common forms of psychological violence in the workplace today are social exclusion (ostracism), ridicule, envy behaviour, imposed prohibitions and demands, requiring obedience at all costs and suffering humiliation (Cacioppo and William, 2008). All these forms of mobbing are becoming more and more complex. The complexity of the psychological violence can explain the degree of mistreatment in arranging the levels of the introduced model and mobbing of individuals within the organization.

This article was written using the systematic method of scientific literature analysis, common and logical analysis, and comparison and generalization methods on the subject of mobbing between the years 2012 and 2016. The objective of this study is to present the distribution of the types

of psychological violence within the company in which the individual works, during his everyday life in Model on levels of mobbing in companies. The Model is based on an analysis of selected and current literature about mobbing in companies and an observation of the internal structure of individual mobbing threats.

The research questions are as follows:

How examination of selected scientific literature and definitions of mobbing allows a better overview of the types of psychological violence in the company?

What type of psychological violence against individuals corresponds to a certain level of mobbing in a company?



## 2 Mobbing within the company and related concepts

In psychological violence or bullying talk, groups of individuals disorganized and uncontrollably implemented verbally surreptitious violence, which caused mental suffering to the victim. (Leymann, 1990). The US National Survey 2014 defines mobbing as follows: mobbing is repetitive, dangerous, humiliating, intimidating psychological abuse at work, various patterns of sabotage in the workplace, as well as verbal abuse. Mobbing and various forms of intimidation in the workplace in the US is the new “epidemic”. In their desire for economic survival in the labour market, many US employers psychologically abuse their workers. Workers are often helpless victims due to the lack of legislation in the field of protection against mobbing. Employers, therefore, do not assume responsibility for the prevention and elimination of mobbing in the workplace (WBI- USA, 2014).

Psychological violence is a form of behaviour in which ignorance, slander or malicious rumours, insulting the employee, feelings of guilt, spreading fear about loss of employment, imposed prohibitions and demands, jealous behaviour, victimization due to religious and sexual orientation, sexual harassment and physical assault all stand out. All these forms of psychological violence in the workplace can be called ‘mobbing’. Psychological violence is becoming pathological and the main problem of interpersonal relations in the workplace and in the civil environment (Laymann, 2012). Depending on the frequency of the occurrences, researchers can highlight two types of maltreatment in the workplace:

- Vertical wall mobbing: when an individual defames the subordinate employee. Control technology allows him to do this in a way that defames several individuals in sequence (serial mobbing) or planned defamation (strategic mobbing or bossing), but in rare cases, a group of subordinates defames the person.
- Horizontal mobbing: this is psychological violence in the organization, which often occurs in a group, when employees direct their violence against certain members of the collective. They mock, disseminate and make other malicious rumours about him (Arnejčič, 2014).

### 2.1 The concept of adverse psychological violence within a company.

The concept of mobbing based on broader range of actual scientific literature and research. Brousse, Fontana and Ouchchane (2008) observed psychopathology among populations of targets of workplace bullying. Horvat and Pagon (2012) made research about attitudes toward

workplace mobbing in Slovenia. Manotas (2015) made analysis about mobbing in Higher Educational Institution. Picakcief, Acar, Colak and Kilic (2015) highlighted socio-demographic characteristics of mobbing. Qureshi, Iftikhar and Janjua (2015) made empirical investigation of mobbing, stress and employees’ behavior at work place. Waschgl, Ruiz-Hernández and Llor-Esteban (2013) observed bullying in nursing in the context of the hospital aggressive behaviour scale.

Zimbardo (2007) states that the relations between people who lack confidence are dominated by egoistic individuals, some of which have the power of management and administration in their hands, speaking from a position of apparent authority, which provides them with the opportunity to confer adverse effects on others. We call it the passion to dominate, where leaders influence others to make them obedient. The subconscious desire of an individual to be adopted, to understand and comprehend the desires and aspirations, is actually conformism and an attempt to influence others. Against these undesired methods of influence, which inevitably lead to psychological violence at the workplace, we can take these three measures: investing in individual development and in strengthening our self-esteem (self-awareness); by understanding the sensitivity of our personal situation (situational sensitivity), and by becoming more astute (street wise). These three methods defined by Zimbardo (2007) the key to our personal resistance against the unwanted influence of other individuals and groups.

Mobbing is a psychosocial risk that directs the worker to a complete mental and physical collapse and may cause a ‘burnout’. According to reports, psychosocial risks in the workplace from 2012, a psychological burnout is notable and typically occurs in Slovenian teachers. This usually occurs in conjunction with difficulty in concentration and a considerable loss of interest in everyday activities. Psychological burnout is the result of psychological violence in the workplace with negative effects on the health of the worker. Psychological burnout is a threat that is significantly associated with violence in the workplace (Eurofound, 2009). The worker needs special training to recognize signs of mental exhaustion. Recognition includes the realization that we simply *cannot* do everything that is requested from us, and that we must be attentive to the valuable signals that our body gives us. The best personal protection against burnout is the ability to say “no” without any feeling of guilt.

The consequence of psychological terror in a company is stress in employees. In the workplace, senior executives and managers are becoming more aware of stress and employers recognize the psychological tension in employees (Lahad, 1993). Stress among company employees intensifies conflicts in interpersonal relationships in the company. Costs incurred resulting from conflicting relationships

can cost the company half of the annual profits (Sunderland, 2010). As soon as an individual begins to fail, the physical, mental, or psychological work-efficiency drops, causing a dangerous escalation of errors in the work process, a negative impact on work performance, and paralyzing the individual's ability to respond rationally. Stress usually causes anxiety. The pituitary gland in the human brain sends the hormone corticotrophin along the adrenal glands. The body then responds with increased secretion of the stress hormone cortisol. Due to the high levels of cortisol, the individual feels defenceless, miserable and afraid: His thoughts, feelings and perceptions of stress are characterized by a sense of threat and fear. Everything the individual has to do at that moment is much too difficult (Sunderland, 2010). When we are stressed, we react primarily with our emotions so that our power of words is limited and subordinate (Cacioppo and William, 2008).

In cases where stress is caused by objects, such as a car alarm which awakens us during the night, this leads to a release of the hormone cortisol, for which the body requires about 40 minutes to recover. In fights between individuals, there is a different kind of stress caused by personal conflict. In this case, cortisol remains in the body for much longer; at least an hour and a half (Sunderland, 2010).

The concept of ostracism or social exclusion has the most significant negative consequences of covert psychological functioning. The definition of ostracism has changed over the years. At first, ostracism meant the process of social rejection or exclusion (Wang 2013). Then Sommer Williams, Ciarocco and Baumeister in 2001 revealed that the word ostracism meant deliberately ignoring or excluding an individual (Williams and Nida, 2011). Ostracism is now used to mean exclusion, rejection or ignoring of an individual or a group of other individuals or groups, with the ability to preclude the establishment of a contact or an existing positive interpersonal relationship, personal or work relationship, favourite status at home or at work. Research has shown that ostracism is a specific form of interpersonal conflict, which harms the basic human needs such as belonging, control, self-esteem and the importance of existence. (Gruter and Masters, 1986; Williams, 2011; Goodacre and Zadro 2010)

Ignorance is covertly present in the group dynamics of every company. The management style of a professional leader is affected by the degree of ignorance in the company. The Head of the working collective who restricts ignorance establishes a good relationship with employees. On the contrary, a leader who builds relations on obedience and ignorance, charges up negative feelings in employees. This often strengthens emotional reactions such as shock, horror, surprise, confusion and disorientation, as well as physiological reactions (discomfort in the stomach and chest and the need to urinate) (Williams, 2001).

Ostracism is conceptually and empirically distinct from mobbing. Studies have shown that employees have

a strong need to belong to their organization. Researchers have studied the correlation frequency and impact of ostracism and mobbing in organizations. Most of the staff perceived ostracism compared with mobbing as a more socially acceptable (and less psychologically damaging) phenomenon. However, it is less likely that the law shall prohibit this in working organizations. In the next study, researchers found ostracism in company more harmful than mobbing. The effect of ostracism in employees is reflected in becoming unwell and is connected to his/her views in relation to work and a sense of belonging. The study about the comparative effects of ostracism and harassment at work found that ostracism and mobbing is associated with a sense of belonging to the working organization (O'Reilly et al. 2014).

### 3 Types and levels of mobbing in the company

#### 3.1 An analysis of the level of mobbing in the workplace and the expanded Model of mobbing: the levels and types of mobbing within a company

The model levels and types of mobbing within the company are based on Dilt's pyramid (Dilts, 1999). The model is structured on six levels and is shaped like a pyramid, based on detailed analysis of current literature on the topic of mobbing from 2012 - 2016. Each level in the pyramid corresponds to a certain psychological structure of the individual within the organization. Each level contains the categories of mobbing within the organization and the internal psychological structure of an individual who is exposed to psychological violence. The width and the gradual reduction of the hierarchical pyramid represents the highest level of abstraction, the power of the unconscious in the individual and the company (individual and 'collective subconscious' of the individual), and the impact of a threat to the individual. Dilt's pyramid is a model of the system used to apply individual perceptions of reality. The expanded model is a systematically regulated model applied to an individual's perception of reality in the company and the perception of the reality of mobbing at company level as an institution and at social group level. The reason for its expansion is a complex perception of mobbing at the individual level, at the company level and at group and social level.

In chapters from 3.1.1 and 3.1.2 we described and analysed each level of mobbing according to the inner psychological structure of the individual. In describing the structure, we took into consideration and analysed the relevant literature on mobbing in companies, and then made the selection.

### 3.1.1 Mobbing on the first three levels: environmental, behavioural, and the level of individual skills

The first level of the pyramid is mobbing at the level of the environment. Harassment or mobbing in the workplace is associated with different circumstances. Among them are the most typical ones that are related to the health of individuals, socio-demographic circumstances and those related to working conditions.

In the city of Mugla in Turkey, a survey was carried out on mobbing in medical staff-workers and in emergency medical assistance. The survey involved 130 volunteers (91.5% of responses were considered). The study looked at the link between socio-demographic characteristics, working conditions and the level of mobbing. The findings were as follows: The maximum frequency of mobbing against workers over married workers, especially against those who were employees of the organization for more than 16 years. This is then followed by mobbing against those individuals who react to psychological harassment in the workplace. Workers in emergency medical aid have great tolerance for mobbing (Picakciefe et al., 2015).

In the eighties, ecologically-conscious psychologists, sociologists and philosophers started to introduce a new model of social awareness of the environment (Trstenjak, 1984). Executives or employees of the company should pay more attention to the emotional states and factors in individuals. Emotional agitation directs workers against each other, causing feelings of guilt and anxiety which provokes the situation increases the fear of losing employment in uncertain times. Negative psychological feelings, due to mobbing may be transferred by employees to their private lives in their homes and relationships.

Often, mobbing is focused towards individual negative emotions (fear, disgust and sadness) or towards the accompanying negative emotions that are always in the background of basic emotions (distress, agitation, irritability) (Demasio, 2008). Mobbing of individuals at work at the environment level also covers the ecology of consciousness (Kim, 2004). The ecologically minded individual is aware that a change in the working environment may reflect a change in the whole system. Those who conduct psychological harassment in the workplace (employers, leaders, heads, individuals or even a group) should be aware that this causes negative, even pathological consequences for the entire system, - companies, organizations i.e. working environment. In the modern world, where the production of artificial fear is enormous, the individual, as a one-man-band or as a member of a larger or smaller group, experiences a variety of attempts of undesirable influence of the environment every day (from other individuals or groups). This is especially true in the workplace, where the person spends most of his time.

At this level, we looked at all kinds of mobbing associ-

ated with the behaviour of the individual in the company. The types are as follows: Excommunication or deliberate exclusion and isolation of the individual from communication and information; an undesired influence over workers from managers; the demand of obedience at all costs, or degrading behaviour.

The individual should develop behavioural self-defence mechanisms from mobbing in the workplace, in a way that the following questions should be asked: What do I have to do? How should I respond in the workplace when experiencing bullying? How should I behave in order to endure the bullying? What kind of communication may trigger violent responses by other workers or leaders? The purpose of my message is the response that you give back as a return message, including behaviour and communication towards others in the organization. This includes all verbal and non-verbal communication (Dilts, 1990).

Mobbing at the level of individual behaviour can be observed in the relationship between superiors and subordinates in the company. The study assessed the incidence of mobbing in relation to the different management styles and positions in relation to the work. The results confirmed the predictions regarding the effects of leadership types on mobbing from Supervisors (i.e., downward mobbing). Transformational and transactional leadership have reduced the likelihood of mobbing, whereas authoritarian leadership has grown (Ertureten, 2013).

Unwanted influences in modern society, institutions and externally, prey primarily on individuals with low self-esteem and those who are intimidated using accurately calibrated techniques to make them feel insecure. As a result, many individuals try to defend against unwanted influences by shrinking their relationships with others to a minimum, almost with no-attitude and ignorance. This is actually the most unfortunate way, as the individual is led towards failure, which stems from his inherent weakness (Arnejčič, 2008).

Mobbing of individuals at the level of his skills and abilities covers different psychological states and individual strategies. An employee's dismissal from work affects the ability of the individual and lowers his self-esteem. The results are visible at the system level or at company level. A change in behaviour in one part of the system is also reflected in a change of behaviour of individuals in other parts of the system. Mobbing of individuals at capability levels is implemented in the form of imposing prohibitions and demands, which start with the word "No" or "You need to be... like...", with added unrealistic deadlines for tasks and gossip. Those individuals risk their reputation and social position if they are to reveal irregularities in their company organization. Do's and Don'ts are characterized by the linguistic patterns of superiors in a company or the collective, who use victimisation as a weapon against those who are different. Typical stereotypes are: "Don't trust; Don't show your emotions; Don't stand out;

Don't make mistakes; Don't show any distress". Typical commands by leaders are: "Do it all!; Work faster!; This will be hard work!; Keep your problems to yourself!; Give me 100%!". One can protect against the negative effects of mobbing by trying to answer the following questions: What should I do so that I feel OK? How do I develop an appropriate strategy to deal with this? What changes in my personal state may affect my work situation at the company?

The individual's social and other skills have an important role in protecting against the various forms of mobbing in the company. At the University of Victoria in Canada, a study was made on the role of social skills and workers' social situation in the company. Differences in individuals' skills caused different levels of response to the existing social order. Social interaction skills and the social situation of the worker allow different types or categories of reflection, which is very important for the stability of the institution and changes in the company. If an individual within the organization is sufficiently responsive, then changes are visible where others do not see them. These types of individuals adapt more easily to changes in the company. These authors designate corporate social skills (Suddaby, Vials, and Gendron, 2016).

Mobbing in the company threatens the health of the individual and the collective. One of the groups most at risk are nurses. A team of researchers from the University of Erzurum in Turkey carried out an empirical study on the impact of assertiveness training on mobbing. The study included 218 nurses. The first group were nurses involved in an assertiveness training program. The second group was not included in the said training. The most important outcome of the study was that assertiveness training was effective in reducing mobbing in the work organization. It is necessary to establish an adequate training program, which supports the personal development of nurses, providing advice and support to victims of mobbing. The results are as follows: Mobbing among nurses is very widespread and most nurses stand up to this phenomenon. Medical nurses who have received assertiveness training have developed self-confidence and new social skills. Training of assertiveness increases self-confidence and improves nurses' skills in resisting mobbing in the workplace. (Karakas and Okanli, 2015).

### **3.1.2 Mobbing on the other three levels: beliefs and values, individual identity and the organizational culture**

The individual enters into a company with their beliefs and values, which are harmonised during the work process, with the beliefs and values of employees and especially with the beliefs and values of the company. Upon entering the organisation, there may be a collision and conflict of values between the individual and the company. This leads

to mobbing or harassment due to values and beliefs and is directed against the motivation of the individual to work. It covers jealous behaviour, hypocrisy, one-way communication in the company (monologue); limiting open communication with co-workers, religious victimization and sexual harassment in the workplace. Envy is also developed in people who are not sufficiently exposed to the internal sense of wealth and power. Therefore, the surge of generosity is often followed by the excessive need for recognition and gratitude (Klein, 1997). Conversation or discussion may take place on condition that the interlocutors are tolerant and ready to listen to the critical views of another. Conversational conflict is a monologue. Here, the monologue is perceived as being more expressive than speech itself, whether out loud or in silence. Usually, performances of monologues or narratives denote individuals who are not willing to listen to the initiator, for various reasons (Arnejčič, 2014).

Mobbing in the workplace also includes different views and behavioural purposes associated with different behaviours suggestive of maltreatment. Studies made by Slovenian public research organizations showed differences in mobbing experiences in the workplace. The views of those questioned largely depended on their beliefs about the attitudes of employees. Employees were less willing to report mobbing, and employees spoke of lenient disciplinary measures and the lack of adequate organizational rules. This creates favourable conditions for the development of mobbing in Slovenian public research organizations (Horvat and Pagon 2012). Researchers saw some forms of mobbing at the level of beliefs, which form in different positions, resulting in a reduction of communication between co-workers.

Current research on mobbing in the field of organizational psychology addresses issues such as prosperity, harmonious relations, and the welfare of the individual in work organization. The following are a positive influence on the attitude towards employees and the implementation of work in the company. Prosperity and harmony are the desired values of a working organization. The company should ensure an employee such work that he is satisfied with and consequently becomes more productive. Only happy workers can be productive. Many workers, due to the ruthlessness of the owners of the capital, develop an obsessive passion to work. Obsessive passion is positively associated with a high level of burnout. If workers are hardworking and have an obsessively strong passion to work, they are less able to recognize and change their behaviour in the workplace. This attitude impairs working relationships and reduces collaboration among employees. Cooperation and good relations with such individuals become a risk. (Birkeland, 2014).

Our behaviour is linked to the activity that is important to us at any moment. This may be personal values, ideals, standards, principles, and so forth, which become the ba-

sis for resistance against the unwanted effects of maltreatment. A mistreated person can protect himself from the negative effects by asking the question: What is important to me when I am being bullied? 'Important' means what an individual classifies as maltreatment and what to do in that moment when he experiences bullying at work? What are the risks when I am exposed to mobbing? Answers to these questions lead to reframing the context of the experience of maltreatment, or by changing negative beliefs into positive. It is important that the answers to the questions are positive.

Examples: "I am safe!; I am OK!; I can be happy!; I can be successful!; I can be calm!". Some individuals, however, by rebellion and perseverance, are able to find the inner strength to resist using their own psychic sources.

An individual in the working process usually asks him- or herself the following questions: What do I think about myself? What do I believe other people think about me? What do others think of me? The latter questions constitute the internal structure of identity or self-esteem of individuals working in a company.

Replies to these questions form the internal structure of threats of maltreatment in a company. Types of workplace bullying are: deliberately influencing the worker's self-esteem; ridiculing and humiliating made by colleagues and management, and mocking behaviour. The employee is always asking how much inner strength is needed to withstand the psychological pressures.

Psychologists are convinced that pathologic and violent personalities are often attracted to leadership positions. It is therefore of paramount importance that these people may be recognized and eliminated already in the process of psychological selection upon entry to the organization and collective. The nature of duties should be established in order to strengthen empathy, cooperation and collaborative conversation, personalities with developed heart culture, an open mind, courage, professional awareness and trust in an active relationship with colleagues.

In the light of the individual's identity within the organization, which includes trust to carry out certain work and trust in building relationships, are some interesting results of studies on the phenomenon of mobbing within Universities. Researchers assumed that the highest level of education ensures a high degree of trust in individuals who we are working with. Research proves that this assumption does not hold. Mobbing within the University organisation often occurs when an individual demonstrates a strong personality, not allowing any kind of manipulation and with an organised family life and a happy and confident personality. This type of personality arouses jealous behaviour from colleagues. In this instance, mobbing is influenced by the age difference between colleagues and co-workers, their work experience and the differences in the manner they react to the problem. Some individuals exhibit greater personal sensitivity under difficult working

conditions and react more dramatically. The key variable, which describes the conditions associated with mobbing, is emotional intelligence (Manotas, 2015).

In Anatolia, Turkey, a study was conducted in which they examined the relationship between mobbing and the symptoms of depression in secondary vocational school students, regardless of gender. The purpose of the study was to determine the levels at which symptoms of depression occur. Symptoms of depression include intense sadness, hopelessness, anxiety, slowed thinking, talking and movements, stagnation, worthlessness, meanness, weakness, reluctance, and slowing down of physiological functions. In school, more than two-thirds of men in comparison to women were exposed to mobbing. Gossip and jokes were used against females and they were more exposed to social exclusion. The study found that there was a high level of interaction between students, regardless of gender, exposed to intimidation. However, there was no statistical correlation between gender of students and the onset of symptoms of depression. Of the students exposed to mobbing, the statistical differences between the rates of depressive symptoms were not observed (Akinci et al., 2015)

Organisational culture in individual parts of the organization includes the social inclusion of individuals in a working relationship, a wider integration of the individual into different levels of the company, and coherence and belonging to the company that has a positive working climate, which, in turn strengthens health. Organizations or companies that are not 'healthy' carry out intimidation at the highest level, i.e. at the level of organizational culture. This type of mobbing is carried so that there is usually a very bad working atmosphere among employees. A bad working atmosphere releases fear which causes silence so that the majority of employees prefer to remain silent rather than talk about mobbing. There are different factors for such behaviour in a company: fear of losing their job or not being able to have the opportunity to state their ideas to the management.

Two new phenomena are present: turnover intention and organizational silence. Turnover intention is the chance of employees leaving their job or organization of their own free will. Increasing the turnover rate increases job absence. Organizational silence is the term that describes individual behaviour where persons do not express their thoughts, opinions or suggestions in order to improve company activities. Current research shows that when we compare organizational silence and mobbing, mobbing has a stronger effect on employees' turnover intentions. Finally, when all factors are taken into consideration, mobbing plays only a partial mediation role. This study presents large amounts of fundamental evidence of mobbing in the workplace as well, as it reveals a scope with regard to its moderating effect on the relation of silence behaviour and turnover intention manners of employees (Elçi, 2014).

Bullying at the level of organizational culture is divid-

ed into the following types: distrust of superiors by employees and mistrust among colleagues; organizational silence; turnover intention; social exclusion (ostracism); collective victimization, plots or intentionally malevolent rumours or conspiracies in order to make bribery of votes, in favour of the management of the company and intentionally influencing the individuals suffering.

The consequences of mobbing at the level of organizational culture are associated with the deterioration of the mental health of company employees. European studies have shown that there are many employees with mental health problems. Experts merged ten of the most important emerging risks of work and the effects of work on health, into five areas:

1. New types of employment contracts and precarious employment.
2. An aging workforce.
3. Increased work intensity.
4. Great emotional stress in the workplace.
5. Lack of reconciliation of work and family life (Facts, 2007).

The causes of workplace bullying most often lie with the management. The most frequently hostile actions have been an excessive workload; gossip and rumours; withholding of information relating to work; assuming responsibility; insults; humiliation; ignorance (Garlic, et. al., 2009).

In the work environment, due to the growing desire of owners of capital to accumulate wealth the worker spends more and more time, free of charge, as well. Trstenjak (1984) already in the 80's pointed out the risks in the workplace arising from distracting human consciousness and awareness in this area. He pointed out the research made by psychologist Baker on behavioural settings. Trstenjak criticized Baker, saying that they are not interested in social interaction and interpersonal relations. In the foreground only institutional behaviour is seen, by regulating certain cultural norms. This was for Trstenjak only one component of the ecological debates in social psychology, joined by research into individual attitudes towards cultural environment, bearing in mind the individual as a role holder in society and ad-hoc cooperation with groups

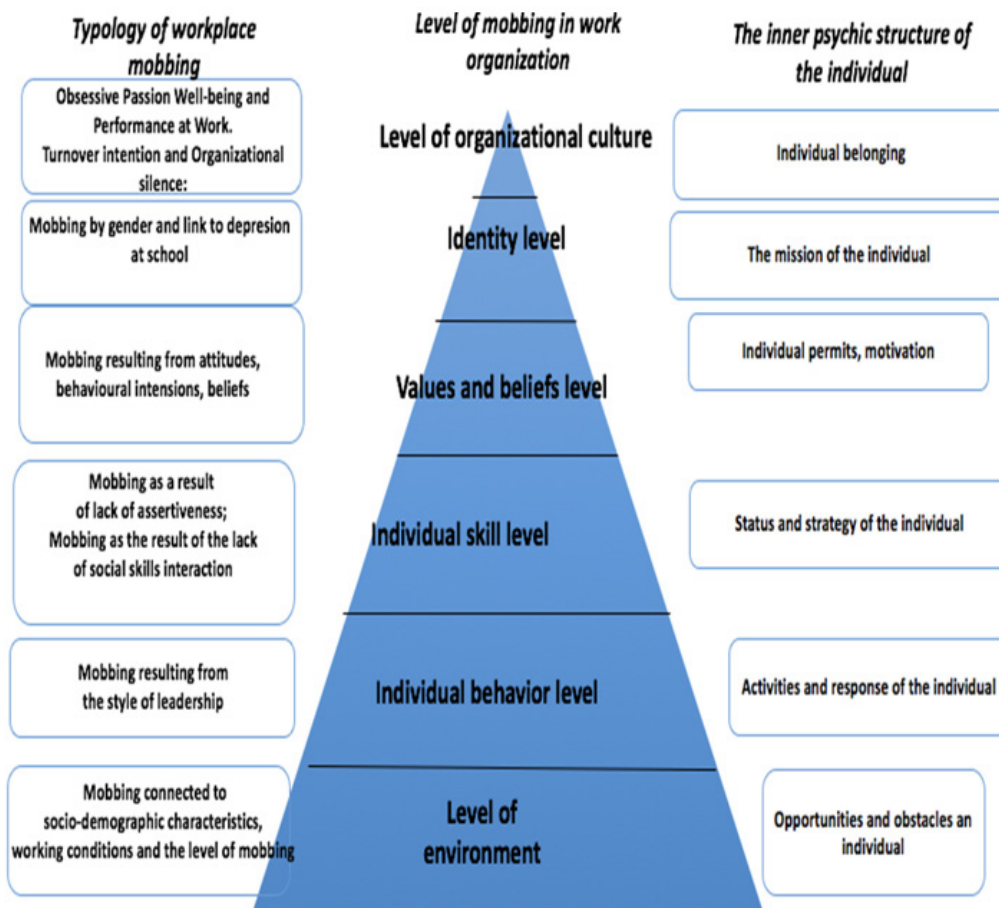


Figure 1: Model of mobbing levels and types in the company, adapted and expanded according to Dilts, 1999)

(Trstenjak 1984: 101). That paradigm of social psychology is not outdated, but increasingly more topical. By simply raising awareness based on enhanced self-esteem protects the individual against unwanted effects of psychological violence in the workplace.

In designing the expanded model, we took into consideration Leymann's forms (1993) of psychological violence within an organization, which is divided into five types of attacks:

1. Attacks against expression and communication (limiting the chances to express and communicate with the management, disrupting speech, criticizing the work, threats...).
2. Attacks which threaten the social contacts of the victim (no-one wants to talk the victim anymore or colleagues are prohibited from communicating with the victim, the victim is isolated in the working premises away from staff, general ignoring of victims...).
3. Attacks that endanger the personal reputation of the victim (defamation, ridiculing the victim, spreading rumours, ridiculing the victim's physical defects...)
4. Attacks against the quality of the job (the victim does not receive any more tasks, obtains meaningless tasks, tasks which are below or above qualification levels, allocation of too many tasks...)
5. Attacks against health (being allocated harmful tasks, threats of physical violence, physical abuse...) (Leymann, 1993, and 1996).

### 3.2 Current mobbing literature reviews and the criteria for model design

Table 1 summarises is the result of the analysis of relevant and actual scientific literature on mobbing in the company. Below we present the reviews of mobbing in the company. At each level, the authors found very specific characteristics of human behaviour. We have selected and classified the articles depending on the level and type of mobbing which occur in the company. In the third column, we noted the proper authors that deal with mobbing.

## 4 Conclusion

We presented model levels and types of mobbing in the company into six levels, in the shape of a pyramid. The levels are arranged in hierarchical order. The model provides a framework for collecting information and the user can identify workplace violence and each strategic organizational level in the work organization. Each level contains the categories of abuse in the organization and the internal psychological structure of an individual who is exposed to psychological violence. The width tapers down to the level of organizational culture. The width of the pyramid in the hierarchical model gradually narrows towards the top of the pyramid, representing the level of abstraction or the power of the subconscious (individual and collective subconscious of the individual) or the impact of the threat

Table 1: Current mobbing literature reviews

Level of mobbing in company	Type of workplace mobbing	Authors
Level of Environment	Mobbing connected to Socio-demographic characteristics, working conditions and the level of mobbing	Picakciefc, Acar, Colak and Kilic, (2015).
Individual Behaviour Level	Mobbing resulting from the style of leadership	Ertureten, Cemalcilar and Aycan, (2013).
Individual Skill Level	Mobbing as a result of a lack of assertiveness Mobbing as the result of the lack of social skills interaction and the social situation	Karakas and Okanli, (2015). Suddaby, Viale and Gendron, (2016).
Values and Beliefs Level	Mobbing, resulting from attitudes, behavioural intentions, beliefs	Horvat and Pagon, (2012).
Identity Level	Mobbing by gender and depression at school: Female students use physical force or threat of physical force. Women could apply gossip, ridicule and social exclusion.	Akinci and Gueven, (2015).
Level of Organizational Culture	Obsessive passion, well-being and performance at work. Turnover intention and organizational silence	Birkeland, (2014) Elci, Erdilek, Alpan, and Sener.(2014).

of the individual in a company. The Model is based on an analysis of selected and current literature about mobbing in companies and an observation of the internal structure of individual mobbing threats.

The findings, that gave us answers to the research questions, are as follows:

The answer to the first exploratory argument: An examination of selected scientific literature and definitions of mobbing allows a better overview of the types of psychological violence in the company and allows for the creation of its typology as follows:

The defined terminology and relationships between concepts increase the understanding of workplace mobbing and allow the creation of mobbing typology depending on its level, and to be able to identify the internal psychological structure of the individual exposed to mobbing.

The answer to the research question: 'What type of psychological violence against individuals corresponds to a certain level of mobbing in a company?' is as follows:

We analysed and selected current scientific literature on mobbing between the years 2012 and 2016. Based on this, we presented an expanded Model on levels of mobbing in companies.

Some people perceive mobbing at the level of the environment, as a barrier to their freedom and creative work. A general type of mobbing is connected to social-demographic characteristics, working conditions and the level of mobbing. Micro types of maltreatment are: emotional maltreatment of employees by the management (deliberately influencing the primary and the accompanying emotion), insulting workers, causing guilt, states of anxiety and a dissemination of fear of losing their jobs.

Mobbing at behaviour levels is most evident in the activities and responses of the individual. Based on the analysis of selected literature we exposed a range of mobbing resulting from the style of leadership and management in a company. The most typical forms of mobbing are: Ex-communication, undesired influence over workers by the managers, demands for obedience at all costs, and degrading behaviour. Mobbing at the capability levels includes the state and working strategy of the individual. This type of mobbing has a negative effect on the individual's ability to express himself. At this level, there are two main types of mobbing: mobbing due to a lack of decisiveness and mobbing due to poorly developed social skills. Mobbing at the capability level includes the most obvious types of maltreatment: Imposing prohibitions and demands, which start with the word, "No" or "You need to be....", with unrealistic deadlines for completion of work assignments; Whistler punishment.

Mobbing at the level of values and beliefs affect the motivation of the individual.

The most common type of maltreatment at this level is due to a conflict of views, behavioural intentions and restriction of opinions. It is expressed in the following:

jealous behaviour, hypocrisy, one-way communication (monologue), which limits free speech with co-workers, religious victimization and sexual harassment in the workplace.

Mobbing at the individual identity level covers the work duties of the organisation. The most common type is the most visible as mobbing, irrespective of gender identity and the degree of depression. Above all, it is present in academic and research fields. This level of mobbing intentionally affects the self-esteem, and occurs in the form of ridicule and humiliation towards the individual.

The highest level and therefore hardly noticeable is mobbing at organizational culture level. General harassment occurring at this level is: an obsessive tendency to feeling good at work and its implementation and intentional organisational silence. In practice, however, at this level the following types of maltreatment are indicated: distrust, social exclusion (ostracism), collective victimization by deliberately organizing conspiracies against undesirable individuals, bribe votes in favour of the management of the company.

The recommendations for the actions: An individual in an firm must be sensitive to the situation of mobbing in the workplace. Using the proposed model individuals or firms can develop preventive measures for protection against those types of mobbing.

## 5 Study limitations

The typology presented in the Model is designed for all those who want to take a deeper look at mobbing or psychological violence in the workplace. The model can also help the employee recognise violence at work and managers at strategic-organisational levels of the company. The adopted Model and types of mobbing in companies has its limitations, as it is built on a theoretical basis of relevant research findings, but could be used as a theoretical basis for an empirical study on mobbing in the company. The types and levels of mobbing at organisational level are an effective tool to alter the behaviour of the individual. However, they should be adapted depending on the *type* of violence in the workplace. This model represents only a strategic guideline that would be useful to implement the operational plan of protection against mobbing in every work organisation, company or other cooperative.

## Literature

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## Psihično nasilje v podjetju: stanje in tipologija

**Ozadje in namen:** Posameznik je izpostavljen vse bolj prikritim oblikam psihičnega nasilja ali trpinčenja na delovnem mestu v podjetjih. Namen študije je analizirati ravni in vrste psihičnega nasilja znotraj podjetja, v katerem posameznik deluje v njihovem vsakdanjem življenju.

**Oblikovanje / metodologija / pristop:** Uporabili smo sistematično metodo in pregledali literaturo o mobingu. Na osnovi pregleda in analize literature smo ugotovili, da se povečuje obseg trpinčenja na delovnem mestu. Potem smo uporabili in razširili Diltsov model, v katerem smo prikazali različne ravni in vrste nadlegovanja na delovnem mestu v podjetju. Predstavljeni model je orodje za prepoznavanje nasilja na delovnem mestu v podjetju.

**Rezultati:** Na ravni družbenega okolja prepoznamo psihično nasilje, ki je povezano s socialno-demografskimi značilnostmi in delovnimi pogoji. Na ravni posameznikovega vedenja, obstaja vrsta mobinga, ki je povezana s stili vodenja podjetja. Na ravni posameznikovih sposobnosti povzroča mobing pomanjkanje zaupanja. Na ravni vrednot in prepričanj je mobing prisoten v odnosih in vedenjskih namerah. Na ravni identitete lahko opazujemo mobing glede na spolno identiteto. Na ravni organizacijske kulture, lahko prepoznamo vrsto mobinga, imenovano „obsesivno predanost« delovni učinkovitosti in organizacijski tišini.

**Zaključek:** Na podlagi analize izbrane literature smo izpostavili različne ravni in vrste mobinga v družbi. Razširjeni Model stopenj in vrst mobinga v podjetjih določa okvir za zbiranje podatkov. Uporabnik lahko prepozna nasilje na delovnem mestu in na vsaki strateško- organizacijski ravni v podjetju.

**Ključne besede:** psihično nasilje na delovne mestu; ravni nasilja; vrste nasilja

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# User Experience with Security Elements in Internet and Mobile Banking<sup>1\*</sup>

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**Background/Purpose:** Maintaining a balance between security and a positive user experience in mobile and Internet banking is becoming increasingly difficult for the providers of banking services. The goal of our research is to analyse user opinions about the current situation: how users perceive security and how the authentication methods they are using affect user experience.

**Methodology:** Data were collected using an online survey among the users of 15 banks operating in Slovenia, and statistical methods were applied to analyse them. Results of the users' study were evaluated and commented by a limited number of interviewed banking security experts.

**Results:** The results indicate that the use of mobile banking in Slovenia is relatively low, as only 30 percent of respondents use mobile banking along with Internet banking. Slovenian users perceive security to be the most important factor in mobile and online banking, closely followed by reliability. We also verified whether the users knew which authentication methods they were using: 69% of respondents selected the correct authentication method. The opinion of 88% of respondents was that authentication methods do not limit them when using mobile and Internet banking. Results of the study of user's opinions did not surprise the experts, although experts' views about the balance between security and usability diverged considerably.

**Conclusion:** Our results indicate that, in Slovenia, users of the Internet and mobile banking services regard security to be the most important element in mobile or Internet banking and find user experience less important while they absolutely do want products that are easy to use.

**Keywords:** *Internet banking; mobile banking; security; user experience*

## 1 Introduction

Internet and mobile banking are part of a broader range of banking services, under the term of "electronic banking". The ever wider use of mobile commerce has led to the development of various applications that offer the user easy access to information and made it possible for the user to carry out various actions at all times. The usefulness of

the product and the user experience are becoming increasingly important. The UXPA (User Experience Professional Association), referring to the international standard ISO 9241-11, defines usability as "the extent to which a product can be used by specified users to achieve specified goals with effectiveness, efficiency and satisfaction in a specified context of use"<sup>1</sup>. The ISO 9241-210 international standard defines customer experience as "a person's perceptions and responses that result from the use or anticipated use of

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1 Source: <http://uxpa.org/resources/definitions-user-experience-and-usability>, 2015

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a product, system or service<sup>2</sup>". The definition further states that "user experience (UX) involves a person's emotions about using a particular product, system or service. User experience highlights the experiential, affective, meaningful and valuable aspects of human-computer interaction and product ownership. Additionally, it includes a person's perceptions of the practical aspects such as utility, ease of use and efficiency of the system."

With the development and availability of different applications, users are becoming increasingly demanding regarding Internet and mobile banking. Thus, the search for the best possible user experience is becoming more important. One of the greatest obstacles to better user experience is the need to provide and maintain a high level of security and privacy in Internet and mobile banking.

Internet and mobile banking applications provide a particularly interesting target for various abuses and intrusions. Therefore, banks must pay special attention to the security of these applications. In most cases, the provision of security affects the ease of use of an application, which is one of the main criteria of customer satisfaction (Liao & Cheung, 2008; Lee, Moon, Kim & Yi, 2015).

Historically, the majority of Slovenian banks have tended to use security features that provided maximum security. These security features are, in most cases, quite rigid and restrict the users from conducting transactions. Complex and demanding security features otherwise may give good protection against external intrusions, while severely hindering users during normal communication via the Internet or mobile bank, and thereby jeopardize internal security. Complex security procedures promote poor security habits of users, such as writing down passwords and procedures to access their accounts, which may invalidate the security measures prescribed to the users by the bank (French 2012). Ensuring a balance between the security of Internet and mobile banking applications and a better user experience is becoming an increasingly demanding task for providers of Internet and mobile banking.

Therefore, we decided to investigate how the security features applied by banks affect the user experience. In the literature, we can find numerous studies that investigated user satisfaction in a broader context, but only a few studies deal with the impact of applied security features on customer satisfaction. Therefore, we focused on the security aspects of using Internet and mobile banking.

The purpose of this paper is to explore how Internet and mobile banking users in Slovenia perceive the security provided by the security features used by Slovenian banks. Does the use of these elements interfere with or restrict the use of Internet and mobile banking? How important is security to users of Internet and mobile banking?

## 2 Literature review

In recent years, a growing number of institutions have become engaged in Internet and mobile banking security. In 2013, the European Central Bank (ECB, 2013) published a directive with 14 guidelines to ensure the security of Internet payments, with February 1, 2015 as the deadline for their introduction. The document states that the payment service provider must implement a high level of authentication for the implementation of Internet payments and for access to sensitive banking data. A high level of authentication is defined as a process of authentication that uses elements from two or more of the following three categories: something a user knows (e.g. a password), something the user has (e.g. mobile phone, smart card, etc.), and something that the user is (biometrics, such as fingerprints, retina or iris scans, etc.). With this ECB directive, banks in Europe are required to introduce additional security features that can be expected to have a mainly negative impact on the user experience.

When reviewing the literature, we found many studies conducted in different countries and in quite different ways. They examined user satisfaction with e-banking and the adoption of Internet and mobile banking from different perspectives. For example, Nasri and Cherfeddine (2012) used the information technology acceptance model (TAM) and the theory of planned behaviour (TPB) to investigate the acceptance of Internet banking in Tunisia. They emphasized that it is very important that banks develop a technology that is easy to use, while also putting great emphasis on security and privacy. Tella and Abdulmumin (2015) studied users' satisfaction with an e-payment system in a specific environment (university). Koo, Watti and Chung (2014) extended DeLone and McLean's IS success model to electronic banking, adding trust as a success variable. They tested the model by comparing Internet and mobile banking in Indonesia.

In a study of the use and acceptance of Internet banking in Pakistan, the authors similarly conclude that perceived usefulness and security have a major impact on the adoption of Internet and mobile banking; but when the users get used to the technology and begin regularly to use e-banking, their satisfaction is mostly determined by the ease of use and usefulness (Mashari et al., 2014). Liébana-Cabanillas, Muñoz-Leiva and Rejón-Guardia (2013) analyse the relationship between the main determinants of the TAM model (accessibility, user confidence, ease of use, usefulness) and satisfaction of users of Internet banking. They point out that both the usefulness and ease of access to banking applications and data - the main determinant of TAM model - directly affect customer satisfaction.

Investigating mobile banking adoption among young people (e.g. students), Akturan and Tezcan (2012) observed that perceived usefulness, social risk, performance

<sup>2</sup> Source: [https://en.wikipedia.org/wiki/User\\_experience](https://en.wikipedia.org/wiki/User_experience), 2015

risk and potential benefit directly affect attitudes towards mobile banking. Some recent research focuses on user satisfaction, but it does not include security as one of the determinants of customer satisfaction, and focuses, for example, on the impact of accessibility, trust and ease of use on the satisfaction of Internet banking users (e.g. Liéban-Cabanillas, Muñoz-Leiva and Rejón-Guardia, 2013), or the impact of simplicity and interactivity on usability and user satisfaction (e.g. Lee et al., 2015).

The supervision of the risks of online banking is a much more important factor than providing its benefits is. Because it is much harder to provide risk-free online transaction environments than benefits for customers, online banking should look for strategies to reduce the risks to the prospective clients, which will help inspire their confidence (Lee 2009). Similar conclusions were also reached by Cheng, Lam and Yeung (2006), as they pointed out that in addition to the perception of usefulness, the perception of Internet security has a direct impact on the end use of Internet banking. In the beginning, most of these studies paid no specific attention to security and trust, but the results of their studies highlighted the issue of security. Only a few investigations have directly addressed the impact of security features on customer satisfaction.

Krol, Philippou, De Cristofaro and Sasse (2015) have studied the impact of two-level authentication on user experience in British banks. Test users have expressed much frustration about providing additional information when using online banking, in particular, they did not like to use one-time passwords (OTP) with devices (hardware token). Considering the diversity of the users' abilities, needs and preferences, they suggest that banks offer customers various options for two-level authentication. Furthermore, users complained about the number of steps required for authentication, so the authors suggested that banks carefully eliminate all the steps that do not provide real security.

The authors suggest the introduction of a number of different options for additional authentication, such as the replacement of one-time passwords on dedicated devices with SMS one-time passwords, or OTPs generated by applications on smartphones. From the user's point of view, this is interesting and desirable, but does have some drawbacks. Additional authentication can also be very expensive for the banks, because it requires the parallel maintenance of several products. In contrast, a user might be even more confused, because he or she has to make the choice of products, even though he or she might not understand what the consequences of the choice are. Moreover, not all of the proposed alternatives provide the same level of security.

Yoon and Ocoña (2014) investigated the interactions between security and usability and ease of use for mobile banking. Their empirical study, which was conducted in the USA, showed that both the security and the perceived usefulness and perceived ease of use have a significant

impact on the use of mobile banking: although many users perceive the risk of using e-commerce and specifically e-banking, they are willing to use these electronic channels because of their ease of use and their usability.

Banks use diverse security features and combinations of them; however, identification mechanisms are not standardized. Choubey and Choubey (2013) analysed the authentication procedures and other security features used by major banks in seven English-speaking countries. Their study revealed that banks use very different approaches to security, from simple username and password to fairly complex structures with one-time passwords generated by an external device. This diversity can be problematic for users when they want to change banks, or when they are doing business with several banks.

Therefore, these authors suggest the standardization of the security mechanisms used by banks. Regarding security, standardization would facilitate the development of interfaces that would be better protected against intrusions by phishing; it would also be easier to upgrade the standards, and to achieve better protection against different mechanisms of intrusion. Based on an analysis of identification of the mechanisms the online and mobile banking, Choubey and Choubey (2013) propose a unification of these mechanisms, to facilitate the use of banking services, and to find the optimal mechanism and ways for its standardization.

### 3 Methodology

Based on the literature review and Internet/mobile banking market analysis, we prepared a survey questionnaire. The first part of the questionnaire included demographic questions, and questions about respondents' habits when using online and mobile banking. Our aim is to examine how users perceive security, to what extent they are familiar with the security features they use, and how these features hinder their transactions. By analyzing what security features and the combinations thereof are provided by the banks that are active on the Slovenian market, we prepared a list of all the security elements used by the banks. Respondents were asked to specify which bank or banks they are using, what security features they use, and how these security features impact or hinder their use of Internet and mobile banking. We also compared the security features selected by respondents with security features used by their banks. Additionally, we measured users' general attitude towards mobile and online banking and any preference between the two. Nasri and Cherfeddine (2012) and Cheng, Lam and Yeung (2006) asked similar questions in their empirical research on the factors that influence the use of Internet banking.

Liao and Cheung (2008) in their analysis identified six attributes of quality service that can be mapped to online banking: usefulness, ease of use, reliability, security, re-

sponsiveness and implementation of changes. Our survey questionnaire presented these attributes to respondents and asked them to rate their importance using a five-point Likert scale.

Most of the questions in the survey questionnaire were the closed-end type. The survey was prepared via an online service. To obtain the widest possible range of responses from customers of different banks, we used e-mail and social networks such as Facebook to distribute the questionnaire; we also asked friends and acquaintances for help when communicating the questionnaire to potential respondents. The collected data were then analyzed using statistical methods.

Data provided by the users was consolidated and presented to a limited number of banking security experts. Structured interview was used to collect experts' opinions and their comments.

## 4 Results

One hundred-and-one (101) respondents returned a completely filled questionnaire: 15 (15%) of them did not use Internet or mobile banking and were therefore, eliminated from further analysis. Data from the remaining 86 questionnaires were further analysed. Table 1 shows the demographic data of the respondents, which illustrates the diversity of the population. For each demographic data element, except for gender, minor deviations from the overall population characteristics are evident. The age structure shows a very small percentage of the youngest and oldest respondents. Before their first employment, young people do not have much need to use banking services, while older people sometimes avoid using technology and stick with the traditional way of doing business with their banks. The educational structure of respondents reveals that very few respondents finished only primary or vocational education. Compared to the educational structure in Slovenia, published by the Statistical Office of Slovenia (SURs), a relatively larger percentage of respondents have at least

Table 1: Demographic data

Gender	male	43%
	female	57%
Age	Up to 24	1%
	25 to 34	44%
	35 to 44	24%
	45 to 54	14%
	55 to 64	13%
	65 or more	3%
Education	Elementary School	1%
	Three-year professional education	1%
	Middle School	26%
	Associate degree	34%
	University degree	29%
Occupation	Master degree, Doctorate	9%
	Student	6%
	Unemployed	6%
	Retired	8%
	Employed	64%
	Self-employed	13%
Computer knowledge – self-assessment	Manager/Company owner	3%
	Very limited	0%
	Basic	30%
	Advanced	48%
	Expert	22%

upper secondary education in comparison to the general population.

Most users of online and mobile banking come from the population of people between the completion of education and retirement: employees, self-employed and managers/business owners and the unemployed. Respondents were asked to self-assess their computing skills; none of them considered his or her skills to be very limited, almost a third of them estimated them to be basic, almost half as advanced, and a fifth of the respondents described their skills as being professional.

The respondents were customers of 14 Slovenian and one foreign bank. We asked them what security features they were using in Internet or mobile banking. Their answers were compared with the security features used by banks, which revealed that 69 percent of the respondents had chosen the correct security features. Table 2 shows that banks use a wide variety of security elements and their combinations. A similar diversity was found by a survey carried out by Choubey and Choubey (2013) in English-speaking countries.

Table 2: Security features used by Slovenian banks

<b>Security features in Slovenian banks</b>
Digital certificate stored on the computer, mobile phone, tablet computer, etc.) and a password (Access via browser where the digital certificate with a pre-set password is stored; this password must be entered on the bank's entry web page.)
Digital certificate on a smart card or USB key and a password (and/or a PIN code) (Digital certificate is stored on an external device, which can be connected to the computer directly via a USB port, or a reader. Access to the external device requires a PIN code and sometimes an additional password is required to access the Internet/mobile bank.)
Digital certificate on a payment card (MasterCard, Maestro, etc.) and a password (and PIN code). (Digital certificate is stored on the card's chip that connects to the computer via a reader. Access to the card requires a PIN code, and access to the bank's program an additional entry password)
Username and one-time password on a token or a payment card (hard token OTP). (On the bank's entry page, the username is entered, and a one-time password is obtained from the screen on a payment card or from the screen on a dedicated token (hard token) the has been provided by the bank. The token is a small, handheld, dedicated device that has a screen; the one-time password is displayed on the token's screen.)
Username and one-time password from the program on a smartphone (soft token OTP) (On the bank's entry page, the username is entered; a one-time password is generated by the program that has been installed on the user's smartphone by the bank and is additionally protected by a PIN code. In some cases, an additional password is required.)
Username and one-time password via SMS (SMS OTP) (On the entry web page, the username is entered; a one-time password is obtained from an SMS sent by the bank.)
Username and one-time password acquired from a portable reader and a card (hard token OTP) (On the entry page, the username is entered; a one-time password is acquired from the reader and a card provided by the bank.)
Additional security password (Additional security password intended to protect specific transactions in Internet/mobile bank (for example transferring money to a recipient who is not yet included in the user's list of recipients of payments). Internet/mobile bank requires the entry of a few characters of the password; randomly selected by the bank).
Username and password (On the bank's entry page, the username and (the whole) password that was given to the user when registering with the bank are entered. Changing the password frequently is recommended)
Username and a few characters of the password (On the entry page, the username and a few randomly selected characters from the password are entered. The password has been set for the registration with the bank. The required randomly selected characters are specified by the bank each time Internet/mobile banking is used.)

Table 3: Summary of user opinions on security and usability of Internet and Mobile Banking

<b>Usability of authentication features</b>	Very limiting (1)	Limiting (2)	Undecided (3)	Not limiting (4)	Not limiting at all (5)	<b>Average</b>	<b>Standard deviation</b>
Are authentication features you are using limiting you when using Internet or mobile banking?	1	2	8	29	46	4.36	0.80
<b>Criteria of satisfaction with electronic banking</b>	Very important (1)	Important (2)	Undecided (3)	Unimportant (4)	Very unimportant (5)	<b>Average</b>	<b>Standard deviation</b>
Accessibility – Internet/mobile bank is accessible from different devices, with different operating systems, etc.	35	14	19	7	11	2.36	1.40
Usability – services provided are useful indeed.	35	21	8	9	13	2.35	1.50
Ease of use – use is simple, intuitive.	42	20	9	5	10	2.08	1.40
Reliability– functioning reliably, with no mistakes and/or interruptions.	51	12	3	3	17	2.10	1.60
Security – well provided security for the user	56	9	4	2	15	1.97	1.50
Responsiveness – the banking program must be fast, must respond with no delays	41	21	7	7	10	2.12	1.40
Implementation of changes – Internet/mobile banking application is kept up-to-date.	17	21	32	11	5	2.60	1.10
<b>Additional passwords</b>	Very unnecessary (1)	Unnecessary (2)	Undecided (3)	Necessary (4)	Really necessary (5)	<b>Average</b>	<b>Standard deviation</b>
Do you think that additional passwords, requested during usage of Internet or mobile banking, while verifying certain transactions, are needed?	5	9	10	17	45	4.02	1.30
<b>Using passwords</b>	Strongly disagree (1)	Disagree (2)	Undecided (3)	Agree (4)	Strongly agree (5)	<b>Average</b>	<b>Standard deviation</b>
Selecting a password is easy and simple.	6	6	9	25	40	4.01	1.20
Changing the password periodically (for example every month) does not bother me.	15	12	18	17	24	3.27	1.50
I am using the same password for several applications: (Internet/mobile bank, Facebook, Twitter, etc).	34	9	15	14	14	2.59	1.50
Selecting long passwords is easy and doesn't bother me.	7	8	17	28	26	3.67	1.20
Restrictions for passwords (upper/lower case letters, digits, special characters) are not a problem.	7	9	20	22	28	3.64	1.30
I can easily remember passwords that I have selected.	10	7	20	27	22	3.51	1.30
I need too many passwords in my life.	9	3	12	16	46	4.01	1.30



Table 3: Summary of user opinions on security and usability of Internet and Mobile Banking (continued)

<b>Usability of Internet and Mobile Banking</b>	Strongly disagree (1)	Disagree (2)	Undecided (3)	Agree (4)	Strongly agree (5)	Average	Standard deviation
Using the Internet/Mobile Banking would enable me to accomplish my tasks more quickly.	6	2	1	8	69	4.53	1.10
Using the Internet/Mobile Banking would make it easier for me to carry out my tasks.	4	2	4	9	67	4.55	1.00
I would find the Internet/Mobile Banking useful.	4	3	0	5	74	4.65	1.00
Overall, I would find using the Internet/Mobile Banking to be advantageous.	4	2	4	11	65	4.52	1.00
<b>Ease of Use of Internet and Mobile Banking</b>							
Using the Internet/Mobile Banking service is easy for me.	4	3	8	32	39	4.15	1.00
I find my interaction with the use of the Internet/Mobile Banking services clear and understandable.	3	6	16	23	38	4.01	1.10
It is easy for me to become skillful at the use of the Internet/Mobile Banking services.	4	6	8	26	42	4.12	1.10
<b>Security of Internet and Mobile Banking</b>							
I would feel secure sending sensitive information across the Internet/Mobile Banking.	4	9	28	36	9	3.43	1.00
The Internet/Mobile Banking is a secure means through which to send sensitive information.	1	9	29	40	7	3.50	0.80
I would feel very safe providing sensitive information about myself over the Internet/Mobile Banking.	5	15	35	22	9	3.17	1.00
Overall, the Internet/Mobile Banking is a safe place to transmit sensitive information.	3	14	31	32	6	3.28	0.90
<b>Attitude towards Internet and Mobile Banking</b>							
Using Internet/Mobile Banking is a good idea.	5	0	2	17	62	4.52	1.00
I would say that using Internet/Mobile Banking is pleasant.	4	0	7	15	60	4.48	1.00
In my opinion, it would be desirable to use Internet/Mobile Banking.	2	2	15	28	39	4.16	1.00
In my view, using Internet/Mobile Banking is a wise idea.	4	3	13	24	42	4.13	1.10
<b>Influences of Technology on Internet and Mobile Banking</b>							
Advances in Internet/Mobile security technology provide for safer Internet banking.	3	1	18	23	41	4.14	1.00
Faster Internet/Mobile access speed is important for Internet banking.	2	9	17	27	31	3.88	1.10

Respondents were asked to rate items presented in the questionnaire using a five-step Likert scale. The results (number of replies, averages and standard deviation) are shown in Table 3.

Replies to the open-ended part of the questionnaire indicate that respondents think that security features do not hinder them. Respondents were also given the possibility to comment on their replies. Their comments were mainly related to time-consuming installation and lack of mobility, and to the time needed for entering multiple passwords.

Five banking security experts coming from four companies and banks (Halcom, d.d., Infinum, d.o.o., Abanka Vipava, d.d. in NLB, d.d.) responded our invitation to participate in the interview. Three of them have worked in the field of electronic banking for more than 15 years, two of them were developers of e-banking applications with more than five years of experience in the area. Four of the participants had technical educational background, while one of them held a management-oriented degree. All the five were members of teams who decide about what security elements are included in the applications offered to the users by the banks.

Interviewees were also asked to rank listed e-banking security features by importance. The results of ranking are given in Table 4.

The summary of experts' opinions presented in Table 4 indicates that – on average – usability and security are considered as the most important features, followed by reliability, accessibility, ease of use, responsiveness and implementation of changes as the least important feature. In general, experts' opinion vary considerably.

At the end of the interview, we presented the experts a summary of the results of our user investigation. The results did not surprise them; their opinion was that our results give a realistic picture of users' views. They noticed the low rank of the feature *introduction of changes*, but experts' also ranked this feature as the least important of all. They criticised the age distribution of the surveyed users, since there were only of few respondents of age 24 or younger, and they remarked that the percentage of users who use e-banking services daily is relatively high. This could be attributed to the method of selection of the sample.

## 5 Discussion

The survey results show that the attitude of the respondents towards the Internet and mobile banking is generally positive, and they mostly agree that the use of these forms of banking is helpful. From Table 3, it is evident that the respondents regard security as a major criterion of satisfaction, followed by reliability and responsiveness. The majority of users consider additional passwords to be necessary. Regarding the usability of Internet and mobile banking, respondents mostly agree that banking applica-

tions are useful products, they are mostly easy to use, and consider it easy to learn how to use them.

Regarding the security of online and mobile banking, respondents are more cautious. In general, they see this form of banking as safe, but a large proportion of respondents are undecided. We believe that the reasons for this can be found in several facts, including the recognition that financial services are attractive to potential criminals, and fear of the unknown. Most of the average users do not understand well how the security features work and are not aware of what they can do to contribute to the greater security of Internet and mobile services that they use. Smart cards or USB keys with qualified digital certificates are used by a large majority of Slovenian banks. It is important that the user know that he or she should remove the card from the reader, or the USB key from the computer, to eliminate potential abuse via remote access.

Respondents largely agree that the use of these forms of banking is a positive thing. They also mostly agree that advances in Internet security provide secure online and mobile commerce, while they consider the Internet data transmission speed to be somewhat less important. Respondents who use both online and mobile banking were also asked which method they find more useful. Most (59%) of the respondents prefer Internet banking and 32% of them mobile banking, while 9% responded that they cannot provide an answer because they do not use either form of banking. We asked them for an opinion about why they consider one form of banking better than another; 51% of responses cited the benefit of online banking, mainly by better security and transparency, a broader range of services and better usability. A few respondents stated that they did not like smartphones or mobile banking, because they have not tried it. The preference for mobile banking was explicitly expressed by seven respondents. Nearly all of them have emphasized the fact that mobile banking is always at hand and thus more useful.

Our study has several limitations. The survey was conducted only in Slovenia on a relatively small sample of users of Internet and mobile banking. Thus, a comprehensive statistical analysis was not possible.

## 6 Conclusion

In the past two years, the European Central Bank raised the level of security required in Internet payments, which naturally also has an impact on Slovenian banks and on Slovenian users of online banking. The results of our study show that users in Slovenia are aware that security in online and mobile banking is the most important criterion. While 87% of respondents thought that security features used by banks operating in Slovenia mostly do not hinder usability, security is important or very important to 75% of respondents.

Reducing the number of steps involved in authenti-

Table 4: Ranking of e-banking security elements by experts

	Interview participant					Mean
	1	2	3	4	5	
<i>Accessibility</i> – e-bank is accessible from several devices, systems, etc.	1	7	2	2	6	3,6
<i>Usability</i> – the services offered are usable for the customers	5	5	7	4	5	5,2
<i>Simplicity of use</i> – use of services is simple, intuitive	4	3	3	6	2	3,6
<i>Reliability</i> – services are reliable, functioning is reliable, no errors and failures occur	6	4	6	5	3	4,8
<i>Security</i> – security is assured	7	6	5	7	1	5,2
<i>Responsiveness</i> – services are delivered without delay and waiting	3	2	4	3	4	3,2
<i>Implementation of changes</i> – the bank regularly implements novelties in e-banking services	2	1	1	1	7	2,4

cation is essential. An ideal authentication process would require fewer steps and not demand the use of additional devices for one-time passwords according to Krol, Philipou, De Cristofaro and Sasse (2015); our results fully support their findings. Despite the fact that our electronic banking users, and experts in e-banking security, are aware of how important security is, they certainly prefer the best possible user experience. Banks can invest much effort into the development of applications that are user-friendly, which would provide the best user experience. However, without resolving the problem of user authentication at the entrance into the application, we cannot expect that users would be satisfied, because the application makes a negative impression from the start.

A possible solution has been suggested by the recommendations of the European Central Bank<sup>3</sup>: using biometric data for the authentication of the individual. Years ago, producers of laptops implemented fingerprint reading technology in their hardware and software, but progress in this direction has not continued. Some researchers suggest a combination of biometrics and “classic” data, such as password and PIN (for example, Suganya, Sujatha & Alex, 2012), which increases the number of steps required for authentication. Currently, a possible solution for mobile banking is the development of fingerprint authentication on smartphones. This service is mostly used to unlock the phone itself, or access application stores, but it is also available for use to other applications<sup>4</sup>. Thus, banks can still provide a very high level of security with minimal additional effort for the user. Of course, such a proposal has some shortcomings:

Phones with biometric scanners are very expensive and consequently not widespread, which means that another alternative for all other users must be available:

This proposal does not solve the problems of online banking, since the user must copy something into a computer or have an additional device for reading fingerprints, together with associated software.

Nevertheless, we believe that banks should look to the future and, in addition to useful and well-designed content, provide users with safe and easily accessible Internet and mobile banking applications. In this way, they will be attractive and competitive, and users will be more satisfied. Internet and mobile bank users do not use the bank for enjoyment, but as a necessity to perform their transactions. They are obtaining the information they need and performing desired transactions. The faster and easier they can carry it out, the greater will be their satisfaction and the greater the likelihood that they remain loyal to their bank.

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## Vpliv varnostnih elementov na delo s spletnimi in mobilnimi bankami

**Ozadje in namen.** Zagotavljanje ravnotežja med varnostjo v aplikacijah spletnega in mobilnega bančništva ter čim boljše uporabniško izkušnjo postaja vse težja naloga za ponudnike spletnih in mobilnih bank. Cilj naše raziskave je ugotoviti kakšno mnenje imajo uporabniki o trenutnem stanju, predvsem kako trenutni varnostni elementi, ki jih uporabljajo, vplivajo na njihovo uporabniško izkušnjo.

**Metodologija.** Podatke smo zbrali s spletno anketo med uporabniki 13 bank v Sloveniji in jih analizirali s statističnimi metodami. Rezultate študije med uporabnikov je analiziralo manjše število strokovnjakov na področju varnosti elektronskega bančništva.

**Rezultati.** Rezultati kažejo, da je mobilno bančništvo v Sloveniji še vedno relativno malo uporabljena oblika bančništva, saj ga uporablja le blizu 30% uporabnikov spletnega bančništva. Varnost je uporabnikom najpomembnejši element v spletnem ali mobilnem bančništvu, blizu pa ji sledi zanesljivost. Preverili smo tudi, koliko uporabniki vedo katere varnostne elemente uporabljajo banke s katerimi poslujejo. Skoraj 69% vprašanih je izbralo pravi varnostni element. Kar 88% vprašanih pa je mnenja, da jih ti varnostni elementi pri delu ne ovirajo. Poleg raziskave z uporabniki smo v intervjujih za mnenje povprašali tudi strokovnjake s tega področja. Tudi strokovnjaki so v povprečju varnost postavili na prvo mesto, ob boku z uporabnostjo, vendar so mnenja posameznikov zelo raznolika. Rezultati raziskave mnenj uporabnikov strokovnjake niso presenetili.

**Zaključek.** Kaže, da je v Sloveniji uporabnikom najpomembnejša varnost, uporabniška izkušnja pa je manj pomembna, čeprav si nedvomno želijo imeti čim lažje uporabne produkte.

**Ključne besede:** spletno bančništvo; mobilno bančništvo; varnost; uporabniška izkušnja

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