

Leadership and diversity in foreign-invested companies in Slovakia: knowledge-based approach

Sonia Ferencikova, sr.

School of Management, Bratislava

Sonia Ferencikova, jr.

School of Management, Bratislava

Abstract

Authors study following HR issues in FDI-companies in Slovakia: leadership style used in parent companies, leadership style used in the subsidiary in Slovakia, female managers and their appointments in the leadership position, generation Y and its impact on HR policies and tools in the companies. They addressed a sample of 50 biggest FDI-invested companies and use interview as the main research method. They assume that their research findings can help the companies as well as the decision-making bodies in the improvement of the policies of knowledge and diversity management.

Introduction

We studied selected human resource management issues in FDI-companies in Slovakia: leadership style used in parent companies, leadership style used in the subsidiary in Slovakia, and female managers and their appointments in the leadership position. We addressed a sample of 50 biggest FDI-invested companies and use interview as the main research method. Our research questions and findings are presented in the following parts of the paper.

1. The basic definition of leadership

There are almost as many definitions of leadership as there are leaders in the world, the authors of various theories, research papers and books on the subject. Internet alone provides more than one hundred million references to the phrase "definition of leadership" and even literature is not far behind it. Despite the large numbers of various definitions there are several concepts that are internationally recognized and accurately reflect what it means to be a leader. One of the most common ways of looking at leadership is a concept of characteristics, skills, behavior or relationship. The way the individuals recognize and define leadership is largely influenced by their own values, beliefs and decisions.

The actual English word *leadership* has an Anglo-Saxon origin. The word *laed* presents a path or walkway. *Laeden* then means to travel or go somewhere. A little later the Saxons spread importance of the word and it became "cause to go along one's way" [4]. This label as a route then spread to the pilots who used it to describe the shipping rate for navigation at sea. The leader was a man who determined the direction.

However, is there one globally accepted definition of leadership? Western countries define it as influencing group of people to achieve organizational goals. Unfortunately, this definition of leadership is not acceptable or sufficient in most cultures. This was the main reason that led various experts, a number of organizations, institutions and associations to deal with this topic and set the internationally accepted definition of leadership. The project *called the Global Leadership and Organizational Behavior Effectiveness project – GLOBE* intensively explored leadership and achieved a successful outcome. More than two hundred researchers from sixty countries presented the common definition of a long-awaited word leadership, after hours of continuing discussions.

Researchers agreed that "leadership is the ability of an individual to influence, motivate and enable others to contribute toward the effectiveness and success of the organizations of which they are members [2].

European Foundation for Quality Management, an important association focused on improving the quality of European companies, also attempted to define leadership, but this time from a European perspective. It defines leadership as a process by which individuals develop and facilitate the achievement of the mission and vision, develop values required for long-term success and implement these via appropriate actions and behaviours, and are personally involved in ensuring that the organization's management system is developed and implemented [1].

According to several renowned institutions and organizations, leadership is more than just maintaining a leading position. Improving leadership skills in local environment is becoming more challenging and more important for enterprises, but to become an effective leader in the international company is still a number one challenge to be achieved.

Leadership styles

Leadership style and form of leadership has a major impact on the overall business management. It affects the motivation of employees, as well as communication, decision-making and control processes across the enterprise. This issue was extensively addressed the American psychologist and educator Likert Rens. Concentrating solely on U.S. firms, Rens Likert allows us to look at the behavior of the leaders by identifying four basic, yet classic, management styles [1]:

- **Autocratic**
Leaders practicing this style make decision only themselves.
- **Democratic**
Leaders practicing this style take into account the views of employees.
- **Consultative**
Leaders are aware of the views of employees, consults with them, but in more serious decisions the leader decides alone.
- **Participatory**
Leaders communicate with employees extensively, teams can make own decisions.

Exhibit 1. Likert's Four Styles of Management

Management behaviours	Exploitative Authoritative	Benevolent Authoritative	Consultative	Participative
Leadership style	Autocratic, top-down	Paternalistic but still autocratic	Less autocratic, more attention to employees	Employee centered
Motivation techniques	Punishments, some rewards	More rewards, but punishments dominated	Reward dominated	Employees set own goals and appraise results
Communication style	Downward, little use of teamwork	Downward, with limited teamwork	Employees give opinions	Extensive multiway communication
Decision-making style	Decisions made at top of organization	Management sets boundaries	Management consults but makes final decisions	Group or team makes most decisions
Control mechanisms	Process and output managed from the top	Management sets boundaries	More output control than process	Team appraises results

Source: Adapted from Likert, R.-Likert, J. *New Ways of Managing Conflict*. New York: McGraww-Hill. 1976.

2. Leadership in Slovak enterprises

Our research focuses and analyses the multinational corporations operating in Slovakia, however established in different countries with an international origin. Transnational companies represent the best material for analyzing the selected issues on managerial leadership in a globalized economy. The research itself was solely focused on big firms; with a contribution of a foreign investor exceeding 330 000 eur.

By using the method of random selection, we contacted 50 companies, out of which 34 expressed willingness to work and cooperate with us. The return rate was represented by exactly 68%. Surveyed and contacted were the members of senior management, administrative and supervisory boards, middle managers, and both Slovaks and expatriates. The conducted interviews were focused on the following issues:

- **The implementation of the global leadership principles in the Slovak environment**, or the implementation of the leadership principles and traits in the Slovak subsidiary
- **The leadership style** applied in the parent company and in the Slovak daughter company
- **Exploring the role of women** in senior management due to the increasing role of women in society

The research was conducted during November 2011 and January 2012, using both e-mail communication and telephone interviews. Questions for the face-to-face interviews were prepared in the Slovak and also in the English version, given the presence of expatriates in the surveyed group. By analyzing the gender and nationality of our respondents, we found out that 3/4 of the respondents were men. Remaining 1/4 were women. More than half of the respondents were originally from Slovakia, expatriates accounted for the rest of our interviewed group.

When examining the origin of international companies operating in Slovakia, we found that only 1/4 of the companies were originally from Germany, and nearly 1/5 from the USA. The statistics also shows that many multinational corporations were coming directly from the European Union. However, we found also firms, whose parent companies are based in Asia, specifically in China.

We continued the surveyed group characteristics with analyzing the size of our subsidiaries [3]. By definition, we found that big companies occur most frequently among our surveyed firms. These firms employ more than 500 employees on the territory of Slovakia. In some cases, it can be up to even several thousand employees.

The last criteria for closer characterization and analysis of our subjects were sectors in which they operate in in Slovakia. Almost 3/4 of the surveyed companies were doing business in services, while only 1/5 was specialized in the production itself. Interesting was the fact that three firms operated in services and in manufacturing simultaneously.

The research results

2.1.The implementation of the global leadership principles in the Slovak environment

By focusing on the implementation of the leadership principles in the Slovak environment we analyzed to what extent the management of the local branch uses local leadership principles, or whether the local subsidiary became a subject of implementation of the leadership principles established at the global level, ie by the parent company. We wanted to see what degree of autonomy is available to local businesses and the possibility they can choose the method (principles) and leadership styles locally. We observed whether the company has adapted the principles of leadership to local conditions and local labor. The answers are again included in the following four categories: global, local, global and local adaptation, and no response.

Graph 1: The application of leadership principles in the Slovak daughter companies

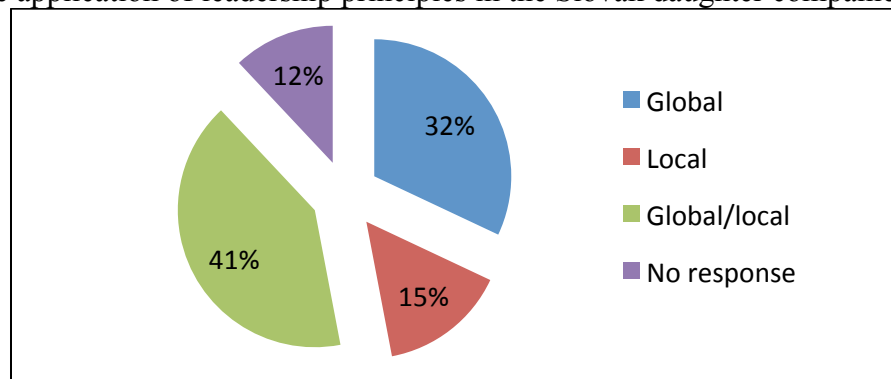


Figure 1 shows that the global / local application accounted for exactly 41%. This means that leadership principles applicable to local branches may be contrary to the principles of the parent company, but they are adapted to local conditions and local labor meaning that their leadership styles already have relative autonomy. As for the rest of the answers to this question, we see that about 1/3 of companies surveyed globally applicable leadership principles, but nearly 1/7 we interviewed stated that uses only local leadership principles. 12% of surveyed companies did not respond to the question at all.

When we review the answers to the first question in the light of globalization, we see that globalization (ie. global approach) is milder in leading and managing the local workers. On the other hand, the use of global leadership principles regardless of local conditions indicates very strong globalization trends eliminating cultural and economic differences between markets where international firms operate and do business.

2.2. Leadership style applied in the parent company and the Slovak daughter company

Furthermore we examined the question of leadership styles applied in the parent company and the subsidiary branch. Responses to the question were pre-determined, namely autocratic, democratic and consultative style of leadership. Option according to which the company practiced all three leadership styles simultaneously was added to the chart, based on the answers received. Replies were put into two separate graphs.

Fig. 2: Leadership style in the parent company

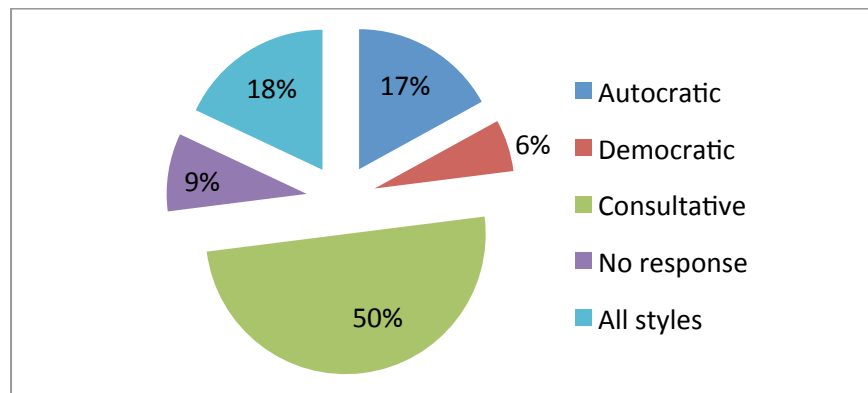
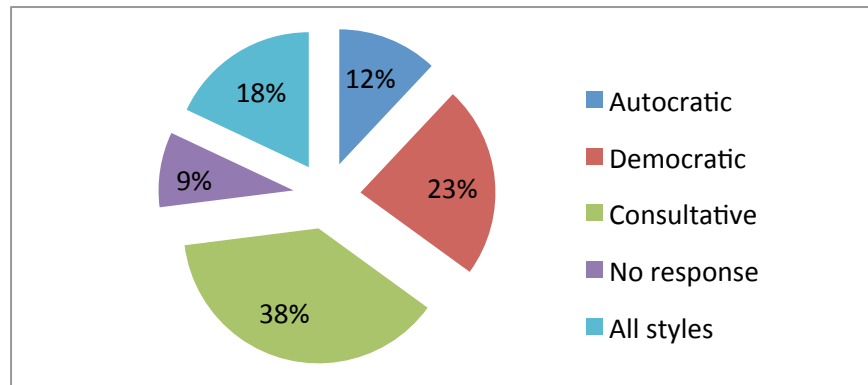


Fig. 3: Leadership style in the daughter company



According to the responses we clearly see that leadership styles in some of the Slovak subsidiaries differ from the leadership styles used in the parent companies. However, in both cases prevails the consultative leadership style, which means that even if the leader makes the decision alone, the responsibility of solving problems is largely dependent on the subordinates.

A very specific category that requires more attention is the democratic leadership style. We note that this style is applied to the parent companies only at 6%, while the local branches use

up to a 23% representation. While half of the parent companies apply broadly consultative leadership style, the situation in the Slovak firms is different. 38% subsidiaries use a consultative leadership style as well, but closely followed by the democratic leadership style, with up to a ¼ representation. Equal representation in both cases reached the category practicing all the styles of leadership simultaneously, ie. 18%. Exactly 9% of the respondents did not give us any answer.

2.3.Exploring the role of women as leaders

In this category, we examined the representation of women in senior management. Two graphs were constructed, one showing the respondents' opinion and the second one showing the numerical data provided to us by respondents, ie. our opinion on this matter. Respondents had to state whether the representation of women in senior management is sufficient or insufficient in their company. For those who avoided the response we have made a separate category called "No response."

The second graph was created for a very simple reason; according to some statements, one woman in ten senior managers is enough. Therefore we used figures from the interview to determine whether the representation of women is truly sufficient or insufficient. If there is less than 50% women present in senior management, it is insufficient and vice versa.

Fig. 4: Representation of women in senior/middle management, the opinion of the respondent

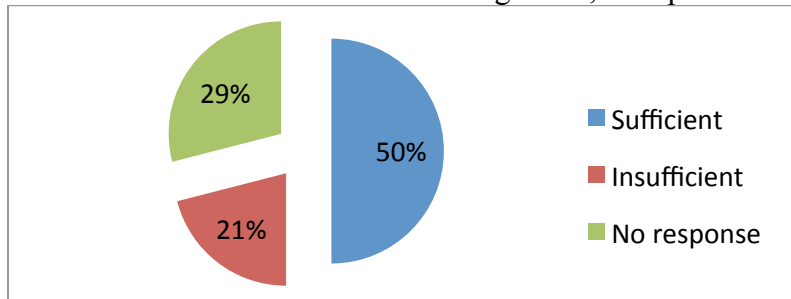


Fig. 5: Representation of women in senior/middle management, the numerical data

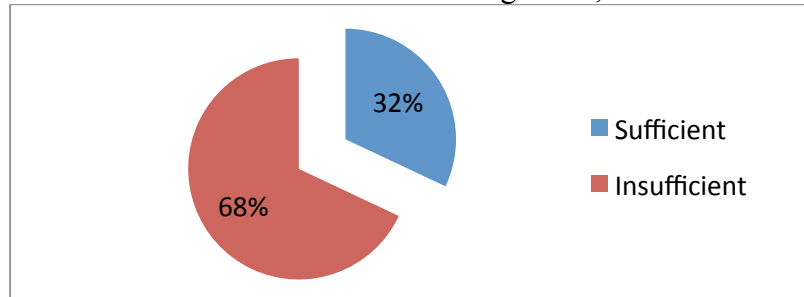


Figure 4 shows, that exactly half of the respondents rated the representation of women in senior management in the company as sufficient. Up to 1/3 avoided to answer this question, or bypassed the direct expression by commonly known phrases of the equality/inequality of women and so on. 1/5 of the respondents know that the current condition in their company is insufficient, want to address the problem and want to change it.

By using the data from Figure 5 we found something shocking. If we look at it from a given perspective that having less than 50% of women in senior and middle management is an insufficient number of women, we get an interesting result. We found that more than 2/3 of companies do not have an adequate representation of women in senior and middle management. Respondents often justified the underrepresentation of women by stating that their company is focused primarily on the production and manufacturing, ie. jobs for men, or by the lack of appropriate female candidates for the top positions.

Conclusions

Based on all the responses received from the research it can be stated that the management styles and tactics of the subsidiary branches doing business in Slovakia are largely influenced by the parent company. The parent company itself influences the management of local branch as well as implements its global leadership principles. The solution to the dilemma "global - local" actually turned out largely in favor of the factor "global." This shows the growing centralization and deepening globalization, although many theorists and practitioners believe that the strengthening of the "local" should lead to the growth of international business success. Trend of intensifying globalization, as seen from the Slovak example, was not stopped by the global crisis; on the contrary, it seems that it has deepened.

The leadership style largely influences not only the reaction of subordinates, but also the overall operation and success of the company. The results of our survey enabled us to see that leadership styles vary in terms of their application in the parent and subsidiaries.

While global companies prefer a consultative management style, the local branch had to respond to the changing business environment and local conditions by changing its leadership style. Local management chooses mainly between consultative and democratic style of leadership. Only the right choice can ensure business prosperity, efficiency and success in the local market, so this style must be carried out carefully and thoroughly.

The proportion of women in management was until recently a taboo topic because they were generally associated with a different society role, ie. being full-time mothers. However, our research has shown us that this topic is still in the 21 Century a very sensitive issue. Many respondents avoided the issue indirectly. Others, especially men, say that the proportion of women in senior and middle management is sufficient, although the figures show a different result. According to the results, it follows that on average women's representation in management is still low, and if you want to change this number in the companies, first you have to admit the their lack a deal with it openly.

The research allowed us to peek into the various aspects of leadership in international corporations and local offices and to get answers to selected questions of leadership in a globalized economy. We found out how companies behave in different situations, how they deal with different issues and adapt their tactics and style of leadership in the local firms.

Markets are changing, economies are globalizing and leadership must adapt to constant change quickly. Styles and tactics of leadership often depend on the leader's gender, the country of origin, not least from the sector in which the company operates. Here we see room for further and more detailed research, in which we consider the detection of correlations between gender, leadership origin, or age, sector of activity and their impact on the solution to the "global-local", and identified a preferred leadership styles and tactics in an international environment.

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Prof. Ing.Sonia Ferencikova, sr., PhD.

School of Management, Bratislava

Panonska 17

851 04 Bratislava

sferencikova@vsm.sk

Bc. Sonia Ferencikova, jr., MSc. (cand.)

School of Management, Bratislava

School of Management, Bratislava

Panonska 17

851 04 Bratislava

ferencikova@yahoo.com

