

# Authentic Leadership As The Promising Link Between Western And Eastern Management Practices: The Case Of Slovenian Company

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## ABSTRACT

*This paper outlines the theory and practice of authentic leadership in learning organization as the modern managerial concept in the role of the promising link between Western and Eastern management practices. The aim of the study is to present and explore the authentic leadership in learning organization in Slovenian business environment. Another purpose of the paper is to design and examine a model of authentic leadership in learning organization. The main thesis of this paper is that authentic leadership in learning organization enables the prevention of clashes between Western management in Eastern reality. We claim that authentic leadership in learning organizations need to be developed in order that Western and Eastern management can learn more effectively and consequently transfer knowledge with the aim of avoiding conflicts, frictions and paradoxes in CEE management. In the paper the explanatory case study research method will be used.*

**Keywords:** authentic leadership, authenticity, leadership practices, case study, Slovenia.

## INTRODUCTION

Modern organizations need faster systematic learning than their competitors have, therefore, they need to evolve into learning organizations. They need leaders with deeper understanding of business functioning in today's environment. A changed role of managers in learning organizations demands leadership skills that evoke human potential through communication, team work and motivation, which means that traditional principles of management need to change considerably (Sanchez/Heene 1997; Zupan 2001; Kouzes/Posner 2002; Storr 2004; Harvey et al 2006; Jensen/Luthans 2006; Fields 2007; Dimovski et al. 2009). Contemporary organizations need managers who are also strong leaders. They need people who know how to evoke best results out of their employees in the process of team work. Leadership is intangible phenomena which has been of interest to scientists ever since the beginning of organization studies but it still remains difficult to characterize it. In its basic characterization we may say that leadership means influencing others, but this act of influence also needs to have a well established purpose and goal. Leaders point the followers into the right direction, gain their compliance for the mission of the organization and then motivate them to achieve the goals set together by the followers and leaders. We can determine leaders as people who do the right things, in comparison to managers, who do things right (Bennis/ Nanus 1986:21).

Leadership is a strategic role of top management because it is an integral part of their everyday life and enables all further actions of managers. In the article we are focusing on one specific aspect of management, and that is the leadership. We understand leadership in a sense of role and not in a sense of a certain position one needs to possess to be considered a leader. Leadership in that sense can be observed anywhere in the organization, with the notion that to achieve really big changes and learning experience in the organization top management needs to be dedicated to constant learning. The focus is, therefore, on the disparity of leadership on all management levels, as we believe learning organization to be the environment that needs great number of skilled leaders and also has the tendency to develop authentic leaders.

This paper outlines the theory and practice of authentic leadership in learning organization as the modern managerial concept in the role of the promising link between Western and Eastern management practices. There is no East or West origin, when we discuss the desire to learn and improve. In that sense we can hardly think of implementing Western management concept into Eastern reality when we discuss implementing learning organization into Slovene companies. However, the concept of learning organization itself was developed by Senge (1994), who defined it as an organization where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together.

The aim of the study is to present and explore the authentic leadership in learning organization in Slovene business environment. Another purpose of the paper is to design and examine a model of authentic leadership in learning organization. Hence, the focus of this study is on the impact authentic leadership has in a learning organization. The basic idea behind this paper is that authentic leadership has a key role in implementing and improving learning organization as a Western management concept. The economic crisis is an opportunity to form new alliances and strengthen the old ones which are necessary in the light of stopping the crisis to spread into society and cause even deeper socioeconomic problems. In a time of crisis we must come to realize how vulnerable we are if we divide or exclude different views, opinions, organizations or even parts of the world. Now is even more important than ever before for organizations to share knowledge and spread authentic leadership in learning organization – an organization that constantly acquires knowledge from its employees, surroundings and business partners. However, to be an authentic leader in a learning organization it is essential one knows very well itself and the organization in order to know what needs to be improved or changed. Coming from a point of view that there is actually no clashes between Western management and Eastern management if one stays true to its true north as Bill George (2008) has described the authentic practice of following our own values and empowering employees to do the same. There is no ideal leader or manager according to whom we could measure whether one is good or bad. In that sense, we can also not assume that Western management is something that must be implemented in CEE organizations without considerations of the situation in which the organization is in. It is the enriching of each other in an authentic way that we consider like a promising perspective to follow. Research (Česnovar 2006) has shown the positive correlation between implementation of a learning organization and business effectiveness of the company. In order to implement the concept of authentic leadership in learning organization Slovene companies use different Western management tools: participative leadership such as authentic leadership, open communication to assure free flow of knowledge and information, open organizational culture, spreading the vision among employees, learning in teams and constant dedication to improvement and learning.

The main thesis of this paper is that authentic leadership in learning organization enables the prevention of clashes between Western management in Eastern reality. We claim that authentic leadership in learning organizations needs to be developed in order that Western and Eastern management can learn more effectively and consequently transfer knowledge with the aim of avoiding conflicts, frictions and paradoxes in CEE management. In this contribution we will emphasize the basic human desire for development which is not characteristic only of Western top management but of management in general. Main advantage of an authentic leadership in learning organization is the chance for constant development that its environment and philosophy enables. Crucial challenge of an authentic leadership in learning organization demonstrates itself in the awareness of leaders that an individual is the most important part in the organizational network of knowledge. Authentic leaders need to identify the advantages of their followers and help them to develop them and connect them with common goal, purpose, vision and identity of the organization. Even though authentic leadership may have direct impact on the behaviour of followers, its impact is much stronger and motivating if followers identify with their leaders.

## **RESEARCH METHOD**

In the paper the explanatory case study research method will be used. The study method will include both a descriptive and an exploratory perspective. In the first part of the study the qualitative meta-analysis method will be used to overview the literature background of the study. First, we determine the concept of authentic leadership and learning organization. Second, we present the model of authentic leadership in learning organizations. Third, we present the case study of Slovenian company ACH and the development of authentic leaders in that learning organization. We present the case study with the overview of the company and the findings of our study in a table to outline how to overcome the conflicts, frictions and paradoxes in CEE Management.

This paper is based on explanatory case study research method, where longitudinal and pre-post techniques of case study research process were implemented. In recent years there has been a growing attention on

implementation of case studies in a systematic, stand-alone manner which increases the validity of associated findings (Mesec 1998; Yin 2002a; Yin 2002b). The case study approach is particularly appropriate as it allows us to better capture the organizational dynamics of the phenomenon (Travers 2001; Yin 2002a; Yin 2002b; Alasuutari 2004). Generally, the use of a case study method is well supported by previous literature, which suggests that case studies are deemed to be particularly good for answering the “how” and “why” questions. The case study method is recognized as an appropriate approach to empirical inquiry when the complex phenomena to be studied cannot easily be separated from their organizational contexts. Because only a few instances are normally studied, the case researcher will typically uncover more variables than data points, thus making statistical control impossible. This is considered to be the strength of case study research. The case study method has the capability of uncovering causal paths, and through richness of detail, identifying causal influences and interaction effects which might not be treated as variables in a statistical study. Consequently, the qualitative case study research method may be particularly helpful in generating theories in developing fields of inquiry (Travers 2001; Alasuutari 2004; Brannen 2004; Seale et al. 2004).

Unlike random sample surveys, case studies are not representative of entire populations, nor do they claim to be. The case study researcher should take care not to generalize beyond cases similar to the one(s) studied. Provided the researcher refrains from over-generalization, case study research is not methodologically invalid simply because selected cases cannot be presumed to be representative of entire populations. Put another way, in statistical analysis one is generalizing to a population based on a sample which is representative of that population. In case studies, in comparison, one is generalizing to a theory based on cases selected to represent dimensions of that theory. Seale et al. (2004) set forth a typology of case studies, including these types: (1) Snapshot case studies: detailed, objective study of one research entity at one point in time. (2) Longitudinal case studies are quantitative and/or qualitative studies of one research entity at multiple time points. (3) Pre-post case studies: study of one research entity at two time points separated by a critical event. A critical event can be defined as the one which would be expected to significantly impact case observations according to the theory under study. (4) Patchwork case studies: a set of multiple case studies of the same research entity, using snapshot, longitudinal, and/or pre-post designs. This multi-design approach is intended to provide a more holistic view of the dynamics of the research subject. (5) Comparative case studies: a set of multiple case studies of multiple research entities for the purpose of cross-unit comparison.

Although case study research may be used in its own right, it is more often recommended as part of a multi-method approach (i.e. triangulation) in which the same dependent variable is investigated using multiple additional procedures (Travers 2001; Yin 2002a; Yin 2002b). Triangulation is the attempt to increase reliability by reducing systematic method error, through a strategy in which the researcher employs multiple methods of measurement (like survey, case study, observation, and archival data) (Bryman et al. 1996; Travers 2001). If alternative methods do not share the same source of systematic error, examination of data from these methods gives an insight into how individual scores may be adjusted to come closer to reflecting true scores, thereby increasing reliability. To assure the validity and reliability criteria in qualitative research process, different techniques and multi-methodological procedures were taken through the process of qualitative case-study research analysis of this paper, including (Bryman et al. 1996; Travers 2001; Yin 2002a; Yin 2002b): (1) secondary analysis of archived data in the parts of the paper where theoretical overviews of authentic leadership in learning organization are outlined, (2) thematic content analysis, (3) discourse analysis was included in the presentation of the Authentic Leadership in Learning Organization Model.

## **THEORY BACKGROUND: AUTHENTIC LEADERSHIP AND AUTHENTIC LEADERS**

Lately (after the year 2004) research of the concept of authentic leadership is intensively gaining attention. Authentic leaders are capable to motivate, stimulate activities and commitment, satisfaction and participation which is necessary in order for employees to constantly improving their performance (Avolio et al. 2004a). The construct of authenticity was researched already by ancient Greek philosophers as “know thy-self”, and “thy true self”. The essence of authenticity is knowing yourself, accepting and remaining who you really are. Instead of accepting authenticity as a theoretical construct it is better to understand it as element of continuum where leaders and their followers are becoming more and more authentic the more they are preserving their true values, preferences and identity (Copper et al. 2005). Authentic leaders follow five dimensions (George 2003:36): understanding their purpose, practicing solid values, leading with heart, establishing connected relationships and demonstrating self-discipline.

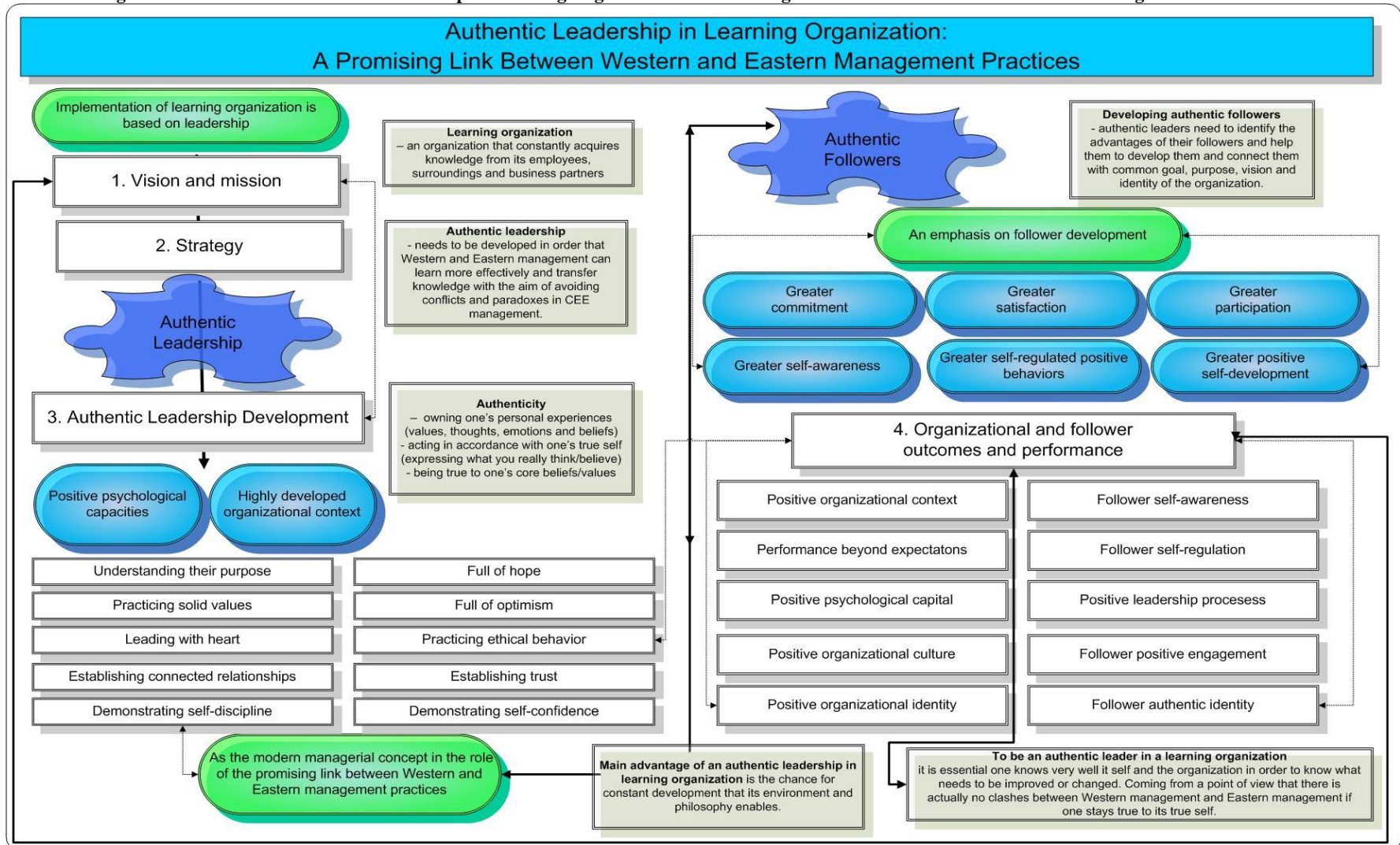
A look at the taxonomy of the concept of authentic leadership shows us that leading researchers from the field of organizational behaviour are interested in it (Luthans/Avolio 2003; May et al. 2003; George 2003; Avolio et al. 2004a; Avolio et al. 2004b; Gardner/Schermerhorn 2004; Avolio/Gardner 2005; Gardner et al. 2005; Ilies et al. 2005; Sparrowe 2005; Copper et al. 2005). First Slovene researcher to dedicate her attention to authentic leadership and development of positive organizational identity of learning organization was Sandra Penger (2006). Multi-dimensional influence of authentic leadership that reaches all employees is the main reason why so many researchers are looking into it. Latest empirical and qualitative researchers of organizational behaviour and leadership (Avolio/Gardner 2005) emphasize that we need to concentrate on the main construct of all positive forms of leadership and its development - authentic leadership (Avolio et al. 2004b). Scientists (Luthans/Avolio 2003; May et al. 2003) are becoming aware of the fact that at the time of global growth in order to achieve and retain desirable results of business, strategy of authentic leadership development at the level of strategic business organizational units is necessary (Gardner/Schermerhorn 2004; Cooper et al. 2005).

Authentic leaders are people with high level of authenticity: they know who they are, what they believe in, what they appreciate and in interaction with others act in accordance with their values and beliefs (Avolio/Gardner 2005). Avolio et al. (2004a) define authentic leaders as individuals who are deeply aware of their reflections and behaviour and are also seen by others as people who are aware of their values, knowledge, virtues, advantages and context in which they work. Authentic leaders are self-confident, full of hope and trust, optimism and ethical (Cooper et al. 2005). Concept of authentic leadership is an answer to the call for new form of leadership that would suit the needs of employees in modern organizations. New paradigm tries to offer antipode to manipulative forms of leadership in many organizations by concentrating on: (1) personal competitive advantages of an individual, (2) developing positive organizational behaviour which includes self-esteem, hope, trust, optimism and flexibility (Avolio et al. 2004a; Avolio et al. 2004b). Modern organizations need proactive leaders who see changes as opportunity for development and present them in such a way also to their co-workers. Such response to challenges is enabled in a learning organization (Dimovski et al. 2005) through knowledge management processes (Firestone/McElroy 2003). Concept of a learning organization is very popular in management, organization and human resource literature as it is often connected with the ability of improving effectiveness and development of the organization (Dimovski et al. 2005). Implementation of a learning organization is recommendable due to achieving better results and reputation. Positive effects are also higher motivation and satisfaction of the employees, better communication and quality of work. Implementation of learning organization is based on leadership – direct influence on followers and should start at top management which must show with its behaviour and open dialog that it is ready to dedicate itself to constant improvement (Phillips 2003:99).

### **THE MODEL OF AUTHENTIC LEADERSHIP – THE CASE OF SLOVENIA**

On the basis of defined concepts of authentic leadership and learning organization we are able to develop a model of authentic leadership in learning organization. We argue that new approaches based on natural (organic, biological) laws offer a complementary view to the challenges of leadership in today's business environment (Dimovski et al. 2005). Comprehension of the organization either as a machine or as a living organism influences the work methods that leaders use. Leadership based on controlling is no longer sufficient in order to deal with the challenges of the future. Therefore, there are likely to be gains for the learning organization through improved performance and improved retentions and gains for the workforce through greater autonomy and intrinsic job satisfaction (Guest 2007). Learning organizations need a renovated view on leadership that sees employees as active creators (Dimovski et al. 2009). Authentic Leadership in Learning Organization Model outlines the importance of highly developed organizational context and the development of positive psychological capacities: self-esteem, hope, trust, optimism and flexibility (Avolio et al. 2004a; Avolio et al. 2004b) that need to be dispersed across the organization in order to gain greater organizational and follower outcomes and performance. Authentic leader's dedication to progress and development, starting at one's self, works as an indispensable example for co-workers. Authentic leaders in learning organization need to be committed to constant learning (Schein 1992) that requires self-changing, high level of motivation for learning from one's mistakes, emotional power for dealing with fear and unpredictability, ability for establishing connected relationships and demonstrating self-discipline and self-trust. We need to turn our attention to the management of the intangible resources in knowledge-based society (Swart 2007). Successfully lead organization are based on trust (Avolio et al. 2004a) as it is well known that the quality of relationships has an important influence on accepting the leader's way of solving strategical challenges (Clawson 2003:251). Authentic leaders engage and empower members of the organization, so that they dare to improve work practice even if that means thinking out of the box. Authentic leader's emphasis is on the development (self and follower's) in the direction of greater commitment, satisfaction, participation, self-awareness, self-regulated positive behaviours and positive-self development.

Figure 1: The Model of Authentic Leadership in Learning Organization: A Promising Link Between Western and Eastern Management Practices



Source: Authors, 2009.

## **THE CASE STUDY OF SLOVENIAN COMPANY ACH AND DEVELOPMENT OF AUTHENTIC LEADERS**

Company ACH is registered to perform holding company activities. It performs activities of establishing, financing and managing subsidiaries according to the method of holding management with the main goal of achieving optimal management of investors' funds and the company's overall assets. We decided to dedicate our attention to research leadership in this company because of its systematic dedication to development of leaders inside the organization. Business Academy activities have been running for five years and each year they are evaluated and adjusted to the needs and circumstances in which the company is situated so that the company is able to develop as a learning organization.

A quick look at the history of the company tells us that the beginnings of ACH are based in the automotive industry. On 5 May 1952 Jugo Mercedes was established, Yugoslavia's second foreign automotive representative and the first representative for all Mercedes-Benz vehicles. A year later the company was renamed into Autocommerce. In 1990 the company was transformed into a joint-stock company. In 1998 diversification strategy was pursued and companies were classified into four business areas: automotive, trade, tourism and finance. At the end of the year 2004 investments were distributed in five key business areas of operation: automotive trade, manufacturing, business hotels, investment banking, and information technologies. In 2005 company Protej, d.o.o., becomes majority shareholder of the company Autocommerce, d.d., that in December 2006 renamed itself into ACH, d. d.

The company has Articles of Incorporation (consolidation as of 30 May 2003), which defines it as an investment management company. The company is managed and represented by a single member Management Board – its General Director without limitations, i.e. without statutory prescribed consents to be provided by the members with four being elected by shareholders at the Shareholders' Assembly, while two are appointed by the Employees' Council. Due to the demanding nature of ACH operations – investment management – the company has a solid education structure (Peterlin 2007).

In the year 2004 the company established its own Business Academy with the aim of maintaining and upgrading the vision of learning organization. The main object of its activities is strategical integration of employees. With the growing number of different profiles in the company there was a lot of knowledge that lacked a proper utilization in practice (Sedovnik 2005:7). It is imperative for the human resource department to develop and train the employees so that they represent a source of competitive advantage for the company. Members of the company ACH staff represents more than one half of lecturers, strengthening working methodology and best practices, and enabling the transfer to colleagues coming from all enterprises in the group. This type of training represents one of key forms of planning in the development of promising employees, which needs to be continuously adapted to the company's demands and the requirements of participants both in terms of content as well as approach. Teamwork is an inevitable part of the usual work at Business Academy (Annual Report Autocommerce 2005; Annual Report 2008).

Throughout the year participants keep upgrading their knowledge and prepare projects that are presented as final assignments at the end of the Business Academy. Best proposals are chosen by the management and later implemented. There are three active programmes in Business Academy: (1) Management Programme, (2) Promising Employee Programme, (3) Target oriented training programme. The third programme is in the final stage of implementation and its purpose is to develop the employees' competences and to bridge the gap between existing and required competences. The programme's advantage lies in the fact that it is based on the company's requirements and directly linked to the dynamics of realizing set goals. All of the three programmes, however, have the following goals: (1) upgrading theoretical knowledge, (2) informing the participants of the activities, purpose, business plans and the way of problem solving in the company, (3) strengthening teamwork and leadership, (4) spreading informal communication among employees.

Figure 2: The development of authentic leadership in the Slovene company ACH

Case study of the development of authentic leadership in the company ACH according to the model of authentic leadership in a learning organization: A Promising Link Between Western and Eastern Management Practices				
	ELEMENT OF THE MODEL	GUIDING PRINCIPLE OF WESTERN MANAGEMENT	PRACTICE/STATE IN THE COMPANY ACH	RECOMMENDATIONS
<b>INTEGRATING EFFECT:</b> Authentic Followership	<ul style="list-style-type: none"> <li>Authenticity</li> </ul>	<ul style="list-style-type: none"> <li>Getting to know yourself and maintaining your true identity, values and beliefs</li> <li>Self-confidence, optimism, ethics, flexibility</li> </ul>	<ul style="list-style-type: none"> <li>Inclination towards strategical thinking and development of authentic leadership</li> <li>Supporting professional growth</li> </ul> <p style="text-align: center;">→</p>	<ul style="list-style-type: none"> <li>Competition for the most authentic leader</li> <li>Establish the role of a leader as a role model</li> <li>Support personal and professional development of all employees and greater positive self-development</li> </ul>
	<ul style="list-style-type: none"> <li>Communication between leadership and employees</li> </ul>	<ul style="list-style-type: none"> <li>Partnership</li> <li>Vision is the basic mobilization tool</li> </ul>	<ul style="list-style-type: none"> <li>mainly formal (both side) communication</li> <li>Great commitment</li> </ul> <p style="text-align: center;">→</p>	<ul style="list-style-type: none"> <li>Improve both side (formal and informal) communication: Electronic Forum of the employees, Roadshow of the Management Board, informal gatherings, Open Door day</li> <li>Greater participation</li> </ul>
<b>STRATEGIC EFFECT:</b> Authentic Leadership	<ul style="list-style-type: none"> <li>Leadership dedication to constant improvement</li> </ul>	<ul style="list-style-type: none"> <li>Development of positive personal and professional competence through action learning, 360-degree method, mentorship system and succession system</li> </ul>	<ul style="list-style-type: none"> <li>Business Academy</li> <li>The culture of mentorship</li> <li>The system of employee potential and succession</li> </ul> <p style="text-align: center;">→</p>	<ul style="list-style-type: none"> <li>Upgrade the content of Business Academy</li> <li>Implement the 360-degree method</li> <li>Establish Book club ACH</li> </ul>
	<ul style="list-style-type: none"> <li>Result measurement and rewarding the leadership</li> </ul>	<ul style="list-style-type: none"> <li>Identify individual's strengths and weaknesses tide to his/her field of work</li> <li>Rewards dependable of results and culture of the organization</li> </ul>	<ul style="list-style-type: none"> <li>System of stimulative rewards for management workers</li> <li>Partly implemented system of stimulative reward system for other employees</li> <li>Partly implemented yearly interviews</li> <li>Highly developed organizational context</li> </ul> <p style="text-align: center;">→</p>	<ul style="list-style-type: none"> <li>Implement yearly interviews and the competence system throughout the organization</li> <li>Creative rewards: extra day off, coupon for education etc.</li> <li>Highly developed positive psychological capacities</li> </ul>

Source: Authors, 2009.

The model of authentic leadership in learning organization is based on areas of Western management that represent a challenge to the majority of Slovene companies, not only to ACH. The measurement of social climate in Slovene companies shows bad results in internal communication and reward system evaluated by employees. We tend to think that the roots to this problem lie in the absence of authentic leadership and low positive psychological capacities in the company's identity. The term authentic leadership is not well known in everyday life of the company ACH, therefore, it is hard to evaluate whether they are practicing it. According to the interviews with the employees and available sources about the leadership of the company we may assume that the company is spontaneously striving to develop self-confident, moral, optimistic, flexible and trustful employees.

Slovene company ACH satisfies the conditions of Senge's definition as a learning organization (Senge 1994) as it constantly improves its abilities to gain better results, is open to new ways of thinking and employees learn how to learn together. Learning culture in the company is well developed although systematical implementation of learning organization is hindered by hierarchical leadership structure. In order to develop



positive organizational identity it is necessary to add the development of authentic leadership to the implementation of the concept of learning organization. For further progress we recommend the company to decide on the suitability of the model and then present the employees with the ideas of the model that may be useful and may need some further improvement and feedback of the employees. After the implementation of the model (that due to its complexity and holistic approach may last for a longer period of time) it is necessary that the management analyses the success of the model and incorporates system corrections. Every (potential) leader needs a possibility to: (1) express his/her expectations and abilities, (2) realise how his/her strengths and weaknesses are seen by co-workers with the help of 360-degree method, (3) develop personal learning plan and formalize it in a learning contract with the organization, (4) exercise new styles of leadership at work through action learning (Dimovski et al 2009).

Effort that has been invested into Business Academy needs to be upgraded by holistic process of learning organization that goes through all levels of the company. This means that everyday job needs to transform into a classroom (Goleman et al. 2002:246), which is enabled by the presented model of authentic leadership in learning organization. There is no need for developing new leadership programmes or styles of leadership. All that the company needs to do is to change the mindset of its employees – from routine work to constant questioning of practice and improving working process step by step.

ACH can foster authentic leadership by striving for being the most authentic leader in the company. As it is not really intended as a competition its main goal is to introduce authentic leadership into practice and give all the employees a chance to state what kind of leadership they appreciate and desire. It is also a helpful tool in designing the future structure of Business Academy.

ACH leadership needs to understand that their main tool of work is communication. Without it no task can be successfully done. A leader must develop authentic connection with his/her co-workers which may be hard to do in a complex enterprise, therefore, a leadership programme for new leaders is crucial. ACH has it but as it often turns out after the finished programme, most participants (graduates of Business Academy) expect obtaining fast management position or promotion. If they do not achieve it they get unsatisfied with their job and sometimes even resign which represents a lost investment for the company. ACH needs to design clear communication patterns for sharing information with its employees. We suggest regular meetings and openness at all levels.

After the Autocommerce shares were listed on the stock exchange in February 2006 the company encountered the need for a new dimension of doing business: transparency and openness. In order to implement one of the basic principles of learning organization – openness, organizing an event Open Door Day is suggested. On that day interested public would get informed about the business of the organization. In the process of connecting with the outside environment organization acquires new knowledge.

One of the useful improvement methods is 360-degree method of developing leaders where co-workers evaluate the work of an individual employee. It may have an evaluating or developing focus (Cacioppe/Albrecht 2000:391) which depends on the organization. In the case of evaluation focus, organization is taking different steps on the basis of results: promotion or lowering/improving salary. If the focus of the method is development of employees, activities taken after the evaluation are to help the participant in improving the weak parts of his/her work performance. It is recommendable that at the beginning this method is used with development focus and after it is seen as successful it can be used for evaluating work success and incorporated into reward system. Main advantage of the method is the ability of education planning and training employees at areas that really need to be improved. Evaluation by more observers is more reliable and impartial than evaluation by just one's boss. Even though the primary purpose of the 360-degree method is discovering development possibilities of an individual employee it has also turned out to have (with the proper usage) a positive influence on the communication between co-workers. 360-degree method of leadership team and other employees is not practiced in ACH. We suggest the leaders of the company to add it to the yearly interviews with management that have partly already been implemented. Although we have seen quite a big disapproval towards measurement instruments such as 360-degree method by senior managers we believe that they need to realize that those sort of methods can enable discovering the real state of an organizational leadership and later on implement suitable development of employees.

Upgrading of learning organization enables among other factors also establishing inclination towards reading culture, therefore, we advise the foundation of Book Club ACH, where a wide public of employees



would discuss the book of the month, according to the needs of the organizational knowledge. Besides enhancing the learning component Book Club would have a positive effect also on social interactions of the employees and would enhance the sharing of knowledge and contribute to the avoidance of clashes between Western Management and Eastern Reality.

Enterprise has developed and implemented a reward system of work performance for top management. In the final stage is an upgrading of reward system with a competence system for other workers in the company. It will be based on evaluating achieved goals and the accomplished competences determined for a specific working position. Reward system is in constant improvement process in order to establish a system that will give employees a feeling of close correlation between achieving goals and rewarding.

Satisfaction with reward system is low in ACH as it is in most Slovene companies (Report SiOK 2005), therefore, we state that companies need to dedicate their attention to authentic leadership that enables positive identity of the organization where employees are internally motivated for fulfilling their job assignments. There is a lot of possibilities for rewards to be successful. It is important, however, that they go to the right person and at the right time. If reward is creative it has an extra positive effect on employees. Be it financial or not, rewards are given to stimulate.

## **DISCUSSION AND CONCLUSION**

Authentic leaders of the future will be known for: (1) what they achieve and not by what they promise, (2) professionalism and competence and not their title or position, (3) supporting and commitment and not controlling (Guest 2007), (4) setting the mentality of employees and not setting goals for them. They will be committed to authenticity for which a lot of managers might say that it is already a part of their personality and practised at work and that theoreticians are just making up new theories for the sake of theorization. That is partly correct as the concept of authenticity is not new and does not require any additional work – merely consistency. Authentic leadership is returning to the basics. It is trying to cleanse leadership of empty promises and embellishment and introduce dignity and honourable behaviour as the foundation of leadership. Leaders have the honour to serve the people – employees that have showed them their trust and authorized them for ethical leadership, that is why, it is their responsibility to attend their duties honourably and employee friendly. Endurance of the company depends of the quality of leadership that has roots in moral endeavour on which employees can rely on (Dimovski et al. 2009).

Leadership as a part of management process in learning organization is undoubtedly becoming more and more demanding. Unique leadership challenges which organizations all around the world are confronted with demand new, genuine models of authentic leadership. In order to stay competitive a company constantly needs to invest into new knowledge and development of authentic leadership. Modern challenges call for a renewed view of research constructs such as self-confidence of a leader, trust, flexibility, optimism in a leadership process and ability of fast recovery in crisis situation. Leaders of modern organizations must offer assistance and counselling to their employees and built a sense of purpose and integration. Crucial for modern leadership is that authentic leaders through role modelling and personal identity are taking care of genuine integration among all involved in the company (buyers, owners, communities etc.) in order to implement learning organization and develop a recognizable positive image of the organization also on the outside.

Case study of Slovene company ACH demonstrates the fact that the company is aware of the importance of authentic leadership development and is also ready to acquire new knowledge as a learning organization. Therefore, we ascertain it is on the right way to establish commitment of all employees for the excellence of the business and we emphasize that the company is able to improve areas such as leadership, communication and award system with the model of authentic leadership in learning organization. A full availability of potentials of learning organization is possible through process organization and team work. We advise the company to stress a special attention to the development of process organization and authentic leadership which leads to positive organizational identity (Penger 2006) that due to high dispersity of operations inside the company has also strategical impact. Only positive organizational identity enables development of long-lasting competitive advantage for a modern company that is based on knowledge, social networks and positive values as a factor of psychological capital. Modern leaders need to take care of constant interchange of experiences, tacit knowledge and good practices with the purpose of identifying individuals with the symbols of the organization and establishing common identity of a learning organization (Penger/Dimovski 2006: 442).

In this article the focus was on the basic human desire for development which is not characteristic only of top management but of all employees. Main advantage of a learning organization is the chance for constant development that its environment and philosophy enables. Crucial challenge of a learning organization demonstrates itself in the awareness of leaders that an individual is the most important part in the organizational network of knowledge that through development of authentic leadership leads to positive identity of a learning organization. Authentic leaders need to identify the advantages of their followers and help them to develop them and connect them with common goal, purpose, vision and identity of the organization. Even though authentic leadership may have direct impact on relationships and behaviour of followers, its impact is much stronger and motivating if followers identify with their leaders.

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#### NOTES