# The Influence of Top Managers' Personal Values On Sustainability Of SMEs In Developing Countries

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**A B S T R A C T**

The purpose of this paper is to provide a new theoretical insight regarding top managers' personal values in developing countries based on the Schwartz Values Theory (Schwartz, 1992, 1996, 2006; Schwartz and Bilsky, 1990) and to explore the influence of top managers' personal values on sustainability performances of successful businesses.

The research describes personal values differences between top managers and their commitment to pro-social and pro-environmental responsibility who were approached through the validated and reliable questionnaire on identifying top managers' personal values (PVQ40) and questionnaire on sustainability indicators observed through the „triple bottom line" concept which includes three measuring elements: financial, social and environmental performances (Fauzi, Svensson and Rahman, 2010).

Given that top managers are very often the owners in SMEs, their values are largely reflected in the organizational values, which means that in small pro-environmentaly oriented firms, the personal values of owners-managers seem to play a much stronger part in motivating pro-environmental behaviors than in other SMEs (Lawrence at al., 2006). With regard to business sustainability, it is still insufficiently known, developed and understood in Southeast Europe and in developing countries. Therefore, this research may be used to encourage companies and local governments to include a sustainability issues in their business activities as a pre-condition for business success and competitiveness. The managers in SMEs can use this research as a guideline on introduction of contemporary principles of sustainability into their companies and to improve and direct their personal values towards sustainability.

## 1. INTRODUCTION

The first part of this paper refers to the explanation of personal values concept, which represent one of the most important psychological characteristics of man which determine his individual and common sense and have a great motivational potential of affecting all a man wants, thinks and works. Values are imbued into every man's individual decision, action and lifestyle of his communities. In this research personal values are examined and explained through Schwartz' theory of personal values.

In addition to examining of personal values, the focus in this paper is on the impact of these values on a successful business - the sustainability of SMEs in Bosnia and Herzegovina, as a developing country. In Bosnia and Herzegovina, as well as in the most European countries, small and medium enterprises (SMEs) dominate in the total sample of companies making more than 99% of the companies and therefore represent a major source of employment, income generation, innovation and technological improvement.

Universal indicators to measure business performance do not exist, which means that the basis for measuring the success of firms varies according to the purpose and for that reason various indicators of performance are being used. The success of business enterprise is most commonly expressed by financial indicators that are visible in the financial statements (ROA, ROE, ROI, and many others), although today are increasingly being used non financial business indicators (TQM, BSC, KPI and others). Fatoki (2011) emphasizes that financial and non-financial measures should be used to assess business performance.

Fauzi, Svensson and Rahman (2010) suggested that for measuring the business success (measuring the firm's sustainability performance), should be used the concept of "Triple Bottom Line" (TBL) which would consist of three measuring elements: (1) financial, ( 2) social and (3) environmental elements.

In this paper the sustainability, as a business performance, is viewed through the integration of financial, social and environmental responsibility, that is through the wise use of financial and natural resources, as well as the respect for people and all living creatures. For determining the social and environmental performance the concept of corporate social responsibility is used - CSR as part of the sustainability (the concept of CSR includes the terms "society" and "environment", but for the purpose of this work environment is extracted from the CSR).

The important question in this paper was: "Does top managers' personal values of successful SMEs in developing countries, like Bosnia and Herzegovina, have a positive impact on sustainability?"

Zainol and Ayadurai (2011) emphasize that the managerial personality, particularly with regard to their values and goals are inseparable from business objectives. The authors' further state that managers' personal values and their motivation influence the management and business practices that are adopted in the conduct of business, and ultimately, the success of their business.

Since, in Bosnia and Herzegovina a large number of enterprises are being closed and constantly increases number of companies with blocked accounts with banks, this study examined the elements that contribute to their sustainable success regardless of the crisis and the risks that are an integral part of every business environment. This paper examined the influence of top managers' personal values on sustainable business of SMEs in Bosnia and Herzegovina, examining the companies that generate positive financial results (profit from operations), as well as their social and environmental responsibility.

## 2. VALUES THEORY AND CONCEPTUAL DEFINITION OF VALUES

Personal values are being investigated in a number of fields including management, economics, psychology, sociology and anthropology. An analysis of the relevant literature shows that there are over four hundred definitions and eighteen criterions of values to determine the content of this term (Pantić, 2005).

The relationship of modern man toward his values is dynamic because with changing the social position of a particular social group changes his relationship to values and it is this

multi-dimensionality and dynamism which makes it difficult to define values. Tanović (1972) in an effort to overcome the different meanings of the values in modern axiological theory, determined the value as "a term whose content is a relationship in which an object meets a human need, while the meaning of the values is seen in the issues: (1) whether is something desirable, although it is really desired, (2) whether it is good for man, although it is believed to be and (3) whether it is useful as it is considered that ".

Although there are many definitions of values, some of the most commonly used definitions of values are:
- "A value is an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence" (Rokeach, 1973).
- "Values are desirable, trans-situational goals, varying in importance that serve as guiding principles in people's lives (Schwartz and Bardi, 2001).

Values are relatively stable categories in contrast to ephemeral emotions and attitudes, which indicates that values are not unchangeable or completely stable, but not completely unstable and easily changeable (Rokeach, 1973).[1]

When it comes to value systems, according to Rokeach they can be understood as a general plans for decision-making and conflict resolution, and learned organization of principles and rules for the selection of different modes of behaviour in some situation, as such, constitute a continuum along which the values are arranged according to the relative importance.

When we talk about values as drivers of behaviour, Bardi and Schwartz (2003) in their study which investigate the relationship between values and behaviour found that values motivate behaviour. Value determines human behaviour, but does not necessarily mean an action - if the value is recognized, but it is considered unrealistic, it will not become the target nor will cause any action (Dimitrijević and Stojanović, 1996).

Personal values carry implications for the behaviour of leaders and managers, as well as the implications for management and decision-making styles (Ciulla, 2004; Krishnan, 2001; Connor and Becker, 2003), the link between managerial values and ethical decision-making in the organization (Fritzsche and Oz, 2007) the link between managerial values and organizational values (Hamann, Habisch and Pechlaner, 2009; Heugens, Kaptein and Oosterhout, 2008), the link between managerial values and strategy - a strategic choice (Kaldschmidt, 2011) which affects organizational performance and the implications of value connections in the top management team.

## 2.1 Schwartz' Values Theory
Schwartz argues that values as a conscious goals reflect three universal human requirements: biological needs, requirements for social coordination between individuals and requirements that result from the needs for survival and welfare in groups (Schwartz, 1992; Schwartz and Bilsky, 1987, 1990). From these requirements he derived ten different motivational types of values, such as: power, achievement, hedonism, stimulation, self-direction, universalism, benevolence, tradition, conformity and security, and developed a content typology of different values (Schwartz, 1996).

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[1]http://darhiv.ffzg.unizg.hr/52/1/HrvojeHajnic.pdf (Retrieved April, 7, 2014)

Taking on Rokeach's values conception further, Schwartz in collaboration with colleagues (Schwartz and Bilsky, 1987, 1990; Schwartz and Sagiv, 1995; Schwartz and Boehnke, 2004) expanded on Rokeach's value theory and developed a framework for identifying value types, understanding the motivational aspects of values and developed instruments for measuring values that are frequently used in Values research (Schwartz Values Survey - SVS) and the questionnaire about personal values (Portrait Values Questionnaire - PVQ).

Schwartz (1992) defines a specific values as those that represent a certain type of values when the behaviour that is moving towards their fulfilling supports motivating goal of this type. Schwartz presented ten motivational types of values with 56 specific values shown in table no. 1.

| **Table 1:** Contents of motivational types of values in terms of motivational goals and their specific values | |
| --- | --- |
| Value type and motivational aim | Specific values |
| POWER: Social status and prestige, control or dominance over people and resources | Social power, wealth, social standing, authority, preserve the self-image and image on society |
| ACHIEVEMENT: Personal success through demonstrating competence according to social standards | Self-respect, ambition, influence, capability, intelligence, success |
| HEDONISM: Pleasure and sensuous gratification for oneself | pleasure, enjoyment in life |
| STIMULATION: Excitement, novelty, and challenge in life | An exciting life, a varied life, daringness |
| SELF-GUIDANCE: Independent thought and action, creativity, exploring | freedom, creativity, private life, independence, choosing own goals, curiosity |
| UNIVERSALISM: Understanding, appreciation, tolerance, and protection for the welfare of all people and nature | equality, inner harmony, a world at peace, unity with nature, wisdom, a world of beauty, social justice, tolerance, protecting the environment |
| BENEVOLENCE: Preserving and enhancing the welfare of those with whom one is in frequent personal contact | Spiritual life, meaning in life, mature love, true friendship, loyalty, honesty, complaisance, responsibility, forgiveness |
| TRADITION: Respect, acceptance and maintaining of the customs and ideas of traditional culture or religion where the individual belongs | Respect for tradition, moderate, humility, acceptance of my portion in life, religiousness |
| CONFORMITY: Restraint of actions, inclinations, and impulses likely to upset or harm others and violate social expectations or norms | politeness, self-discipline, honour parents and elders, obedience |

| **Table 1:** Contents of motivational types of values in terms of motivational goals and their specific values | |
| --- | --- |
| SECURITY: safety, harmony, and stability of society, of relationships, and of self. | A sense of belonging, social order, national security, reciprocation of favours, family security, health, cleanliness |

Source: Schwartz (1996)

Schwartz and Rokeach base their assessment on the justification of these basic values across all cultures, in which the validity and comprehensiveness of 10 basic values is confirmed by numerous other researchers (Schwartz, 1992, 1996, 2006; Schwartz & Bardi, 2001; Schwartz & Bilsky, 1987, 1990; Schwartz & Boehnke, 2004; Schwartz & Sagiv, 1995).

Schwartz (1992) further divided ten motivational types of values into four types of higher order values, which are:

1. Self-transcendence (includes value types "universalism" and "benevolence"), which reflects the acceptance of others as equals and care for their well-being,
2. Self-enhancement (value types "achievement" and "power"), which reflects the achievement of personal success and dominance over others,
3. Openness to change (value types "self-direction" and "stimulation") reflects the freedom of thought and action as well as the tendency to change,
4. Conservation (value types "security", "conformity" and "tradition") reflects obedience and restriction of own actions with the aim of preserving the status quo.

These four types of higher order values Schwartz see as opposite poles of two dimensions, where the first dimension refers to "openness to change" as opposed to "conservatism", while the other dimension includes "self-transcendence" as opposed to "self-enhancement". "Hedonism" is the only type of value that contains elements that can be found in both dimensions, i.e. is associated with "openness to change" and "self-enhancement" (Schwartz, 1996).

The focus in this paper is on the personal values of top managers that are necessary to ensure the sustainable success of the business.

**2.2 Value priorities of the Balkans with special attention to Bosnia and Herzegovina**
In today's Balkans intertwine tradition as rich cultural heritage of each country, on the one hand and modernization, on the other hand, which is emerging as the basis and need for Euro integration. The European integration of the Balkan countries implies, among other things, the release of past burdens of their societies (various traditionalist prejudices, superstitions, behaviour, complexes of lower or higher value) and willingness to change in all aspects of the social structure.

To turn the Balkans into the European integration it is necessary to achieve the unity of tradition and modern - which is primarily related to the complex economic, political and social changes that include: economic growth, reform of the political system and social structure, advances in technology, as well as a change of psychology and value system. In other words, modern societies are introducing a new value system that is based on scientific

rationality, based on the production and distribution of symbolic knowledge and cultural capital (Koković, 2005).

When it comes to value systems in the Balkans, most research has focused on examining social values and a smaller part refers to examination of personal values.

Schwartz and Bardi (1997) found that in societies that have gone through a socialist order have put more emphasis on conservative values and hierarchy, versus intellectual autonomy, egalitarianism (equality) and Master status.

Sekulić concluded in his study on exploring of value orientations in Croatia that: (1) in Croatian society on work is value homogenization, not heterogenization value orientations, i.e. Croatian citizens agree more, not less in value orientations that they advocate for, regardless of growth or decline in the acceptance of certain values, (2) there is a trend of re-traditionalization of society that has taken place after the collapse of the socialist system and is reflected in the increasing religiousness and national exclusivity and (3) parallel modernization of society, which is reflected in the continuous fall in the native conservatism (Sekulić, 2011).

One of the recent research of values in Bosnia and Herzegovina was the project "Values system of young people in post-war society in Bosnia and Herzegovina" in 2006, which included the empirical research based on the 1,200 questionnaires of the population between 15-28 age (Institute of Philosophy and Social Research, 2006). The results of this research show that the values on the one hand maintain the continuity of tradition, and on the other side values are guides in the processes of social change (Ristić at the Institute for Philosophy and Social Research, 2006).

Lisica (2011) researched a fundamental social values, including the exploration of personal human values in Bosnia and Herzegovina with the modified Schwartz survey on a sample of 3,327 respondents. The research results show that there is more acceptance of motivational value types of self-transcendence and conservatism than the values types of openness to change and self enhancement, which indicates that most respondents are more concerned about the welfare of others and accept them as equals, than of its own success and ruling over others, and at the same time the majority of respondents tends to maintain the status quo and do not tend to change (Lisica, 2011).

So far have not been done the research with regard to exploring managers' values in Bosnia and Herzegovina, and for this reason it has been interesting to examine what kind of values have successful managers, and whether these values fit with the global and European values and to bring them in the relationship with companies performance in which they manage.

## 3. DEFINING THE SUSTAINABILITY AND SUSTAINABLE DEVELOPMENT

Sustainability is usually viewed through the definition of the Brundtland Commission (1987): "Sustainable development is development that meets the needs of present generations without compromising the ability of future generations to meet their own needs".[2] With regard to the sustainability concept it is necessary to mention the term -Triple Bottom Line (TBL)

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[2]Report of the World Commission on Environment and Development: Our Common Future, http://www.un-documents.net/our-common-future.pdf (last visited June. 10, 2013).

presented by Briton John Elkington (1997) which says that for achieving sustainability, it is necessary to achieve not only economic performance (profit) but also environmental and social performance.

## 3.1 Triple bottom line as a new measure of business success

In the traditional accounting „bottom line" refers to the profit or loss of the company, made during a particular financial period. However, in the last 50 years, this form of accounting has changed to show the costs of producing goods and the impact on the environment, in addition to the financial result (profit/loss).

Recent research on the measurement of successful business focused on predictors of successful business, such as study of Langfield-Smith (1997), which shows that the factors that influence the successful business are associated with the business environment, strategy, internal structure and the control system. Unlike previous studies, which generally define a successful business by focusing on financial elements, Fauzi, Svensson and Rahman (2010) have suggested that for measuring the business success (measuring the firm's sustainability performance) should be used the concept of „triple bottom line" (TBL) which would consist of three measuring elements: (1) financial, (2) social and (3) environmental elements (financial performance and social responsibility performance). Further, the authors state that the contents of these three elements can vary in context over time and their contents are subject to changes that will develop in the market and society.

Through acceptance of TBL formulation, firms get more systematic approach to sustainability management, business risks and potential crises, remain in line with the needs and problems of society and can easier notice new business opportunities. The three elements of TBL actually represent three different types of capital that every company uses in its operations, with the goal of providing products and services to society, therefore a major challenge for organization is to maximize all three forms of capital (economic capital, through the maximization of the financial results and improvement of their products and services; social capital, through its employees, other relevant stakeholders and society; and environmental capital, through maximizing eco-efficiency and other measures that make good for the company and its environment).

This paper is focused on explaining the economic (financial performance) and the performance of corporate social responsibility (social and environmental performance).

### 3.1.1 Financial performance (as the economic aspect of sustainability)

The financial success of the company refers to wise use of financial resources, that is to achieve the financial success of the company and contribute to economic prosperity of the environment in which it operates (investment into the community through employment that contributes to the growth of the economy; the development of new skills; firm's products and services can contribute to higher quality of life). Therefore the obligation of management is to improve the firm's financial performance, given that the stakeholders (investors, banks and workers) put the greatest importance to that, because with better firm's financial performance increases the wealth of the aforementioned stakeholder groups.

Basic financial statements that serve as a basis for obtaining a traditional performance indicators (gross margin, net profit margin, return on investment - ROI, return on assets -

ROA and return on equity - ROE) are balance sheet and income statement (Van Horne and Wachowitz, 1995).

Financial performances, according to the approach based on the objectives stated by Chong (2008), include profits, revenue, return on investment (ROI), return on sales, return on equity, sales growth and increase of profitability. In this paper, the focus is on examining profitability indicators.

*3.1.2 The concept of corporate social responsibility and social performance*
The key problem in defining corporate social responsibility (CSR) refers to the multidimensionality of the category, and placing it in relation to the financial indicators of the company which is primarily related to profit. With regard to CSR it should be accepted the view that CSR is focused on how companies act in relation to stakeholders[3], hence it is necessary to define the basic dimensions of responsible behaviour.

The research of CSR in the context of SMEs requires an explanation of such business concepts, where the CSR in generic terms is seen as "the link between work and larger society" (Snider, Hill & Martin, 2003).

Andriof and Waddock (2002) presented an overview of development of the concept of corporate social responsibility and corporate social performance on the basis of the stakeholder's theory. The concept of corporate social responsibility has evolved from: a part of the business social response, than the concept of increasing shareholder profits to the modern meaning of social responsibility at the conceptual and strategic basis, when it became part of the business practices, while the concept of corporate social performance is characterized by merging accountability and accessibility which includes principles, processes and policies (Wood, 1991).

Currently there are four main models in the understanding of CSR performances: (1) Carroll, (2) Wartick and Cochran, (3) Wood, and (4) Clarkson.

Carroll (1979) defines CSR as the intersection at a given moment in time of three dimensions: (1) CSR - principles to be apprehended at four separate levels (economic, legal, ethical and discretionary); (2) the total sum of the social problems that a firm faces (e.g., racial discrimination); and (3) the philosophy underlying its response(s) which can range anywhere along a continuum going from the company's anticipation of such problems to the outright denial that it bears any corporate responsibility at all. Wartick and Cochran (1985) adopted and well-adjusted the model by Carroll by re-sculpting its final dimension, borrowing from the strategic management of social problems school an analytical framework enabling them to specify a dimension of „management of social issues". Wood (1991) proposed a renewed CSR model that quickly became an omnipresent yardstick in the development of conceptual theory. According to earlier studies, Wood (1991) defines CSR as "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationship". Clarkson (1995) proposed applying stakeholder theory as a framework to CSP model, which would then be defined as a firm's ability to manage its stakeholders in a way that is satisfactory to them.

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[3]The Economist print edition, The good company, Jan. 20 2005; http://www.economist.com/printedition

When it comes to measuring corporate social performance (CSP) there have been five main approaches: (1) measurements based on a content analysis of annual reports, (2) pollution indices, (3) perceptual measurements extracted from the questionnaire-based surveys, (4) corporate reputation indicators and (5) data produced by organization's measurement (Igalens and Gond, 2005). In the first approach, CSR is measured using content of firm's annual report - focus is on disclosure in the annual report. Another approach to the measurement of CSR is focused on one dimension of CSR - the environment, with external institutions usually conduct this method. Questionnaire-based surveys, as an approach to CSP measuring, are based on perceptual measurements in nature and use questionnaires as an instrument, developed by researcher, which are based on CSR dimensions. Corporate Reputation indicator, as an approach to measuring of CSR, uses reputation indicators as perceived by external parties of company. Data collected through measurement of organizations activities is a result of measurement approach of CSP, which is perceptive in nature and carried out by external agencies using a multidimensional measurements.

As CSR variables, in measuring social and environmental performance, can be used components proposed by Fauzi (2008) which are developed by Gray and others (1987), Perks' (1993) and Abu-Baker (2000), and include: (1 ) human resources (number of employees, employee training, health and safety, incentives level, employment of disabled and other services to employees), (2) community involvement (donations to community activities, public welfare and other community activity information) and (3) environmental performance (environmental expenditure, pollution abatement, environmental preservation and recycling programs).

## 4. INTEGRATION OF MANAGERS' VALUES THEORY AND SUSTAINABILITY PERFORMANCE

A very few empirical studies and papers have been conducted on exploring the impact of values on sustainability performance (CSP). Most authors have examined the link between the managers' values and financial performance, while few have examined the influence of values on social and environmental performance.

Tangwo (2012) examined the impact of managers' personal values on the performance of SMEs (satisfaction with sales growth and satisfaction with the profitability growth), and proved that there is a significant relationship between personal values and performance. Abiodun (2009) examined the influence of managers' personal values on sales growth, market share and profitability.

Agle, Mitchell and Sonnenfeld (1999) found that there is a significant relationship between top managers' values and community performances (the relations to community), as one of social performance dimensions. Kaldschmidt (2011) found that there is a positive relationship between top managers' personal values of self-transcendence (which are pro-socially and pro-environmentally) and the firm's transformation sustainability strategy, as well as connections with innovative and credible strategies. According to Kaldschmidt (2011) some of elements/performances used in her study include: *transformation strategy* (involving employees in decision-making; sponsoring education, sports and social initiatives), *innovative strategies* (research and development of sustainable innovation (products); environmental marketing; sustainability marketing; research and development on prevention of pollution),

and *safe/reliable strategies* (ISO 9001; employee training and development; reduction of hazardous materials).

Berson, Oreg and Dvir (2008) have linked the top managers' values (independence, benevolence and security) with three types of organizational culture and the firm's performance (sales growth, efficiency and employee satisfaction) on a sample of 26 Israeli firms. Using a sample of 150 Dutch companies, Gorgievski, Ascalon and Stephan (2011) proved that top managers' personal values influence strategic choice, where they demonstrated systematic associations of CEO entrepreneur values with profitability, innovation and giving back to society, which are used in evaluation of firm's success.

Huysentruyt, Stephan and Vujić (2015) examined the influence of top managers' personal values on their social enterprises' organizational performance through strategic and human resource management practices. Huysentruyt, Stephan and Vujić (2015) used three criteria for assessing organizational performance: (1) social performance (analysis of organization's overall social performance and comparison of firm's social performance versus competition), (2) financial performance (growth in revenues and profits) and (3) innovation. Authors proved that personal values influence management practices (values of self-transcendence and openness to change) and are highly consequential for the organization's success - in terms of all social, financial and innovation performance.

Park (2009) proved that there is statistically significant and positive correlation between top managers' environmental attitudes (values) and implemented environmental management practices in hotels (which are determined by technical practices (energy management, water conservation and waste management practices) and firm's environmental management systems (green purchasing, audit and control, and relations with stakeholders)). Park (2009) found that the most common specific environmental management practices are: use of energy-efficient lighting products and equipment; installation of devices and equipment for water efficiency; purchase from environmentally responsible suppliers; purchases of used or recycled products; implementation of renewable energy programs (use of wind or solar power).

Park (2009) showed that there is statistically significant relationship between top managers' environmental attitudes (values) and their perception of environmental management benefits (the most common perceived benefits are related to contribution of environmental sustainability, contribution to a safe and healthy work environment for employees, contribution to reducing negative impacts on the environment, contribution to improving service quality and enhancement employee motivation and satisfaction).

Vazquez-Brust and Cordeiro (2010) proved that top managers' environmental values have significant and positive impact on proactive corporate environmental practices/performances (implementation of environmental management systems - EMS, continuous environmental improvement practices, internal environmental assessment, waste recycling and product remanufacturing) with emphasis on SMEs in Argentina.

## 5. CONCEPTUAL FRAMEWORK AND RESEARCH HYPOTHESES

Figure 1. shows the general conceptual framework of concepts and relationships under investigation, which follows from the initial question identified in the discussion of the

relevance of the research problem, i.e. top managers' personal values that influence successful business (financial, social and environmental performance).
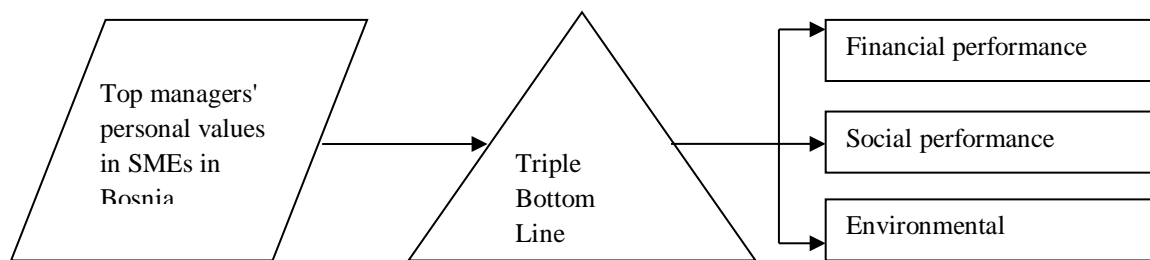


**Figure 1:** The general conceptual framework

The general research question:
- Do top managers' personal values influence the sustainable business performance in small and medium enterprises in Bosnia and Herzegovina?

Based on the defined problem, subject and research question, the following hypotheses are formulated:

H1: Studied values intensity of achievement and power explain significant part of latent value of self-enhancement variance.
H2: Studied values intensity of hedonism, stimulation and self-direction explain significant part of latent value of openness to change variance.
H3: Studied values intensity of security, conformity and tradition explain significant part of latent value of conservation variance.
H4: Studied values intensity of universalism and benevolence explain significant part of latent value of self-transcendence variance.
H5: Studied values intensity of financial performance, social performance and environmental performance explain significant part of latent value sustainability performances variance.
H6: There is contribution of self-enhancement values in explanation of sustainability performances variance.
H7: There is contribution of openness to change values in explanation of sustainability performances variance.
H8: There is contribution of conservation values in explanation of sustainability performances variance.
H9: There is contribution of self-transcendence values in explanation of sustainability performances variance.

## 6. METHODOLOGY

In this research is used quantitative methodology, which included the appropriate questionnaire on identifying top managers' personal values (by using Schwartz Personal Values Questionnaire - PVQ) and a questionnaire on successful SMEs in Bosnia and Herzegovina.

The independent variables are top managers' (as decision makers) personal values in the Bosnia and Herzegovina enterprises, while the dependent variable indicators of successful

business enterprises are observed through the sustainability concept "triple bottom line" which includes financial, social and environmental performance.

Sample analysis included: top managers (top management teams - TMT) in SMEs in Bosnia and Herzegovina. SMEs were chosen by criteria according to number of employees set by the Agency for Statistics of Bosnia and Herzegovina. According to this criterion, companies with up to 10 employees are micro enterprises, up to 50 employees are small enterprises, while medium-sized companies are those with 50 to 250 employees. This study examined 50 SMEs in Bosnia and Herzegovina. The second criterion in sample selection was to choose only companies that achieved positive financial results (profits) in three consecutive years: 2011-2013.

For data analysis was used:

- Descriptive statistics, which was used to describe distribution of variables, clear the database, analyse missing values and suitable substitute thereof, and if necessary, the results transformation.
- Exploratory analysis.

## 7. RESULTS OF RESEARCH

When it comes to sustainable business performance, they are for the purpose of this study identified and chosen on the basis of extensive academic research of relevant books and scientific papers, and include the following:
- Financial (sales revenue and net margin),
- Social (employees and managers training and development; gender equality in employment, ethnic diversity in the company; youth employment; employment of people with disabilities; systems/programs for workers protection and safety at work; involvement of stakeholders in CSR (employees, suppliers and customers); sponsorship in education and skills training organization; sport sponsorship and sponsorship of social initiatives/projects) and
- Environmental (minimizing impact of firm's products and services on public health and safety; investments in new technology/equipment to reduce pollution; eco-friendly packaging and raw materials; air pollution and wastewater control systems; energy management/significant financial savings through reduction of energy and water use; recycling and reduction of hazardous materials; standards and measures for environmental protection and social responsibility (ISO 14001, ISO 9001 ...).

Values distribution of dependent variables in the research models have skewness and kurtosis that we expect within the values with normal distribution (From -2 to 2; George & Mallery, 2010[4]).
A slight deviation in kurtosis distribution of dependent variables have: provision of management training, hiring people with disabilities, sponsoring educational and social projects and minimizing health and safety impact on public. A bit larger deviation of the results distribution that we expect in a normal distribution is kurtosis of *youth employment*,

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[4]George, D., & Mallery, M. (2010). SPSS for Windows Step by Step: A Simple Guide and Reference, 17.0 update (10a ed.) Boston: Pearson.

where negative skewness is more pronounced and plactokurtic distribution, indicating a high clustering around value that indicates that companies tend to employ young people (Table 2).

Values distribution of the independent variables in the research models also have skewness and kurtosis which we expect within the values in a normal distribution. Significant deviation is only with variable *safety* where negative asymmetrical and leptokurtic distribution indicates a high results grouping around the higher value of safety. On the factor of openness vs. conservatism is raised kurtosis which indicates high results grouping around the middle (Table. 3).

**Table 2:** Overview of descriptive statistical values of researched dependent variables

|  | Mean | Trimmed 5% mean | Variance | Skewness | Kurtosis |
|---|---|---|---|---|---|
| logSalesRevenue.2013 | 6.6041 | 6.5974 | .356 | .061 | -.072 |
| logNetMargin.2013 | -1.5946 | -1.5427 | .493 | -.960 | .697 |
| Employees training and development | .51 | .51 | .256 | -.051 | -2.103 |
| Providing managers training in company | .78 | .81 | .176 | -1.407 | -.023 |
| Providing training to operational staff | .80 | .84 | .161 | -1.598 | .578 |
| Gender equality in employment | .71 | .73 | .212 | -.946 | -1.164 |
| Ethnic diversity in the company | .68 | .70 | .222 | -.816 | -1.405 |
| Youth employment | .90 | .95 | .090 | -2.817 | 6.236 |
| The employment of people with disabilities | .44 | .43 | .252 | .255 | -2.037 |
| Systems/programs for workers protection and safety at work | .80 | .84 | .161 | -1.598 | .578 |
| Employee involvement in CSR | 3.66 | 3.73 | 1.280 | -.579 | -.262 |
| Suppliers/business partners involvement in CSR | 3.20 | 3.22 | 1.511 | -.392 | -.825 |
| Customers involvement in CSR | 3.44 | 3.49 | 1.902 | -.558 | -.861 |
| Sponsorship in education and skills training organization | .44 | .43 | .252 | .255 | -2.037 |
| Sport sponsorship | .59 | .59 | .249 | -.360 | -1.969 |
| Sponsorship of social initiatives/projects | .46 | .46 | .255 | .152 | -2.081 |
| Minimizing impact of firm's product and services on public health and safety | .56 | .57 | .252 | -.255 | -2.037 |
| New technology/equipment to reduce environmental pollution | .34 | .32 | .230 | .694 | -1.598 |
| Eco-friendly package and raw materials | .29 | .27 | .212 | .946 | -1.164 |
| Air pollution and wastewater control systems | .27 | .24 | .201 | 1.086 | -.865 |
| Energy management/significant financial savings through reduction of energy and water use | .37 | .35 | .238 | .578 | -1.754 |
| Recycling and reduction of hazardous materials | 3.46 | 3.51 | 1.905 | -.430 | -.992 |
| Standards and measures for environmental protection and social responsibility (ISO 14001, ISO 9001 ...) | .59 | .59 | .249 | -.360 | -1.969 |

**Table 3:** Overview of descriptive statistical values of researched independent variables

| | Mean | Trimmed 5% Mean | Variance | Skewness | Kurtosis |
|---|---|---|---|---|---|
| Conformity | 3.6240 | 3.6445 | .676 | -.390 | -.858 |
| Tradition | 2.8232 | 2.8384 | 1.191 | -.401 | -.621 |
| Benevolence | 3.9207 | 3.9397 | .373 | -.617 | -.238 |
| Universalism | 4.0833 | 4.1174 | .416 | -.820 | .308 |
| Self-guidance | 3.9512 | 3.9732 | .454 | -.403 | -.804 |
| Stimulation | 3.2846 | 3.3248 | 1.425 | -.379 | -.773 |
| Hedonism | 3.0976 | 3.1265 | 1.429 | -.371 | -.656 |
| Achievement | 3.5732 | 3.5742 | .751 | .070 | -.915 |
| Power | 2.7561 | 2.7751 | 1.228 | -.149 | -.971 |
| Security | 3.8390 | 3.9144 | .744 | -2.326 | 8.851 |
| Self-abandonment | 4.0020 | 4.0287 | .333 | -.746 | .595 |
| Self-improvement | 3.1646 | 3.1586 | .764 | .188 | -1.138 |
| Openness to change | 3.6179 | 3.6321 | .673 | -.174 | -1.085 |
| Conservation | 3.4287 | 3.4462 | .404 | -.448 | .611 |
| Openness conservation | .1892 | .1718 | .736 | .956 | 5.009 |
| Self-denial self-improvement | .8374 | .8170 | .644 | .379 | -.233 |

## 7.1 Analysis of personal value contributions to explanation of performance variance of companies

Profile of the average response to the basic factors of the scale of personal values is similar for small and medium enterprises. In both groups the least reflected values are power and tradition (average score below 3) whereas the most pronounced values are benevolence, universalism, self-guidance and safety (the average result about 4).

Average values of the supreme factors of personal values are similar among managers of small and medium enterprises. In both groups the average value of the supreme factor is increased to abandonment against the improvement while is slightly greater towards openness to changes in relation to conservatism.

Factor analysis extracted three factors as opposed to the assumed four basic factors. Three factors explain about 72% of the variance of 10 basic factors of personal values (Table no. 4).

**Table 4:** The total explained variances of results of the Personal values scale

Total Variance Explained

| | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|
| Component | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |

| Table 4: The total explained variances of results of the Personal values scale | | | | | | |
|---|---|---|---|---|---|---|
| 1 | 4.719 | 47.191 | 47.191 | 3.450 | 34.500 | 34.500 |
| 2 | 1.395 | 13.951 | 61.142 | 2.658 | 26.577 | 61.077 |
| 3 | 1.134 | 11.342 | 72.484 | 1.141 | 11.407 | 72.484 |
| Extraction Method: Principal Component Analysis. | | | | | | |

The rotated factor of matrix structure, shown in Table 5, shows that the first factor has the greatest correlation with the basic factors hedonism, achievement, stimulation, power and self-guidance. Another factor has the greatest correlation with the basic factors universalism, benevolence, safety and conformity. The third factor has a great correlation only with tradition. Overall, we can conclude that the scale of personal values has two higher factors that do not correspond to the proposed factors by Swartz theory where one would expect that the first factor is hedonism, stimulation and self-guidance in a positive direction and security, conservatism and traditionalism in the negative direction. The second factor should be composed of the basic factors of universalism and benevolence in a positive direction and achievement and power in a negative direction.

| Table 5: Rotated matrix of factor structure | | | |
|---|---|---|---|
| | Component | | |
| | 1 | 2 | 3 |
| Hedonism | .879 | .040 | .184 |
| Achievement | .810 | .268 | -.100 |
| Stimulation | .804 | .256 | -.099 |
| Power | .785 | .196 | .226 |
| Self-guidance | .631 | .508 | -.126 |
| Universalism | .244 | .793 | -.126 |
| Benevolence | .365 | .756 | -.180 |
| Security | -.077 | .745 | .333 |
| Conformism | .392 | .683 | .135 |
| Tradition | .088 | .017 | .918 |
| Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 5 iterations. | | | |

Further research provides an overview of the predictor possibilities of group of factors of personal values explaining the variance of individual factors of social, environmental and financial performance of the company.

Analysis of the contribution of personal values explaining the variance of company performance is presented with three different models of combination of independent variables (factors of personal values):
1. The first model includes the basic factors of personal values as a set of predictors: security, hedonism, tradition, universalism, conformity, power, achievement, self-guidance, benevolence, stimulation.
2. The second model involves multiple factors of personal values as a set of predictors: self-transcendence, self-enhancement, openness to change and conservatism.

3. The third model includes factors of supreme personal values as a set of predictors: openness vs. conservatism and transcendence vs. enhancement.

The results of the factor analysis carried out by the method of principal components showed that the factor structure results on the scale of personal values is not in accordance with Schwartz's theory according to which one would expect that the first higher scale factor of personal value is hedonism, stimulation and self-guidance in a positive direction and security, conservatism and traditionalism in the negative direction. By the same theory the second factor should be composed of the basic factors of universalism and benevolence in a positive direction and achievement and power in a negative direction. Factor structure, in Schwartz's view, has not been confirmed with regard to the results of the factor analysis indicate the existence of two higher factors, of which the first was a combination of the basic factors of hedonism, achievement, stimulation, power and self-guidance in a positive direction and the other factor is the combination of the basic factors of universalism, benevolence, security and conformism in a positive direction. Since the first four specific research hypotheses focused on proving the four higher factors of the scale of personal values this dismissed the first, second, third and fourth specific hypothesis.

Hypothesis 5 provided that the intensity of financial performance, social performance and environmental performance explains a significant part of the variance of the latent value of sustainable business performance, however, the results of the factor analysis of the structure of indicators of financial, social and environmental performance of companies indicate that it cannot be regarded as social performance, environmental performance and financial performance makes it part of a latent structure of company performance.

Given the impossibility of confirming the existence of a group of latent factors of personal values that have statistically significant correlation with socially responsible business companies, and non-existence of latent structure of the scale of personal values and company performance model provided, basic research model has not been confirmed.

The sixth, seventh, eighth and ninth hypothesis concerning the possible explanations of performance of sustainable business are based on higher factors by Schwartz's theory. Since the structure is not confirmed according to Schwartz's theory - the sixth, seventh, eighth and ninth hypothesis relating to several factors cannot be fully confirmed. Partly validation was conducted by examining contributions to the explanation of each indicator of social, environmental and financial performance separately.

The sixth hypothesis is partially confirmed and assumes that there is a statistically significant contribution of self-enhancement to the explanation of variance performance of sustainable business. Self-enhancement is higher factor of personal values made up of the basic factors of achievement and power.

The main factor of personal value of achievement is statistically significant predictor:
• Existence of a system of managers' training.

Companies whose managers have a greater value on basic factor achievements have more frequent and lesser values on the factors of systems of managers' trainings.

The main factor of the personal value of power is a statistically significant predictor:
• Existence of a system of managers' training,

• Gender equality in employment.

Companies whose managers have a greater value on basic factor can have more frequent and greater values on factors of gender equality in employment and lesser values on the factors of a system of training for managers.

Higher factor of self-enhancement (second model) is a statistically significant predictor:
• Existence of a system for managers' training,
• Existence of sport sponsorship,
• Investments in new technologies/measures to reduce environmental pollution,
• Investment in environmental control systems for air pollution and wastewater.

Companies whose managers have a higher value at a higher factor of self-enhancements have more frequent and greater values at the factor of a system of training for managers and lesser values on the factors of existence of sports sponsorships, investment in new technologies/ measures to reduce environment pollution, investment in environmental control systems for air pollution and wastewater.

The seventh hypothesis is partially confirmed and assumes that there is a statistically significant contribution of openness to change to the explanation of variance performance of sustainable business. Openness to change is a higher factor of personal values made up of the basic factors of hedonism, stimulation and self-guidance.

The main factor of personal value of hedonism is a statistically significant predictor:
• Existence of a system of employees training,
• Gender equality in employment,
• Ethnic diversity,
• Youth employment,
• Involvement of employees in the planning and implementation of corporate social responsibility.

Companies whose managers have a greater value on the basic factor of hedonism have more frequent and lesser values on the factors of a system of employees training, gender equality in employment, ethnic diversity, youth employment, involvement of employees in the planning and implementation of corporate social responsibility.

The main factor of stimulation is a statistically significant predictor:
• Existence of a system of employees training,
• Existence of a system for managers' training,
• Gender equality in employment,
• Ethnic diversity,
• Youth employment,
• Employment of persons with disabilities,
• Existence of sponsorship in education and organizing skills training.

Companies whose managers have a greater value on basic factor of stimulation have more frequent and greater values on factors of a system of employees training, the existence of a system of managers' training, gender equality in employment, ethnic diversity, youth employment and less value on the factors of employment of persons with disabilities, the existence of sponsorship education and organizing skills training.

The main factor of personal values of self- guidance is a statistically significant predictor:
• Compliance with environmental standards.

Companies whose managers have a greater value on the basic factor of self-guidance have frequent and lesser values on the factor of compliance standards for environmental protection.

Higher factor, openness to change (second model) is a statistically significant predictor:
• Existence of a system of managers' training,
• Involvement of customers in the planning and implementation of corporate social responsibility,
• Investment in environmental control systems for air pollution and wastewater.

Companies whose managers have a higher value at a higher factor of openness to change have more frequent and greater values on factors of a system of managers' training, investment in environmental control systems for air pollution and wastewater and lesser values on the factor of involvement of customers in the planning and implementation of corporate social responsibility.

The eighth hypothesis is partially confirmed and assumes that there is a statistically significant contribution of conservatism to explaining the variance performance of a sustainable business. Conservatism is a higher factor of personal values made up of the basic factors of conformity, security and traditionalism.

The main factor of personal values conformity is a statistically significant predictor:
• Net margins,
• Gender equality in employment,
• Youth employment.

Companies whose managers have greater value on basic factor conformity, have more frequent and greater values on factor of net margins and less value on the factors of gender equality in employment and youth employment.

The main factor of security is a statistically significant predictor:
• Net margins.

Companies whose managers have higher values on the basic factor of security have more frequent and lesser values on the factor of net margin.

The main factor of traditionalism is a statistically significant predictor:
• Existence of a system of training for operational staff,
• Youth employment.

Companies whose managers have a greater value on the basic factor of traditionalism have more frequent and greater values on factors of a system of training for operational staff and youth employment.

Higher factor conservatism (second model) is not statistically significant predictor of either indicator of the performance of companies.

The ninth hypothesis is partially confirmed and assumes that there is a statistically significant contribution of self-transcendence to explaining the variance of performance of a sustainable business. Self-transcendence is higher factor of personal values made up of the basic factors of universalism and benevolence.

The main factor of personal value universalism is a statistically significant predictor:
• Youth Employment.

Companies whose managers have a greater value on the basic factor of universalism have more frequent and lesser values on the factors of youth employment.

The main factor of personal values benevolence is a statistically significant predictor:
• Investment in new technologies / measures to reduce environmental pollution

Companies whose managers have a greater value on the basic factor of benevolence have more frequent and greater values on factors of investment in new technologies/measures to reduce environmental pollution.

Higher factor of self-transcendence (second model) is not a statistically significant predictor of either performance indicator of SMEs.


## 8. CONCLUSION

The research results of successful top managers in Bosnia and Herzegovina showed that the personal values of universalism, benevolence (self-transcendence) dominate over power and achievement (self-enhancement), i.e. they are turned more towards contributing to the well-being of others than to fulfil their selfish goals. But when it comes to the value of openness to change, it is slightly higher than the conservatism which means that Bosnia and Herzegovina top managers have a desire for new and changes but values of conservatism (security, conformity) are still very present, which at the same time slow down such changes. It means that top managers show that they are moving in the direction of sustainability with their values, but it is still insufficient in view of the excessive attachment to conservatism, which is characteristic for the Balkan countries, including Bosnia and Herzegovina.

Taking into account the three dimensions of sustainability (finance/economics, society and the environment) shown as a triple bottom line, it is clear that the company in order to survive in today's business world should, in addition to purely financial indicators of the success, pay attention and focus on showing social and environmental performance, which is especially important for Bosnia and Herzegovina on its way to joining the EU. These three elements are interrelated so the improvement or deterioration of one of the aspects can jeopardize the overall success of the business.

When it comes to sustainable business performance, research has shown that companies which achieve success in all three fields (financial, social and environmental) are rare, which is an assumption of triple bottom line. Investigated companies are financially successful (profitable) and at the same time show a high level of social responsibility - taking care of employees and involvement in the community, while in terms of achieving environmental performance there is a less number of companies that invest in environmental protection and monitor their impact on the environment. Most of the motives for corporate social

responsibility and environmental protection are the reduction of costs and marketing and increasing competitive advantage in the market.

The main research question of this research was: "Do personal values of top managers in small and medium enterprises in Bosnia and Herzegovina affect the sustainable successful business (performance of a sustainable business)?" On the basis of the research it was shown that there is a correlation of certain personal values with individual performance of a sustainable business, but the original model was rejected, where the values of a higher order (self-transcendence, self-improvement, openness to change and conservatism) affect the performances of sustainability.

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