RELATION OF LEADERSHIP AND BUSINESS PERFORMANCE: BALANCED SCORECARD PERSPECTIVE

mr. sc. **Ivan MILOLOŽA** Munja d.d., Koledovčina 3, HR – 10000 Zagreb, Croatia

ivan.miloloza@munja.hr; ivan.miloloza1@gmail.com

Abstract

Leadership is a major factor of managing the companies during the change, but also throughout the problem, because only a leader is capable of creating an environment in which his co-workers are encouraged to be leaders and to cooperate and develop, thus contributing to the development of companies. Leadership obviously contributes to business performance. The goal of this paper is to investigate the relationship of leadership and performance of the companies measured by the Balanced Scorecard Approach. In order to attain this goal, a survey has been conducted on the sample of Croatian companies. The results of the research indicate that authoritarian leadership style has in general a negative effect on business performance of Croatian companies, while democratic leadership style has in general a positive effect. The impact of laissez-faire leadership style was mostly neutral. Further research should focus on the impact of leadership style on business performance of companies with various characteristics, e.g. different stages of their development.

Keywords: Leadership, SME, international business, business performance, Balanced Scorecard

JEL Classification: M11, M12, M199

1. INTRODUCTION

Leadership is one of the functions of management, but also the most important, because the success of the entire top management depends on process of leadership (Sikavica and Bahtijarević-Šiber, 2004). Management involves directing others to the execution of the tasks, while leadership is the process of influencing others who need to perform a specific task, but also includes their willingness to follow the leader (Bahtijarević Siber et al, 2008). Leading and following a leader are connected to each other, because leaders must achieve a positive relationship with their followers in order to influence on them and guide them towards the achievement of the objectives (Hollander, 1995; Sikavica et al, 2008).

In today's business environment of rapid change and to adapting to international markets, leadership is needed to change or adapt to new business situations (Bennis, 2007; Matic, 2004b; Matic and Vouk, 2005). Today, companies are most focused on customers, employees and the constant innovations in order to compete with their competitors and to be able to successfully respond to requests from the environment (Verhoef, 2003; Matic, 2004a; Miloloža, 2013; Carnall, 1990).

Previous studies have shown that leadership affects the success of the company, but it has not been sufficiently studied the impact of leadership on the success of the company, if the same has been measured with the system of balanced scorecard. Therefore, the subject of this paper is the impact of leadership on the performance of companies measured by a system of balanced scorecard in the Republic of Croatia.

2. LITERATURE REVIEW

The basic models of leadership

Leadership is a process of influence on people, and because each person is different so there are more models of leadership (Stogdill, 1948; Gagné and Deci, 2005). Depending on the industry in which the company is located, but also on the characteristics of employees we can identify varies types based on leadership qualities and the behavior of leaders, contingency approach to leadership and some new approaches to leadership models (Korman, 1973; Podsakoff et al, 1995). Leadership based on the characteristics of leaders accepts the theory that leaders are born, or that the leadership is genetically predetermined. As desirable leadership qualities can be highlighted: an independent spirit, self-esteem and respect for others, efficiently and effectively master new tasks and willingness for rapid change, a willingness to learn new, pleasant private life, especially the ability to communicate with new people (Levitsky, 1998; Palmer Woodward, 2007).

Leadership based on the behavior of leaders involves several types: leadership based on the use of authority, Likert systems of leadership, leadership oriented tasks, a continuum of leadership (Bahtijarević et al., 2008). Leadership based on the use of authority includes three basic styles: autocratic and democratic leader and leader of the free hand (Mullins, 2005). Autocratic leader is a person who manages other people with system of rewards and punishments, communicates by ordering and command and asks submission of the associates. Democratic leaders cooperate closely with associates and encourage their participation in the design and implementation of decisions. The leader of the free hand (laissez faire) almost entirely left to the associates autonomy and independence in their work.

It is important to highlight Likert four degrees of leadership that are mostly based on motivation and communication between co-workers and leaders (Yousef, 2000). Extremely - authoritative leaders used fear and punishment to subordinates, as well as awards in certain situations and does not allow any independent decision - making. Benevolently - authoritarian leader usually uses with rewards to motivate associates, accepts the idea of co - workers as well as decision - making. The consultative leader quite believes to its subordinates and to some extent used their ideas and knowledge. Participatory joint - leaders fully believes to its associates, accept their ideas and encourages a system of rewards and communicate with each other. Research has shown that the most successful companies are those in which the process of leadership involves participatory - joint leader (Chen and Tjosvold, 2006; Huang et al, 2010). Given the complexity of the company and the business it is impossible to use only one style of leadership and a combination of several styles contributes most to the success of teams and achieving targets (Ranganayakulu, 2005). Continuity of leadership involves the application of a certain type of leadership, and selection of the best leadership to a particular situation (Tannenbaum and Schmidt, 1973).

Contingency approach to leadership involves a leader who is heavily influenced by the situation in which it is located and which must be adjusted. Such an approach to leadership emphasizes that people do not become leaders because of its characteristics, but because of the situation they are in and which requires their actions (Buble, 2009). These models of leadership have their advantages and disadvantages, which means that the leaders must adapt its characteristics, the characteristics of its associates, but also a situation in which they are located so that they can successfully lead a team toward achieving the strategic goals of the company. In addition to the above models there are new approaches to the leadership as transformational leadership, charismatic leadership, systematic leadership, transactional leadership (Buble, 2009; Stewart, 2006).

An experienced leader who possesses the skills, knowledge and capabilities needed to run a team is very important in very challenging international business (Matic and Lazibat, 2001; Matic and others, 2010). The leaders are a key factor in solving the problems and conflicts in international business thus contributing to achieving the goals and a long-term success (Zorlu and Hacioğlu, 2012). Multinational companies operating in different parts of the world are facing problems because of cultural differences and business practices specific to each country. It is the task of leaders to reduce those differences in international business and align employees' performance with respect to different business cultures within the same company (Peterson and Hunt, 1997).

Measuring the performance of the company with a system of balanced scorecard

Today's business environment has been characterized by rapid change and adaptation to market conditions, and the companies, unless they need to achieve competitive advantage and success over the competition, should measure success in achieving strategic goals. The system of balanced scorecard proved to be a very effective instrument for the measurement and evaluation of performance in order to improve the efficiency of company management (Sekso, 2011).

The system of balanced scorecard was developed by professors at Harvard University in the 1990s of the last century (Kaplan and Norton, 1996). Their intention was to establish a way of measuring the achieved results and their comparison with the plan in order to monitor the success of the business. It is important to point out that the system of balanced scorecard derived from the

company's strategy and how it is used to synchronize the financial results obtained with planned results in the future. Companies that have not developed a business strategy, as well as those who have a strategy, but it is not implemented or not exercising, cannot use the method of performance measurement with system of balanced scorecard (Niven, 2007).

The system of balanced scorecard involves four perspectives that are studied at the same time when measuring the performance of the company: customers, internal processes, finances and employee learning and growth (Lončarević, 2006). The financial perspective is a key factor contributing to the success of the company and it is the result of activities of the other three non - financial perspectives. Clients represent a strategic orientation of the business management. In addition to retaining existing customers it is important to constantly be looking for new clients. Satisfied and loyal customers greatly contribute to the success of the company. Internal processes represent the possibility of growth and development of the business. Internal processes include improvement of existing business processes, but also the introduction of innovative ways of doing business. Learning and growth of employees involves training skills and knowledge of employees, encouraging their motivation, includes the possibility of the information system, but also creates a work environment conducive to success. The application of the system of balanced scorecards and achieve success within all four perspectives greatly leads to changes in the structure and organizational culture, as it moves from the present to the desired future of the organization (Sikavica and Novak, 1999).

3. METHODOLOGY

Research unit is a company registered in Croatia, and the population is a set of all such companies. The frame of choice is a database of the Croatian Chamber of Commerce, from which it will randomly select a sample of companies. Respondent is a president or member of the management of the company, in which case the companies has been previously contacted by telephone in order to establish contact and explain the purpose, but also the confidentiality of research results, as well as their exclusive use for scientific purposes. The survey was conducted on a stratified sample of Total 60 companies divided into six sub-samples. Of that: (1) 10 small and medium-sized companies in the growth phase (code subsamples: SME growth); (2) 10 small and medium-sized companies in the maturity stage (code subsamples: SME-maturity); (3) 10 small and medium-sized enterprises in the phase of stagnation (Code sub-samples: SMEs stagnation); (4) 10 large companies in the growth phase (code subsamples: Large-growth); (5) 10 large companies in the maturity stage (code subsamples: Large-growth) and (6) 10 large companies in the phase of stagnation (Code sub-samples: Large-stagnation).

Styles of leadership in organizations from the sample were measured using a questionnaire attached to this paper which are measured, using specific claims, autocratic, democratic and laissez-faire leadership style. The Leadership Styles Questionnaire was taken from Northouse (2012). Respondents expressed on a scale of 1 to 5 the extent to which they agree with each statement.

Claims that measure the presence of an autocratic leadership style are:

- L 1. Employees need to be supervised closely, or they are not likely to do their work.
- L 4. It is fair to say that most employees in the general population are lazy.
- L 7. As a rule, employees must be given rewards or punishments in order to motivate them to achieve organizational objectives.
- L 10. Most employees feel insecure about their work and need direction.
- L 13. The leader is the chief judge of the achievements of the members of the group.
- L 16. Effective leaders give orders and clarify procedures.

Claims that measure the presence of a democratic leadership style are:

- L 2. Employees want to be a part of the decision-making process.
- L 5. Providing guidance without pressure is the key to being a good leader.
- L 8. Most workers want frequent and supportive communication from their leaders.
- L 11. Leaders need to help subordinates accept responsibility for completing their work.
- L 14. It is the leader's job to help subordinates find their "passion."
- L 17. People are basically competent and if given a task will do a good job.

Claims that measure the presence of laissez-faire leadership style are:

- L 3. In complex situations, leaders should let subordinates work problems out on their own.
- L 6. Leadership requires staying out of the way of subordinates as they do their work.

- L 9. As a rule, leaders should allow subordinates to appraise their own work.
- L 12. Leaders should give subordinates complete freedom to solve problems on their own.
- L 15. In most situations, workers prefer little input from the leader.
- L 18. In general, it is best to leave subordinates alone.

Measuring the success of organizations in the sample:

Measuring the success of organizations in the sample was conducted using a questionnaire which measures the performance of the company relative to its competitors in the principal activity, with respect to financial, process, market dimension to the success and the success of knowledge management. Respondents expressed on a scale of 1 to 5 the extent to which they agree with the statement that their company is better than the competition in the sector.

Dimensions of financial success are:

- F1. Profitability
- F2. Actual profit
- F3. Return on Investment

Dimensions of market success are:

- T1. Customer satisfaction
- T2. Market share
- T3. Quality of products / services

Dimensions process success are:

- P1. The efficiency of internal processes
- P2. Innovation of products / services
- P3. Innovating internal processes

Dimensions success of knowledge management are:

- Z1. Employee competence
- Z2. Application of new technologies
- Z 3. Organizational climate

Data collected by primary research has been analyzed by the correlation analysis where examined the correlation between some variables which measure a certain style of leadership and individual variables that measure the success of company with system of balanced scorecards.

4. RESEARCH RESULT

4.1. Description of the Sample

Table 1 shows the analyzed companies from the sample by the year of establishment. Approximately the same number of enterprises was established before 1945 (8) and after 2000 (6). The largest number of companies was established in the period of the 1991st to 2000th years (24).

Table 1. Companies in the	e sample by the year	of establishment
----------------------------------	----------------------	------------------

Company was founded	Number	Structure in %	Cumulative %
< 1945	8	13,3	13,3
1946-1990	22	36,7	50,0
1991-2000	24	40,0	90,0
2000 >	6	10,0	100,0
Total	60	100,0	

Source: Research of the author, May, 2014

Table 2 shows the number of companies with respect to the number of employees. Of the total number of enterprises (60) half employs more than 250 people. Approximately the same number of companies that have 50 employees (16) and 51-250 employees (14).

Table 2. Distribution of the frequency of the sample companies according to the number of employees

Number of employees	Number	Structure in %	Cumulative %
< 50	16	26,7	26,7
51-250	14	23,3	50,0
>250	30	50,0	100,0
Total	60	100,0	

Source: Research of the author, May, 2014

Table 3 shows the number of companies by activity. The minimum number of companies (1) is represented in the following activities: C - Mining and quarrying, E - supply an electric power, gas and water supply, and Q - Extraterritorial organizations and bodies. A third of companies (20) is represented in D – Processing Industry. In most activities, are represented by two companies: I - Transport, storage and communication, J - Financial intermediation, M - Education and N - Health and social care.

Industry	Number	Structure in %	Cumulative %
A - Agriculture, hunting and forestry	9	15,0	15,0
C - Mining and quarrying	1	1,7	16,7
D - Processing Industry	20	33,3	50,0
E - Electricity, gas and water supply	1	1,7	51,7
F - Construction	4	6,7	58,3
G - Wholesale and retail trade; repair of motor vehicles and motorcycles and personal and household goods	3	5,0	63,3
H - Hotels and restaurants	5	8,3	71,7
I - Transport, storage and communication	2	3,3	75,0
J - financial intermediation	2	3,3	78,3
K - Real estate, renting and business activities	4	6,7	85,0
M - Education	2	3,3	88,3
N - Health and social care	2	3,3	91,7
O - Other community, social and personal service activities	4	6,7	98,3
Q - Extra-territorial organizations and bodies	1	1,7	100,0
Total	60	100	

Table 3. Number of companies by activity

Source: Research of an Author, May, 2014

Table 4 shows the number of companies by ownership. Most of the analyzed companies (47) is predominantly locally owned. The minimum number of enterprises are mainly state (4), while a growing number of foreign - owned companies (9)

Table 4. Number of companies by ownership

The majority ownership of companies	Number	Structure in %	Cumulative %
Majority locally	47	78,3	78,3
Majority foreign	9	15,0	93,3
Majority state	4	6,7	100,0
Total	60	100,0	

Source: Research of an Author, May, 2014

4.2. Analysis of leadership in all businesses together

Table 5 shows the answers of respondents, managers board members, questions which are evaluated to what extent you agree with the views that reflect the autocratic style of leadership. It May be noted that the respondents largely agree with particles L7. The rule is that employees should be rewarded or punished in order to motivate them to achieve company goals (average score 4.12) and L13. A superior is the one who should evaluate the extent to which employees achieve goals (average score 4.10). Respondents are at least agreeing with particle L4. It is fair to say that the majority of employees, generally in the population, is lazy (average score 1.75). Standard deviations are in the range 0.77 to 1.40, based on which it concludes that the average grades are representative.

Table 5. The presence of an autocratic style of leadership in all businesses together

	Ν	Min	Max	Average	St. dev.
L 1. Employees need to be supervised closely, or they are not likely to do their work.	60	1	5	2,65	1,23
L 4. It is fair to say that most employees in the general population are lazy.	60	1	5	1,75	1,07
L 7. As a rule, employees must be given rewards or punishments in order to motivate them to achieve organizational objectives.	60	1	5	4,12	1,01
L 10. Most employees feel insecure about their work and need direction.	60	1	5	2,62	1,11
L 13. The leader is the chief judge of the achievements of the members of the group.	60	2	5	4,10	0,77
L 16. Effective leaders give orders and clarify procedures.	60	1	5	2,85	1,40

Source: Research of an Author, May, 2014

Table 6 shows the answers of respondents, managers board members, questions which are evaluated to what extent you agree with the views that reflect the democratic style of leadership. It May be noted that the respondents largely agree with particles L 11. Superior should help their subordinates to accept responsibility for the performance of their jobs (average score 4.32) and L8. Most employees want to frequent and friendly communication with their superiors (average score 4.18). Respondents are at least agreeing with particle L 14. The task of the superior is to assist employees' favorite part of the job "(average score 3.65). Standard deviations are in the range 0.72 to 1.01, based on which it concludes that the average grade representative.

	Ν	Min	Max	Average	St. dev.
L 2. Employees want to be a part of the decision-making process.	60	2	5	4,05	0,79
L 5. Providing guidance without pressure is the key to being a good leader.	60	2	5	4,00	1,01
L 8. Most workers want frequent and supportive communication from their leaders.	60	2	5	4,18	0,72
L 11. Leaders need to help subordinates accept responsibility for completing their work.	60	2	5	4,32	0,77
L 14. It is the leader's job to help subordinates find their "passion."	60	1	5	3,23	0,89
L 17. People are basically competent and if given a task will do a good job.	60	2	5	3,65	0,86

Table 6. The presence of a democratic style of leadership in all businesses together

Source: Research of an Author, May, 2014

Table 7 shows the answers of respondents, managers board members, questions which are evaluated to what extent you agree with the views that reflect the laissez-faire leadership style. It May be noted that the respondents largely agree with particles L 18. Generally, it is best to let subordinates to do their job (average score 3.17) and L6. Superior should stay on the sidelines, while employees perform their jobs (average score 2.3). Respondents are at least agree with particle L9. Rule is that a superior should be left to the employees themselves to assess how well they have done their job. (average score 2.77). Standard deviations are in the range 1.03 to 3.33, based on which it concludes that the average grade representative.

 Table 7. The presence of a laissez-faire style of leadership in all businesses together

	Ν	Min	Max	Average	St.dev.
L 3. In complex situations, leaders should let subordinates work problems out on their own.	60	1	5	2,78	1,33
L 6. Leadership requires staying out of the way of subordinates as they do their work.	60	1	5	3,02	1,03
L 9. As a rule, leaders should allow subordinates to appraise their own work.	60	1	5	2,77	1,05
L 12. Leaders should give subordinates complete freedom to solve problems on their own.	60	1	5	2,90	1,15
L 15. In most situations, workers prefer little input from the leader.	60	1	5	2,97	1,07
L 18. In general, it is best to leave subordinates alone.	60	1	5	3,17	1,12

Source: Research of an Author, May, 2014

4.3. The success of the company measured by a system of balanced scorecard

Table 8 shows the answers of respondents, manager board members, questions which evaluated the performance of all companies along the measured system of balanced scorecards while comparing the mean of answers from all companies. It May be noted that respondents from all companies are considered to be equally important particles F1. Profitability, F2. Realized gains and F3. Return on investment within the dimensions of financial performance (average score 3.50). Within the dimensions of market performance of participants of all companies are most consistent with two particles (T1. Customer satisfaction and T3. The quality of products / services; average score 4.20). Respondents are most agree with particle P2. Innovation of products / services within the dimensions of process performance (average score 4:00). Respondents from all companies are considered to be equally important particles Z1. Staff competency, Z2. Application of new technologies and Z3. Organizational climate within the dimensions of Knowledge and employees (average score 2.4).

Comparing these dimensions, it can be concluded that respondents largely agree with particles T1. Customer satisfaction and T3. Quality of products / services (average score 4.20) within the dimensions of market performance until at least agree with particle F3. Return on investment within the dimensions of financial performance (average score 3.52). For particles in the all four dimensions of the performance, the standard deviations are in the range from 0.62 to 1.03, based on which it is concluded that the average score is representative. For all groups of indicators by dimensions of success, Cronbach's alpha is greater than or approximately 0.7, indicating their consistency.

	Ν	Min	Max	Average	St.dev.	Cronbach's alpha			
Financial success									
F1. Profitability	60	2	5	3,533	0,833				
F2. Actual Profit	60	2	5	3,500	0,893	0,825			
F3. Return of the Investment	60	2	5	3,517	0,930				
Market success									
T1. Customer satisfaction	60	2	5	4,200	0,684				
T2. Market Share	60	1	5	3,883	1,027	0,710			
T3. Quality of the product / service	60	2	5	4,200	0,755				
Process success									
P1. The efficiency of internal processes	60	2	5	3,767	0,767				
P2. Innovation of products / services	60	2	5	4,000	0,781	0,717			
P3. Innovating internal processes	60	1	5	3,833	0,886				
Success of knowledge management									
Z1. Employee competence	60	3	5	4,017	0,624				
Z2. Application of new technologies	60	2	5	4,017	0,854	0,679			
Z3. Organizational climate	60	2	5	4,017	0,748				
Source Passage of an Author May 2014									

Table 8. The success of all businesses together measured with system of balanced scorecard

Source: Research of an Author, May, 2014

Table 9 shows the average value of the success measured with system of balanced scorecard for all companies together. Highest average grade is for the dimension Market (4.094), and dimension Finance (3.517) has the lowest average grade. Standard deviations are in the range 0.58 to 0.76, based on which it concludes that the average grade representative.

Table 9. Average values by measuring the success with a system of balanced scorecard for all companies together

	Ν	Min	Max	Average	St.dev.
Financial average score	60	2,000	5,000	3,517	0,763
Market average score	60	2,333	5,000	4,094	0,664
Process average score	60	2,000	5,000	3,867	0,650
Knowledge average score	60	2,333	5,000	4,017	0,584

Source: Research of an Author, May, 2014

4.4. Correlations

Table 10 presents Spearman correlation analysis of the authoritarian leadership style and BSC. Companies in which managers believe that "It is fair to say that most employees in the general population are lazy" (L4) has lower results in knowledge average score as well as in the indicator Z2. Implementation of new technologies (as indicated by the negative correlation coefficient). Companies in which managers believe that "Most employees feel insecure about their work and need direction." (L10) has lower results in following indicators T2, T3, Z1, Z2, and Z3, as well as market average score and knowledge average score (as indicated by the negative correlation coefficient).

Table 10. Spearman correlation analysis of the Authoritarian leadership styleand BSC indicators

PSC indicators	Spearman	Authoritarian leadership style						
DOC INVICATORS	correlation analysis	L1	L4	L7	L10	L13	L16	
F1	Corr Coefficient	-0,046	0,031	0,083	-0,096	0,205	0,144	
	Sig. (2-tailed)	0,725	0,816	0,530	0,467	0,116	0,272	
F2	Corr Coefficient	0,013	0,002	0,111	-0,134	0,074	0,173	
	Sig. (2-tailed)	0,920	0,987	0,398	0,307	0,576	0,187	
F3	Corr Coefficient	0,059	-0,043	0,059	-0,212	0,073	-0,058	
	Sig. (2-tailed)	0,656	0,746	0,657	0,104	0,582	0,661	
T1	Corr Coefficient	0,140	-0,032	0,128	-0,224	0,228	-0,072	
	Sig. (2-tailed)	0,287	0,809	0,329	0,085	0,079	0,585	
T2	Corr Coefficient	-0,091	-0,199	-0,008	-0,319(*)	0,198	0,043	
	Sig. (2-tailed)	0,488	0,127	0,950	0,013	0,129	0,744	
ТЗ	Corr Coefficient	0,151	0,082	-0,179	-0,267(*)	0,152	-0,027	
	Sig. (2-tailed)	0,250	0,531	0,172	0,039	0,245	0,841	
P1	Corr Coefficient	0,108	-0,056	0,159	0,046	0,023	0,113	
	Sig. (2-tailed)	0,412	0,671	0,225	0,729	0,859	0,391	
P2	Corr Coefficient	0,077	-0,196	-0,099	-0,166	-0,032	-0,049	
	Sig. (2-tailed)	0,556	0,133	0,451	0,205	0,81	0,713	
P3	Corr Coefficient	-0,066	-0,169	0,088	-0,13	-0,07	-0,055	
	Sig. (2-tailed)	0,619	0,197	0,505	0,324	0,595	0,679	
Z1	Corr Coefficient	-0,209	-0,126	0,091	-0,306(*)	-0,042	-0,097	
	Sig. (2-tailed)	0,110	0,337	0,490	0,017	0,752	0,459	
Z2	Corr Coefficient	-0,052	-0,499(**)	-0,067	-0,302(*)	0,095	-0,07	
	Sig. (2-tailed)	0,693	0,000	0,613	0,019	0,469	0,597	

Z3	Corr Coefficient	-0,142	-0,124	0,048	-0,348(**)	0,105	0,079
	Sig. (2-tailed)	0,278	0,346	0,714	0,006	0,427	0,548
Financial average	Corr Coefficient	0,020	-0,011	0,115	-0,191	0,136	0,083
score	Sig. (2-tailed)	0,877	0,935	0,381	0,144	0,299	0,528
Market average	Corr Coefficient	0,022	-0,101	-0,050	-0,355(**)	0,262(*)	-0,014
score	Sig. (2-tailed)	0,867	0,442	0,705	0,005	0,044	0,914
Process average	Corr Coefficient	0,049	-0,148	0,041	-0,102	-0,04	-0,006
score	Sig. (2-tailed)	0,710	0,259	0,757	0,44	0,759	0,964
Knowledge	Corr Coefficient	-0,148	-0,327(*)	0,000	-0,410(**)	0,069	-0,031
average score	Sig. (2-tailed)	0,259	0,011	0,998	0,001	0,602	0,812
Total number of p negative correlat	oositive and ions	-0/+0	-2/+0	-0/+0	-7/+0	-0/+0	-0/+0

Note: * statistically significant at 5%, ** statistically significant at 1%

Table 11. presents Spearman correlation analysis of the democratic leadership style and BSC. Companies in which managers believe that Employees want to be a part of the decision-making process (L2) also have higher score of F2 (as indicated by the positive correlation coefficient). Companies in which managers believe that Providing guidance without pressure is the key to being a good leader (L5) also have higher score of Z2 (as indicated by the positive correlation coefficient). Companies in which managers believe that Leaders need to help subordinates accept responsibility for completing their work. (L11) also have higher score of P2 (as indicated by the positive correlation coefficient). Finally, companies in which managers believe that It is the leader's job to help subordinates find their "passion." (L14) also have higher score of F1, F2, and Financial average score (as indicated by the positive correlation coefficient).

BSC indicators	Spearman correlation analysis	Democratic leadership style					
		L2	L5	L8	L11	L14	L17
F1	Corr Coefficient	0,073	-0,081	0,119	0,126	0,305(*)	-0,03
	Sig. (2-tailed)	0,578	0,538	0,363	0,339	0,018	0,821
F2	Corr Coefficient	0,264(*)	0,155	0,183	0,051	0,374(**)	0,036
	Sig. (2-tailed)	0,041	0,238	0,162	0,699	0,003	0,786
F3	Corr Coefficient	0,023	-0,02	0,016	0,091	0,075	-0,063
	Sig. (2-tailed)	0,862	0,878	0,904	0,488	0,571	0,632
T1	Corr Coefficient	0,131	0,089	-0,001	0,182	0,066	-0,035
	Sig. (2-tailed)	0,318	0,498	0,993	0,164	0,617	0,788
T2	Corr Coefficient	0,061	-0,119	0,015	0,205	-0,033	0,185
	Sig. (2-tailed)	0,644	0,366	0,911	0,116	0,803	0,157
T3	Corr Coefficient	0,082	-0,106	-0,113	0,079	-0,067	0,004
	Sig. (2-tailed)	0,532	0,419	0,391	0,548	0,611	0,976
P1	Corr Coefficient	0,166	-0,009	0,047	-0,034	0,253	-0,082
	Sig. (2-tailed)	0,206	0,946	0,72	0,795	0,051	0,534
P2	Corr Coefficient	0,100	-0,134	-0,039	0,258(*)	-0,012	-0,139
	Sig. (2-tailed)	0,447	0,307	0,768	0,046	0,927	0,288
P3	Corr Coefficient	0,244	-0,006	0,089	-0,049	0,027	-0,192
	Sig. (2-tailed)	0,060	0,963	0,497	0,708	0,837	0,141
Z1	Corr Coefficient	0,166	0,273(*)	0,048	0,043	-0,142	-0,098
	Sig. (2-tailed)	0,206	0,035	0,718	0,742	0,28	0,458
Z2	Corr Coefficient	0,046	0,189	0,032	0,062	-0,143	0,12
	Sig. (2-tailed)	0,728	0,149	0,811	0,641	0,277	0,359
Z3	Corr Coefficient	0,036	0,179	0,094	-0,117	-0,113	-0,117
	Sig. (2-tailed)	0,787	0,170	0,474	0,372	0,388	0,372
Financial average score	Corr Coefficient	0,149	0,015	0,094	0,106	0,278(*)	0,001
	Sig. (2-tailed)	0,255	0,908	0,473	0,420	0,032	0,992
Market average score	Corr Coefficient	0,103	-0,076	0,000	0,234	-0,022	0,087
	Sig. (2-tailed)	0,435	0,564	0,999	0,072	0,869	0,51
Process average score	Corr Coefficient	0,206	-0,126	0,034	0,047	0,098	-0,191
	Sig. (2-tailed)	0,115	0,337	0,795	0,722	0,457	0,144
Knowledge	Corr Coefficient	0,068	0,277(*)	0,053	-0,067	-0,177	0,023
average score	Sig. (2-tailed)	0,604	0,032	0,69	0,609	0,175	0,861
Total number of positive and negative correlations		+1/-0	+2/-0	-0/+0	+1/-0	+3/-0	-0/+0

Table 11. Spearman correlation analysis of the Democratic leadership style and BSC indicators

Note: * statistically significant at 5%, ** statistically significant at 1%

Table 12. presents Spearman correlation analysis of the Laissez-faire leadership style and BSC. Companies in which managers believe that Leadership requires staying out of the way of subordinates as they do their work. (L6) also have lower score of P2 (as indicated by the negative correlation coefficient), but int he same time higher score of Z3 (as indicated by the positive correlation coefficient). Companies in which managers believe that as a rule, leaders should allow subordinates to appraise their own work (L9) also have higher score of T1 (as indicated by the positive correlation coefficient). Finally, companies in which managers believe that in most situations, workers prefer little input from the leader (L25) also have higher score of F3 (as indicated by the positive correlation coefficient).

BSC indicators	Spearman correlation analysis	Laissez-faire leadership style						
		L3	L6	L9	L12	L15	L18	
F1	Corr Coefficient	-0,166	0	-0,149	-0,183	0,136	-0,141	
	Sig. (2-tailed)	0,206	1	0,256	0,161	0,299	0,283	
F2	Corr Coefficient	-0,18	-0,016	-0,142	-0,097	0,066	-0,15	
	Sig. (2-tailed)	0,168	0,906	0,28	0,462	0,618	0,253	
F3	Corr Coefficient	0,029	-0,011	0,018	-0,191	0,365(**)	-0,083	
	Sig. (2-tailed)	0,824	0,932	0,889	0,144	0,004	0,529	
T1	Corr Coefficient	-0,027	0,075	0,278(*)	-0,152	-0,094	0,104	
	Sig. (2-tailed)	0,836	0,571	0,031	0,246	0,476	0,43	
T2	Corr Coefficient	-0,112	-0,077	0,167	-0,139	-0,090	-0,173	
	Sig. (2-tailed)	0,393	0,561	0,201	0,288	0,493	0,186	
T3	Corr Coefficient	-0,119	-0,072	0,06	-0,253	-0,042	-0,098	
	Sig. (2-tailed)	0,367	0,584	0,651	0,051	0,748	0,455	
P1	Corr Coefficient	-0,043	-0,02	0,041	-0,147	0,093	-0,03	
	Sig. (2-tailed)	0,745	0,881	0,758	0,262	0,480	0,820	
P2	Corr Coefficient	-0,082	-0,257(*)	0,007	-0,074	0,021	-0,172	
	Sig. (2-tailed)	0,536	0,047	0,959	0,572	0,874	0,188	
P3	Corr Coefficient	-0,035	-0,101	0,137	-0,17	0,186	0,095	
	Sig. (2-tailed)	0,789	0,444	0,297	0,195	0,156	0,47	
Z1	Corr Coefficient	0,17	0,17	0,116	-0,166	0,073	0,155	
	Sig. (2-tailed)	0,193	0,195	0,379	0,206	0,579	0,238	
Z2	Corr Coefficient	-0,114	-0,153	0,085	-0,164	0,072	-0,064	
	Sig. (2-tailed)	0,387	0,244	0,516	0,21	0,584	0,627	

Table 12. Spearman correlation analysis of the Laissez-faire leadership styleand BSC indicators

Z3	Corr Coefficient	0,121	0,298(*)	-0,028	-0,245	0,081	0,1
	Sig. (2-tailed)	0,358	0,021	0,829	0,059	0,538	0,448
Financial average score	Corr Coefficient	-0,127	-0,012	-0,086	-0,183	0,229	-0,155
	Sig. (2-tailed)	0,334	0,925	0,511	0,161	0,079	0,238
Market average score	Corr Coefficient	-0,138	-0,057	0,159	-0,229	-0,143	-0,118
	Sig. (2-tailed)	0,293	0,665	0,226	0,079	0,277	0,369
Process average	Corr Coefficient	-0,056	-0,152	0,045	-0,156	0,131	-0,046
score	Sig. (2-tailed)	0,668	0,247	0,733	0,235	0,318	0,727
Knowledge average score	Corr Coefficient	0,071	0,12	0,067	-0,215	0,109	0,091
	Sig. (2-tailed)	0,588	0,362	0,612	0,099	0,407	0,488
Total number of positive and negative correlations		-0/+0	+1/-1	+1/-0	-0/+0	+1/-0	-0/+0

Note: * statistically significant at 5%, ** statistically significant at 1%

Table 13 provides the information on total number of statistically significant Spearman correlation coefficients according to leadership style. Statements that reflect authoritarian style had total number of 9 negative impacts to the business performance, and none positive. Statements that reflect democratic style had total number of 6 positive impacts to the business performance, and none negative. Statements that reflect Laissez-faire style had total number of 3 positive impacts to the business performance, and one negative.

Table 13. Total number of statistically significant Spearman correlation coefficients according to leadership style

Leadership style	Total number of positive and negative correlations
Authoritarian	-9/+0
Democratic	+6/-0
Laissez-faire	+3/-1

5. CONCLUSION

Leaders contribute to the success of the organization on several levels: manage change, directing associates, leading to the resolution of the set goals, encourage others to fully use their skills and abilities (Locke and Latham, 1990; Turkalj and Mujić, 2002). The aim of this study was to investigate the impact of leadership on the performance of companies measured with system of balanced scorecard in the Republic of Croatia. In order to achieve the goal of the paper, empirical research on a sample of Croatian companies was carried out. As a unit of study is defined as a company registered in Croatia, where the population includes a collection of all such companies. Companies are selected randomly using the database of the Croatian Chamber of Commerce as the framework of choice. Respondent was president or a board member of the company, and the interviews were conducted on a stratified sample of 60 companies, which was divided into six sub-samples with respect to the size of the company (SMEs vs. large companies) and the stage of development of the companies (leaders vs. followers). As a research instrument a Leadership Styles Questionnaire was used taken from Northouse (2012). Also a questionnaire was used which measures the performance of companies with respect to the four dimensions: financial, process, market performance and the success of knowledge management.

The results showed that there is a correlation between leadership styles and corporate performance measured with the method of balanced scorecard. It is possible to conclude that authoritarian leadership style has in general negative effect to the business performance of the Croatian companies, especially in the field of knowledge management performance. On the other hand democratic leadership style has in general positive effect to the business performance of the Croatian companies, especially in the field of financial performance, but also in the field of process and knowledge management performance. Impact of laissezfaire leadership style was the weakest. It can be concluded that it is necessary in future research papers further investigate the impact of leadership on the company due to their size, stage of growth and international orientation.

LITERATURE

- 1. Bahtijarević Šiber, F., Sikavica, P., Vokić Pološki, N. (2008). Suvremeni menadžment: vještine, sustavi i izazovi. Zagreb: Školska knjiga.
- 2. Bennis, W. (2007). The challenges of leadership in the modern world: introduction to the special issue. American Psychologist, 62(1), pp. 2-5.
- 3. Buble, M. (2009). Menadžment. Split: Ekonomski fakultet Split.
- 4. Carnall, C.A. (1990). Managing Change in Organizations. New York: Prentice-Hall.
- 5. Chen, Y. F., Tjosvold, D. (2006). Participative Leadership by American and Chinese Managers in China: The Role of Relationships. Journal of Management Studies, 43(8), pp. 1727-1752.
- 6. Gagné, M., Deci, E.L. (2005). Self-determination theory and work motivation. Journal of Organizational behavior, 26(4), pp. 331-362.

- 7. Hollander, P.E. (1995). Ethical Challenges in the Leader-Follower Relationship. Business Ethics Quarterly, 5(1), pp. 55-65.
- 8. Huang, X., Iun, J., Liu, A., Gong, Y. (2010). Does participative leadership enhance work performance by inducing empowerment or trust? The differential effects on managerial and non-managerial subordinates. Journal of Organizational Behavior, 31(1), pp. 122-143.
- 9. Korman, A.K. (1973). On the development of contingency theories of leadership: Some methodological considerations and a possible alternative. Journal of Applied Psychology, 58(3), pp. 384-387.
- 10. Levicki, C. (2002). Developing leadership genius: the nature and nurture of leaders. New York: McGraw Hill.
- 11. Locke, E.A., Latham, G.P. (1990). A theory of goal setting & task performance. New York: Prentice-Hall, Inc.
- 12. Lončarević, M. (2006). Sustav uravnoteženih ciljeva u funkciji uspješnosti poslovanja Hrvatskih poduzeća. Ekonomski pregled, 57(1-2), pp. 97-129.
- Matić, B. Vouk, R. (2005). Opportunities and risks in global retail expansion. Annals of DAAAM for 2005 & Proceedings of the 16th International DAAAM Symposium "Intelligent Manufacturing & Automation: Focus on Young Researches and Scientists", Katalinić, J. (UR.), pp. 377-378.
- 14. Matić, B., (2004a). Međunarodno poslovanje. Zagreb: Sinergija.
- 15. Matić, B. (2004b). Vanjsko trgovinsko poslovanje. Zagreb, Sinergija.
- 16. Matić, B., Lazibat, T. (2001). Od GATT Do WTO. Ekonomski pregled, 52(5-6), pp. 692-707.
- 17. Miloloža, I. (2013). Innovations Skills Repository Of Croatian Middle-Level Managers. Pravni vjesnik, 29(3-4), pp. 81-93.
- 18. Mullins, L.J. (2005). Management and Organisational Behavior. Essex: Pearson Education Limited.
- 19. Niven, P. (2007). Balanced Scorecard: Korak po korak. Zagreb: Masmedia.
- 20. Northouse, P.G. (2012). Leadership: Theory and practice. Thousand Oaks, CA: Sage.
- 21. Palmer-Woodward, C. (2007). Identity Formation and Emerging Intentions in Consultant-Client Relationships. Doctoral dissertation. UK: University of Hertfordshire.
- 22. Peterson, M.F., Hunt, J.G.J. (1997). International perspectives on international leadership. The Leadership Quarterly, 8(3), pp. 203-231.
- 23. Podsakoff, P.M., MacKenzie, S.B., Ahearne, M., Bommer, W.H. (1995). Searching for a needle in a haystack: Trying to identify the illusive moderators of leadership behaviors. Journal of Management, 21(3), pp. 422-470.
- 24. Ranganayakulu, K.C.S. (2005). Organisational Behavior. New Delhi: Atlantic Publishers and Distributors.
- 25. Sekso, J.J. (2011). Implementacija sustava uravnoteženih ciljeva. Zbornik radova Međimurskog veleučilišta u Čakovcu, 2(2), pp. 85-92.
- 26. Sikavica, P., Bahtijarević Šiber, F. (2004). Menadžment-Teorija menadžmenta i veliko empirijsko istraživanje u Hrvatskoj. Zagreb: Masmedia.
- 27. Sikavica, P., Novak, M. (1999). Poslovna organizacija. Zagreb: Informator.

- Stewart, J. (2006). Transformational Leadership: An Evolving Concept Examined through the Works of Burns, Bass, Avolio and Leithwood. Canadian Journal of Educational Administration and Policy, 54, pp. 1-29. Raspoloživo na: http://www.umanitoba. ca/publications/cjeap/pdf_files/stewart.pdf [Pristupljeno: 8. srpnja 2013]
- 29. Stogdill, R.M. (1974). Handbook of leadership: A survey of the literature. New York: Free Press.
- 30. Tannenbaum, R., Schmidt, W.H. (1973). How to choose a Leadership Pattern. Harward Business Review, 51(3), pp. 162-180.
- 31. Turkalj, Ž., Mujić, N. (2002). Makroorijentirana, fleksibilna organizacija i regulacija poduzeća u tranzicijskim gospodarstvima. Ekonomski vjesnik, 13(1-2), pp. 5-13.
- 32. Verhoef, P.C. (2003). Understanding the effect of customer relationship management efforts on customer retention and customer share development. Journal of marketing, 67(4), pp. 30-45.
- Yousef, D.A. (2000). Organizational commitment: A mediator of the relationships of leadership behavior with job satisfaction and performance in a non-western country. Journal of Managerial Psychology, 15(1), pp. 6-24.
- 34. Zorlu, K., Hacioglu, U. (2012). The Conflict Issue in International Business and the Global Leadership. Procedia-Social and Behavioral Sciences, 41, pp. 100-107.