

The background of the cover is a dramatic photograph of a volcanic eruption. A bright, glowing plume of orange and yellow lava or ash rises from a dark, jagged volcanic landscape. The scene is illuminated by the intense light of the eruption, creating a stark contrast between the dark rocks and the fiery sky.

HRVATSKI  
R A C U N O  
V O D A \*

*Journal of  
Accounting  
and  
Management*

UDC 657 + 005

ISSN 2459-5888 - ONLINE  
ISSN 1848-137X - PRINT

Vol. 14 No. 1  
pages: 1 - 58

Croatian Accountant

June  
2024





# **Journal of Accounting and Management**

**Volume 14, No. 1, 2024**

Pages: 1 - 58

*Zagreb, June 2024*

## **Journal of Accounting and Management**

### **Founder**

Croatian Accountant – Independent Association of Accountants,  
Tax Advisors and Finance Professionals

### **Published by**

Croatian Accountant © Copyright 2024

UDC 657 + 005

ISSN 2459-5888 - ONLINE

ISSN 1848-137X - PRINT

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[www.hrvatski-racunovodja.hr](http://www.hrvatski-racunovodja.hr)

*Journal of Accounting and Management is published in two issues a year.*

*Journal of Accounting and Management is a free periodical of the Croatian Accountant – Independent Association of Accountants, Tax Advisors and Finance Professionals.*

**Journal of Accounting and Management is indexed in:**

– ERIH Plus

– EBSCO Business Source Complete

– Hrčak (Portal of scientific and technical journals of the Republic of Croatia)

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## FOREWORD

Dear readers,

We are pleased to present the latest edition of our Journal, featuring contemporary trends and key issues shaping the business world. As always, this issue includes research and analysis results in accounting, finance, and management, as well as presentations from last year's Accounting and Management Conference, A&M 2023.

In this issue, the importance of Business Intelligence, cross-cultural learning, and leadership as fundamental components of business and crucial factors for achieving business success is also acknowledged.

Similar to previous editions, this issue of the Journal demonstrates our dedication to research, education, and the advancement of sustainable, innovative, and ethical business practices.

The published papers have undergone a double-blind review by independent experts, and we hope that the topics presented to you will be interesting and above all useful in education and business, as an extension of the existing insights and knowledge.

We hope you enjoy the articles and that we will continue to produce content that keeps up with significant global issues and world trends.

We thank all the authors and reviewers  
for their belief in us. **Editor-in-Chief**  
Đurđica Jurić, PhD, College Professor



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Original scientific paper  
UDK: 005

*Paper received: 01/08/2023*

*Paper Accepted: 18/08/2023*

# **INTUITION AND BUSINESS INTELLIGENCE – THE INTEGRATION KEY TO CORRECT BUSINESS DECISION-MAKING**

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## **ABSTRACT**

Can intuition as an affective judgment derived from quick, unconscious, and holistic associations be viewed as an integral part of business intelligence – a concept that has been trying for decades to eliminate it from the business decision-making process? How valid is it to discuss such an integration, given the premise of exclusive objectivity and rationality that is expected from decision-makers, without the involvement of emotions, as a form of non-rational and irrational behavior? From the previous questions, the work aims to prove that intuition has not completely disappeared from the concept of business intelligence, but how it is integrated into the same concept as a rational component arising from the subconscious of the decision maker, ensuring quick and correct business decision-making. Essentially, intuition serves as a tool in business decision-making, with this approach stemming from a positive feeling, a limited understanding, and a subconscious process, which in conditions of uncertainty, unpredictability, and rapid change, as a functional element offered to a rational and factual approach to the concept of business intelligence, offers decision-makers the right choice in a sea of facts and indicators. The survey research, in which 69 decision-makers took part, provided the basis for the analysis of the set hypotheses and provided the opportunity to form the key to quick and correct business decision-making through the integration of intuition and business intelligence as inseparable dimensions of the business decision-making process.

***Keywords:*** *intuition, business intelligence, integration, components, business decision-making*

## **1. INTRODUCTION**

Taking into account the fact that thirty years ago, and specifically before the emergence of the concept of business intelligence, in 1989., business success was based only and exclusively on luck and intuition, a sudden transition to a more rational and intelligent approach to creating business excellence could not fully eradicate the intuitive approach to business decision making. Choosing a solution to a problem with the best results in defined business conditions is objective and rational, but choosing a solution to a problem according to criteria of a personal nature with a satisfactory but not the best solution is subjective, with the fact that it can still be rational. Although management points to the issue of objectivity and rationality and does not place subjectivity within the scope of its teaching, it certainly leaves room for experimentation. Business intelligence also behaves within these frameworks. As much as it tries to minimize the question of intuition in its factual offering of a solution, it does not eliminate it completely. However, in raising the question of considering the riskiness of certain decision-making styles, the question of considering the influence of the same style on the decision-making process itself and the outcomes of those decisions is also raised.

The work aims to indicate the safe simultaneous application of intuition and business intelligence in the business decision-making process. Posing hypotheses in this context to prove their integration connection for the need for correct business decision-making, but also the understanding of intuition as a component of business intelligence itself. As intuition comes from knowledge with a basis in past experiences located in the subconscious of the decision maker, and as business intelligence through presented information represents only knowledge, and both concepts are interpreted as rational processes, a basis is formed for establishing a decision-making approach that is partly subjective and partly rational with based on the information and “good feeling”.

## **2. THEORETICAL FRAMEWORK OF INTUITION AND BUSINESS INTELLIGENCE, AS THE INTEGRATION KEY OF CORRECT BUSINESS DECISION-MAKING**

Business decision-making, in the twenties of the last century, imposes a new strictness on decision-makers, defining the decision as the result of consideration and the beginning of action (Buchanan and O`Connell, 2006). With the advent of the Industrial Revolution, the beginnings of classical management, as a rational approach to management, were established, forming the basis of its development through the twentieth century into a version of management that is more modern in itself, especially in terms of thinking and adopting technology as a support for decision-making (Amrozi et al., 2020).

The questions, how far it is possible to set each version of a solution to a problem without making mistakes and how far it is possible to make a correct decision under conditions of exclusive uncertainty, find answers in the space left for experimentation, and provide decision-makers with access to the right decision through a dynamic search for solutions according to the principle of trial and error (Sikavica et al., 2008). The same principle in making business decisions can be reduced to a minimum by applying objective, true, accurate, clear, complete, timely, safe, and protected information, which as such becomes useful, high-quality, and effective business information (Javorović and Bilandžić, 2007), which provides business intelligence.

Business intelligence tools are sources of specific information based on historical data as the key to correctly predicting the future (Williams and Williams, 2007). Business intelligence is an activity with a ready-made business-intelligence report, which in interaction with the thought activity of the decision-maker creates business knowledge as a support for the business decision-making process with an action element (Javorović and Bilandžić, 2007). Previously, thinking activity could be defined by a feeling, as an intuition, as a quick and unexpected thought, created without effort, to solve a problem (Hogarth, 2001). Intuition, as an approach to business decision-making, emerges from the subconscious of the decision-maker, often as a too-quick response to a given problem, although it is a rational process based on knowledge derived from past experiences (Bulog, 2014). It is necessary to include intuition in analyses regardless of the presence of technology that follows business management because decision makers use intuition, turning it into an organizational ability of business intelligence and, within the framework of the analysis, showing it as a process of quick business decision-making with a low level of behavioral control and expressed trust in recommendations (Isik, 2010). IT is used in evidence-based decision-making, while managers' intuition remains key in the decision making process (Adam and Dempsey, 2020). Although technology provides answers to the questions posed, forming a solution to a possible problem, it is still not entirely sufficient by itself for the business decision-making process, which seeks confirmation of the solution in intuition and past experiences.

The previous authors quite clearly defined the basis of the possible establishment of a new substantive basis of business intelligence and intuition as an integration basis of better business decision-making with their definitions. Although many business intelligence applications do not use intuition in analysis, intuition in business intelligence still occupies a small but steady segment. By integrating intuition and business intelligence in business decision-making, a model is proposed as the essence of business decision-making characterized by essential rationalism, facts, feelings and emotions.

### **3. METHODOLOGICAL FRAMEWORK AND RESEARCH RESULTS**

For the research, data were collected through a survey questionnaire, sent to the e-mail addresses of potential respondents in the category of active medium and large business entities, classified according to the Accounting Act (NN 78/15, 134/15, 120/16, 116/18, 42/20, 47/20, 114/22). Hypotheses were confirmed with the SPSS software package. Statistical significance between the defined variables was demonstrated by Pearson's correlation coefficient. Descriptive statistics were used to evaluate the value of the minimum, maximum, arithmetic mean, and standard deviation of all set variables.

The subject of the research is determining the importance of integrating intuition and business intelligence in the context of more correct and safer business decision-making. The goal is to determine the understanding of intuition as a segment of business intelligence and, as such, to establish the basis for their simultaneous use in quick and safe business decision-making. In the research, it is operationalized with business decision-making as a dependent variable and the integration of intuition and business intelligence as an independent variable. The task was to collect data using a survey questionnaire, as a research instrument, and prove with the same that intuition and business intelligence are the key to more correct business decision-making, through several dimensions measured by a Likert scale of five degrees of intensity. The independent variable, the integration of intuition and business intelligence, was measured through their integration in unpredictable situations, but also in recurring situations, in the speed and correctness of their application and the results they offer through the final business decision. The dependent variable, business decision-making, was measured through accuracy, timeliness, correctness, information, and the speed of the business decision.

Based on the subject and the set goal, the research tasks were defined, as determining the possible setting of intuition as a component of business intelligence as a subconscious, but rational thought of the decision maker, and in determining the existence of a connection between the simultaneous use of intuition and business intelligence and business decision making. Based on the same tasks, two research hypotheses were set: H1: Intuition is a functional element of the rational and factual concept of business intelligence, and H2: The simultaneous use of intuition and business intelligence positively affects business decision making.

The problem of the research extends to raising questions of familiarity with the concept of business intelligence in general, while the problem rises to an even higher level with the question of integrating two approaches that have been trying to exclude each other from the decision-making process for decades. In posing the question, who can have contact with business intel-

ligence, intuition, and decision-making, and accordingly, who can provide possible new knowledge about setting the integration key of correct business decision-making, the answer is found in managers of all levels of decision-making, as the most competent research sample.

Previous research does not specifically reveal the simultaneous use of intuition and business intelligence in business decision-making. However, some authors have operationalized the concept of business intelligence with intuition as one of its dimensions and in this context pointed to the importance of the concept of business intelligence in supply chain management (Luetić, 2017) and the influence of the business environment on the possibilities and success of applying business intelligence with intuition as its component (Isik, 2010). The authors thus emphasized that business intelligence does not completely exclude intuition, even though the opposite has been claimed for decades. Business intelligence does not neglect intuition, although it tends to reduce it in its basic settings. Managers, almost  $\frac{3}{4}$  of the time spent making business decisions, use intuition more often than facts, while directors of business entities require factual decision-making (Liataud and Hammond, 2006). It previously indicates the need to understand and connect two, seemingly, opposing points of view.

The purpose of applying business intelligence in business entities, regardless of the activity of its application, is in the function of business decision-making based on safer decision-making with a factual basis. The results of the research by Bilandžić et al. (2012), prove that the same application is difficult to confirm in Croatian business entities, and Bilandžić and Lucić (2018), who do not rate it as particularly present. Dukić et al. (2016), on the other hand, indicate the importance of more intensive use of the concept of business intelligence to make more rational decisions in business entities of all sizes, and they manage to confirm this on a sample of 125 surveyed entities.

Hanlon (2011) offered a model of intuition, based on a sample of 12 senior managers, highlighting its construct and identifying its elements, offering an answer to the question of applying intuition in decision-making, emphasizing that the reality of decision-making is quite messy, which leaves room for managers to rationalize and intuition itself. According to research by Adam and Dempsey (2020), managers rarely have the comfort of basing their decisions on a rational analysis and therefore depend on intuition and judgment and typical ad-hoc decision making processes with a very pronounced presence of subjectivity.

### 3.1. RESEARCH RESULTS

The research includes 69 medium and large business entities, active in the territory of the Republic of Croatia. Of these, there are a total of 52 medium-sized business entities (75,4% of the sample) and 17 large business entities (24,6% of the sample). The largest number of business entities, 25 of them are engaged in tourism and hospitality, followed by banks and insurance companies and business entities from the field of trade with 11 business entities each. The IT sector is represented by 7 business entities, production is represented by 5 business entities, construction by 3 business entities, healthcare by 2 business entities, and 2 business entities define their core business activity as business services – legal, consulting, and accounting. Without specifying the basic area of their activity, 3 business entities are singled out, which continue to complete the research. Decision-makers in four categories were singled out as a target group: members of the board or supervisory board, sector directors, service directors, and heads of departments, as decision-makers at all organizational levels.

Of the respondents who started filling out the questionnaire, 11 are presidents of the management board or members of the supervisory board, 19 are sector directors, 31 are service directors and 8 are department heads. Respondents present themselves as employees in managerial positions and are considered to be a category of respondents with the appropriate information and experience needed to realistically fill out the survey questionnaire. The sample is dominated by men, 46 respondents or 66,7% of the sample, while there were 16 or 23,2% of the surveyed women. Seven people did not answer the above question. Respondents in the age group from 31 to 40 dominate, of which there are 21, followed by 18 respondents aged 41 to 50, 13 of them under the age of 30, while 12 of them are between the ages of 51 and 60 and 5 in over 61 years old.

The respondents' opinions about the characteristics of correct business decision-making and its connection with intuition and business intelligence were evaluated using a classic Likert scale, with five levels of agreement, from "I do not agree at all", which is evaluated with a score of 1 to "I completely agree", which was evaluated with a grade of 5. The interpretation of the value of the linear correlation coefficient (Pearson's coefficient), in setting the strength of the correlation between two variables, was carried out according to the following guidelines: from 0,00 to 0,20 as a slight connection between the variables, from 0,20 to 0,40 as an insignificant association of variables, from 0,40 to 0,70 as a significant association of variables, and from 0,70 to 1,00 as a very high association of variables (Petz, 1997).

Within the framework of the subject analysis, an evaluation of the benefits of support by business intelligence and intuition in making business decisions was carried out, whether it is about recurring situations or conditions of great uncertainty, which, in addition to facts, also require the application of intuition, i.e. the “good feeling” of the maker decision in predicting the conditions of future business activity. The above is illustrated by the results of several auxiliary statements, which aim to verify the empirical adequacy of the intuitive approach to making correct business decisions in the conditions of modern business supported by the application of business intelligence.

The respondents largely agreed with the concept of the integrative use of business intelligence and intuition in business decision-making, as indicated in the table below. They defined intuition even more clearly as a segment of the concept of business intelligence and in this context created the basis for confirming the research hypothesis H1: Intuition is a functional element of the rational and factual concept of business intelligence. The confirmation of the hypothesis comes partly from Table 1, and partly from the specific question: Is intuition as a good feeling, in all conditions, and especially in conditions of uncertainty, unpredictability, and speed of change, defined as a functional element of the concept of business intelligence, as rational and factual support for the business decision making process?, and the calculated indicator on the question in question, the value of which was formed based on the mean value of 4,39 with a standard deviation of 0,808.

**Table 1.** Assessment of prerequisites for the simultaneous use of business intelligence and intuition in business decision-making

Claim	N	Min	Max	Mean value	Standard deviation
The business decisions you make, with available information, require a high level of subjectivity and acquired knowledge.	69	2	5	4,12	0,738
Although you make business decisions by applying business intelligence, you still give importance to intuition in recurring situations.	69	2	5	4,13	0,640
You believe that it is crucial to use both facts and intuition to make quick and correct business decisions.	69	2	5	4,12	0,777
You tolerate business decisions made with a combination of business intelligence and an intuitive approach to decision-making because of the positive results that the same decision brings.	69	2	5	4,22	0,683

*Source: Created by the author*

Table 1 reveals the use of four statements, with which respondents agreed to a high degree, from a minimum mean score of 4,12 to a maximum of 4,22, on a scale with scores from 1 to 5, as business intelligence and intuition, as an independent variable, integratively present in business decision-making, as a dependent variable, which is the basis for the continuation of the analysis of the subject matter. The greatest perceived influence of intuition and business intelligence on business decision-making is observed in tolerating business decisions made by the simultaneous use of intuition and business intelligence due to positive financial results (4,22).

Evaluating the relationship between the dependent variable and the independent variable is based on multiple indicators, namely the focus of intuition and business intelligence on the accuracy and timeliness of business decision-making (4,39), the use of creative intuition and “good feeling” as an approach to correct business decision-making with the simultaneous application of business intelligence as its support (4,32), business intelligence support in facilitating the inclusion of intuition in business decision-making through making better, more informed decisions (4,17), business intelligence support in paying attention to past experiences when making quick business decisions (4,13), business intelligence support in the use of procedural knowledge through experience and feeling and emotion as part of an intuitive approach in timely business decision-making with positive financial performance (4,16). Evaluation of the determinants of the simultaneous use of intuition and business intelligence in business decision-making, through a calculated aggregate indicator, the value of which, formed based on the mean values of the previously defined multiple indicators, is 4,23 with a standard deviation of 0,725.

**Table 2.** Evaluation of the determinants of the simultaneous use of business intelligence and intuition in business decision-making

		pi_intuition	decision-making
pi_intuition	Pearson correlation	1	,761**
	Sig. (2- sided)		,000
	N	69	69
decision-making	Pearson correlation	,761**	1
	Sig. (2- sided)	,000	
	N	69	69

\*\* . The correlation is significant at the 0.01 level (2-sided).

Source: Created by the author

Correlation analysis determined the potential connection of the integration effect of intuition and business intelligence on the correctness of business decision-making. Based on the results of Pearson’s linear correlation, we can



speak of a statistically high significant correlation (Sig. < 0.01) and a very high correlation of variables, considering the value of Pearson's coefficient of 0,761 (table 2). Based on the established empirical relationship, intuition, and business intelligence in integration are statistically extremely significantly related to the correctness of business decision-making. The research hypothesis, H2: The simultaneous use of intuition and business intelligence positively affects business decision-making, following the confirmed empirical relationship of the observed variables, is accepted.

#### **4. CONCLUSION**

A possible link between two, at first, opposing concepts was established. The results of the research reveal that intuition as an affective judgment derived from fast, unconscious and holistic associations can be viewed as an integral part of business intelligence. This clearly proved that business intelligence, as a concept that has been diminishing the meaning of intuition in its content for years, still does not remove it completely. The results also show how intuition and business intelligence can be viewed as two concepts that, in integration, form the key to correct business decision-making. This points to some new findings in the matter of the necessity and exclusive objectivity and rationality of business decision-making and their clear connection with irrational and subjective "good feeling". It previously proves that intuition is present in business intelligence as a rational component of the subconscious action element of the decision maker, which provides the basis for quick and correct business decision-making, but also that it can be viewed as a separate concept supported by the application of the concept of business intelligence. The decision-makers clearly emphasized that intuition and business intelligence are concepts that are desired and used equally in all decision-making conditions. This does not diminish the importance of information, nor the importance of "good feeling", but emphasizes the need for their simultaneous application in making business decisions.

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## **INTUICIJA I POSLOVNA INTELIGENCIJA – INTEGRACIJSKI KLJUČ ISPRAVNOG POSLOVNOG ODLUČIVANJA**

### **SAŽETAK RADA**

Može li se intuicija kao afektivna prosudba proizašla iz brzih, nesvjesnih i holističkih asocijacija promatrati sastavnim dijelom poslovne inteligencije – koncepta koji se desetljećima trudi istu izbaciti iz procesa poslovnog odlučivanja? Koliko je ispravno spominjati takvu integraciju s obzirom na poimanje isključive objektivnosti i racionalnosti koja se očekuje od donositelja odluka bez uplitanja emocije, kao oblika neracionalnog i iracionalnog ponašanja? Iz prethodnih pitanja proizlazi cilj rada u dokazivanju kako intuicija nije u potpunosti nestala iz koncepta poslovne inteligencije, već kako je integrirana u isti koncept kao racionalna komponenta proizašla iz podsvijesti donositelja odluka, osiguravajući brzo i ispravno poslovno odlučivanje. U osnovi je intuicija alat poslovnog odlučivanja te je pristup odlučivanju proizašao iz dobrog osjećaja, ograničenog razumijevanja i podsvjesnog procesa, koji u uvjetima nesigurnosti, nepredvidivosti i brzini promjena, kao ponuđeni funkcionalni element racionalnom i činjeničnom pristupu koncepta poslovne inteligencije, donositeljima odluka nudi ispravni izbor u moru činjenica i pokazatelja. Anketnim se istraživanjem, u kojem je sudjelovalo 69 donositelja odluka, pružila osnova za analizu postavljenih hipoteza te se pružila mogućnost za formiranje ključa brzog i ispravnog poslovnog odlučivanja kroz integraciju intuicije i poslovne inteligencije kao nedjeljivih dimenzija procesa donošenja poslovnih odluka.

***Ključne riječi:*** *intuicija, poslovna inteligencija, integracija, komponente, poslovno odlučivanje*



Professional paper

UDK: 657.3

*Paper received: 14/06/2023*

*Paper Accepted: 14/08/2023*

## **EVALUATION OF DECISION-MAKING BODIES IN INSURANCE COMPANIES IN THE REPUBLIC OF SERBIA WITH THE AIM OF REALISTIC PRESENTATION OF INSURANCE COSTS USING T-TEST AND CORRELATION ANALYSES**

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### **ABSTRACT:**

The authors presented the results of forecasting the total cost of the company in relation to insurance in large and medium-sized companies in the Republic of Serbia by applying multiple linear regression. This was done based on the evaluated six factors of influence after the evaluations received by the management of the administrative bodies of four insurance companies operating in the Republic of Serbia. The coefficient of determination ( $R^2$ ) of 0.441 was obtained by regression analysis, based on which it can be seen that a value of 44.1% of the total variance is obtained based on

the given prediction model. The obtained model is statistically significant, because its significance ( $p < 0.0005$ ,  $F = 19.442$ ) is lower than the observed statistical level. Therefore, a company's total insurance costs can be predicted based on six influencing factors. Then, the individual contribution of each independent variable to the prediction of the company's total cost of insurance was observed. For the prediction of the total cost of the company, all independent factors make a significant contribution, except for the analyzed factor, the satisfaction of the insured (Table 2).

**Keywords:** *management bodies of insurance companies, company size, insurance costs*

## 1. INTRODUCTION

The successful functioning of numerous heterogeneous companies in the Republic of Serbia in terms of insurance can be observed in accordance with the business conditions on the market, the business conditions that apply to the company, as well as in accordance with the reduction of potential risks related to insurance to a minimum [1-4].

The top management of numerous heterogeneous companies in the Republic of Serbia in terms of insurance can bind management in companies to the adoption of numerous management decisions in which structural insurance can be carried out against a combination of risks of one's own choice.

Insurance companies provide partial and total business insurance for numerous companies [5-8]. A minimal investment in insurance can mean a huge difference in terms of business security for many years to come [9-11]. The insurance of large and medium-sized companies should be aimed at a broader view of the business from various risks. It is intended for consideration of company management, but also for owners of other heterogeneous companies that operate successfully on the market [12-16].

There are available:

- insurance of business premises, equipment and supplies;
- business insurance against work interruptions;
- liability insurance;
- insurance of employees against the consequences of an accident (death due to an accident, disability, bone fracture);
- additional health insurance for employees (insurance against serious illnesses and surgical interventions);
- urgent interventions in your business premises that cover the costs of the arrival and work of service technicians (plumbers, carpenters, glass workers, electricians);

- other contractual relationships between the insured and insurance companies that exist registered on the market of one country [17-20] and which may influence the making of valid management decisions.

## **2. STATEMENT ON THE QUESTION OF DIFFERENCES OBTAINED ON THE BASIS OF A SURVEY OF MANAGEMENT BODIES IN INSURANCE COMPANIES AND DISPLAY OF THE RESULTS THROUGH A T-TEST**

We wanted to determine the existence of a significant difference through the research based on the results obtained by the administration of 5 insurance companies in relation to the evaluated 6 factors of possible influence regarding the observation of insurance in the Republic of Serbia in relation to the size of the company, as well as the factor at the end which is defined as a factor of the total evaluation of all previously stated values of the mentioned 6 analyzed factors of influence on the company's operations regarding the allocation of money in connection with insurance.

A total of 155 companies in the Republic of Serbia were observed, 52 large and 103 medium-sized companies. The research included the evaluations received from the management bodies by 4 insurance companies, the generalities of which the authors do not state, because they guaranteed anonymity and the obligation to use the obtained results only for the preparation of scientific studies.

The examination of differences in relation to the size of the company using the T-test of independent samples was done based on the level of significance of the T-test. 6 factors that can affect the business of insurance companies according to the assessment of their management bodies were analyzed, namely: policyholder satisfaction, policyholder information, cooperation between insurance companies and banks and the Internet sales of insurance products, taxpayers, permanent education in the overall ratings of all 6 factors.

The presentation of the results is given in Table 1.

**Table 1:** Differences in the received evaluations of the administrative bodies of insurance companies in relation to the influencing factors and the size of the observed companies by means of a T-test

FACTORS	COMPANY SIZE	Mean	Standard deviation	T-value	p
Satisfaction of the insured	Large companies (N=52)	7.92	0.13	52.284	<0.0005*
	Medium companies (N=103)	7.11	0.09		
Informing the insured	Large companies (N=52)	6.75	0.12	51.001	<0.0005*
	Medium companies (N=103)	6.34	0.11		
Cooperation between insurance companies and banks	Large companies (N=52)	6.87	0.10	51.280	<0.0005*
	Medium companies (N=103)	6.23	0.09		
Online sales	Large companies (N=52)	6.19	0.99	52.100	<0.0005*
	Medium companies (N=103)	4.90	0.10		
Tax reliefs	Large companies (N=52)	5.12	0.12	45.999	<0.0005*
	Medium companies (N=103)	4.16	0.07		
Permanent education	Large companies (N=52)	5.28	0.12	50.050	<0.0005*
	Medium companies (N=103)	4.11	0.07		
OVERALL SCORE	Large companies (N=52)	37.80	0,26	50.452	<0.0005*
	Medium companies (N=103)	29.28	0,09		

Source: Authors (2023).

The presentation of the obtained results, visible in Table 1, shows the level of significance of the T-test.

The obtained results are lower than the threshold level of significance for all analyzed factors, as well as for the overall evaluation of all 6 analyzed factors, it can be seen that there are significant differences in the evaluations of the management bodies of 4 insurance companies for insurance observation in relation to the size of the company.

The higher rating for all factors and the overall rating is given by the management bodies of insurance companies.

### **3. MULTIPLE LINEAR REGRESSION RESULTS BASED ON FORECASTING THE TOTAL COST OF THE COMPANY ON THE ISSUE OF INSURANCE IN THE ANALYZED COMPANIES**

By applying multiple linear regression in relation to predictions regarding the total cost of insurance in the analyzed companies based on the evaluation of 6 factors: policyholder satisfaction, policyholder information, cooperation between insurance companies and banks and the Internet sales of insurance products, taxpayers, permanent education in the overall ratings of all 6 fac-



tors. Possible impacts and observations of insurance in relation to the ratings obtained by the management body, which were obtained through a questionnaire from insurance companies.

The authors presented the individual contribution of independent variables in Table 2.

**Table 2.** Individual contribution of independent variables in relation to the prediction of the total cost of the analyzed companies according to the assessment of the management body of insurance companies in the Republic of Serbia

Serial number		Beta	t	p
	A constant	-	11.029	<0.0005*
1.	Satisfaction of the insured	0.024	0.347	0.729
2.	Information	0.196	2.920	0.004*
3.	Cooperation with banks	0.204	3.031	0.003*
4.	Online sales	0.266	4.133	<0.0005*
5.	Tax benefits	0.175	2.579	0.011*
6.	Insurance related education	0.325	5.115	<0.0005*

\* Statistical significance at the level of 0.05

Source: Authors (2023).

#### 4. CONCLUSION

Based on the presentation of the research results obtained in this paper, two basic conclusions can be drawn.

The first conclusion is that by examining the differences in relation to the size of the company, using the T-test of independent samples, it is possible to determine the differences that may exist based on the significant level of the T-test. Six factors that can affect the business of insurance companies according to the assessment of their management bodies were analyzed, namely: policyholder satisfaction, policyholder information, cooperation between insurance companies and banks and the Internet sales of insurance products, taxpayers, permanent education in the overall ratings of all 6 factors. The obtained results are lower than the threshold level of significance for all analyzed factors, as well as for the overall rating of all 6 analyzed factors. It can be seen that there are significant differences in the ratings of the management bodies of 4 insurance companies for observing insurance in relation to the size of the company, as well as that there are higher ratings for all factors as well as for the overall rating given by the management bodies of insurance companies of large companies.

Another conclusion is that multiple linear regression can be applied to predict the total cost of the company based on the evaluated six factors of influence on the observation of insurance based on the survey obtained by the management body of 4 insurance companies. The coefficient of determination (R<sup>2</sup>) of 0.441 was obtained by regression analysis, on the basis of which we conclude that the obtained prediction model accounts for 44.1% of the total variance. The obtained model is statistically significant because its significance ( $p < 0.0005$ ,  $F = 19.442$ ) is lower than the observed statistical level, on the basis of which we conclude that the total costs of the company can be predicted based on the six factors of influence on insurance observation. All independent factors except the satisfaction of the insured have a significant contribution to the prediction of the total cost of the company (Table 2).

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## **EVALUACIJA ORGANA ODLUČIVANJA U OSIGURAVAJUĆIM DRUŠTVIMA U REPUBLICI SRBIJI U CILJU REALNE PREZENTACIJE TROŠKOVA OSIGURANJA POMOĆU T-TESTA I KORELACIJSKE ANALIZE**

### **SAŽETAK RADA:**

Autori su prikazali rezultate predviđanja ukupnih troškova poduzeća u odnosu na troškove osiguranja u velikim i srednjim poduzećima u Republici Srbiji primjenom višestruke linearne regresije. Analiza je provedena na temelju šest faktora procjene utjecaja, nakon što su dobili rezultate od strane rukovodstva četiri osiguravajuća društva koja posluju u Republici Srbiji. Upotrebom regresijske analize dobiven je koeficijent determinacije ( $R^2$ ) od 0,441, što pokazuje da je vrijednost od 44,1% ukupne varijance dobivena na temelju danih modela predviđanja. Dobiveni model je statistički značajan jer je njegov rezultat ( $p < 0,0005$ ,  $F = 19,442$ ) niži od promatranog statističkog nivoa. Dakle, ukupni troškovi osiguranja kompanije mogu se predvidjeti na temelju šest utjecajnih faktora. Nakon toga, promatran je individualni doprinos svake nezavisne varijable na ukupne troškove osiguranja. Zaključeno je da svi nezavisni faktori imaju značajan doprinos pri predviđanju ukupnih troškova kompanije, osim analiziranog faktora "zadovoljstvo osiguranika".

**Ključne riječi:** *organi upravljanja osiguravajućih kompanija, veličina kompanija, troškovi osiguranja.*

Scientific Review  
UDK: 657.41/.45; 657.05  
*Paper received: 11/07/2023*  
*Paper Accepted: 22/08/2023*

# **THE PRINCIPLES-BASED INTERNATIONAL ACCOUNTING STANDARDS TRAINING MODEL – THE NEW PARADIGM FOR LEARNING COMPETENCIES IN A CHANGING ECONOMIC ENVIRONMENT<sup>1</sup>**

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## **ABSTRACT**

The effort to achieve harmonization in the accounting practices of different countries requires that the content of International Financial Reporting Standards (IFRS) implies interpretability in their application. This feature, combined with the dynamics of economic processes at the national and global level, makes the study of IAS/IFRS a challenge for both teachers and students. The purpose of this paper is to systematize the approaches in training in the IFRS with a view to achieving sustainability and the possibility of upgrading the acquired knowledge, skills and competences. As a result of studies, the principles of the training process under IFRS have been defined. Based on them, a training model based on modules has been developed and presented in order to ensure consistency and flexibility in learning knowledge related to the theo-

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<sup>1</sup> This research is part of project 2020-1-TR01-KA226-HE-097737 A DIGITAL LEARNING PLATFORM FOR GENERATION Z: PASSPORT TO IFRS®.

retical statements and practical application of IFRS. As a result of the application of the model, a basic foundation of acquired skills and knowledge has been derived, which build the trained students as highly qualified specialists in this field.

**Keywords:** *international accounting standards; training; educational model; modular training; accounting*

## **1. INTRODUCTION**

The purpose of this paper is to systematize the approaches in training in the IFRS with a view to achieving sustainability and the possibility of upgrading the acquired knowledge, skills and competences. To achieve the stated goal, a critical analysis of the literature in this area was performed.

Knowledge management allows better planning of the IFRS training process. The peculiarities of the cognitive process and the essence of the teaching material under IFRS are a prerequisite for the presence of a number of factors that may affect the nature of training under IFRS. The dynamics in the development of social and economic processes have a significant impact on the application of IFRS. The practical knowledge and skills that learners acquire should be in line with their increased requirements and the ability to navigate the significant amount of economic and accounting information. The role of the trainer must take into account the change in the expectations of the learners, the increase of the scientific knowledge and the accelerated development in the competence model for the application of the acquired knowledge and skills.

## **2. PRINCIPLES IN IFRS TRAINING**

The organization of the learning process should be based on certain initial rules and bases, the so-called principles. The main goal in defining these principles is to meet them as much as possible on the one hand to the requirements for the learning process, and on the other hand to be consistent with the semantics of the subject matter, which is included in the program. The content of IFRS is based on principles, which in turn creates specifics in the structuring and arrangement of this content for educational purposes. Therefore, the specifics of the content of IFRS also determine the principles on which the model of their teaching should be based.

In addition to the general (basic) principles that are inherent in the general theory of pedagogy, specific principles should be defined, which are based on the specifics of the subject matter related to IFRS.

These principles are the starting point of the educational process. They determine the organization of the educational process on both sides - trainers

on the one hand and students on the other. The benefits of having principles as a basis for the proposed educational model are expressed in the following directions:

**First.** The principles achieve selection and systematization of the educational content to be taught;

**Second.** Choice of methods and means for presenting the educational content in the respective discipline;

**Third.** The formation of a clear criteria base of requirements for assessing the knowledge of students;

**Fourth.** Determining the expected competencies and skills that are acquired after completing the course, in view of the needs of the business.

For the purposes of IFRS training, the following specific principles can be defined:

- **Comprehensibility and clarity** - the content of the standards is distinguished by the use of a specific conceptual apparatus. This, in turn, requires trainers to present the material in the simplest possible way, which implies not only its mechanical learning, but its understanding. Clarity, as a principle of IFRS training, is expressed in the use of examples related to the application of specific formulations.

- **Consistency and interconnectedness** - this principle of IFRS training is a consequence of the fact that the content of the studied accounting standards is characterized by interdependence between the individual standards (a concept in a standard is given as a definition in a preceding standard, as the numbering of this standard). When developing the curriculum, the existence of specific concepts that are not characterized should not be allowed.

- **Practical applicability** - according to the principle of flexibility, the learning content should be mainly practical. Avoid too long and unnecessary theoretical explanations that make it difficult to understand the matter related to the standards. The main purpose of this principle in building the learning process is to teach what will actually be useful in the future professional realization of students.

- **Developing analytical skills** - certain standards imply an alternative in the reporting of specific operations - usually related to the subsequent valuation of certain assets. The presentation of the cases that give rise to an alternative in the reporting should be accompanied by an analysis of the specific situations in which the use of one or another approach is appropriate;

- **Creativity** - this principle can be defined as one of the most important. It is expressed in the development of the ability of learners to be creative in solving specific cases related to the application of IFRS.

- **Teamwork (Communicativeness)** - the training process should involve teamwork of trainees related to the application of IFRS. Teamwork helps to unite the group of trainees, as well as to develop other qualities necessary for their future professional realization, namely: tolerance, compliance with the opinion of other members of the group.

This group of specific principles is open and transitional. It should be amended, both in terms of the number of principles and in terms of the name and essential characteristics of each of them, in order to bring them into line with the specific socio-economic conditions.

### **3. ELEMENTS OF THE PRINCIPLES -BASED MODEL FOR TEACHING AND LEARNING - CHARACTERISTICS AND GOALS**

The emphasis in the principle-based learning model is the relation between the specific learning toolkit and the competency model, which will help learners to seek answers to the “why” question using the conceptual framework for financial reporting. The model makes it possible to understand and critically examine inspections even after the application of IFRS. The aim is for students to form lasting knowledge that will allow them in their professional realization to make more informed financial judgments. Students will learn the features of IFRS, through which to justify financial reporting and clearly apply economic concepts. Hodgdon et al. asserted that accounting educators can enhance the ability of students to apply the professional judgment by relating the concepts in the IASB Framework to specific IFRS requirements. (Hodgdon, Hughes, Street, 2011, p. 415-439) <sup>2</sup>

The methods of teaching through lectures and the passive, mechanical perception of information by students cannot fully cover the requirements of the business in terms of trained personnel in the field of accounting. (Siskos, 2019, p. 54) <sup>3</sup>

Teaching of IFRS should upgrade on the memorization of current standards and requirements and be related with the promotion of the adoption of approaches through which students can develop a deeper understanding of the economic nature underlying the accounting transactions and the framework concepts on which they are based.

Emphasis of the proposed model of education is placed on the development of analytical and creative abilities of students in the digital environment, in combination with the ethical norms of the accounting profession.

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<sup>2</sup> Hodgdon, C., Hughes, S. B., & Street, D. L. *Framework - based teaching of IFRS® judgements. Accounting Education: An International Journal*, 2011, 415-439.

<sup>3</sup> Siskos, Dimitrios V. *Accounting Education in Greece During the GFC (2009-2016)*, 2019. EMRY-RIDDLE Aeronautical University, *Scholarly commons*, p. 54. Retrieved [13.12.2021] from <https://commons.erau.edu/>



In this way, students will have a better understanding of the nature and objectives of financial reporting.

The development of the model follows the logic of **The Revised Two Factor Study Process Questionnaire**. Its essence is the ability of trainers to evaluate, on the one hand, their own teaching and the learning of students on the other.<sup>4</sup> (Dong, Bai, Zhang, Zhang, 2019)

When proposing a specific structure of the IFRS training model, the following are used as starting points and guidelines:

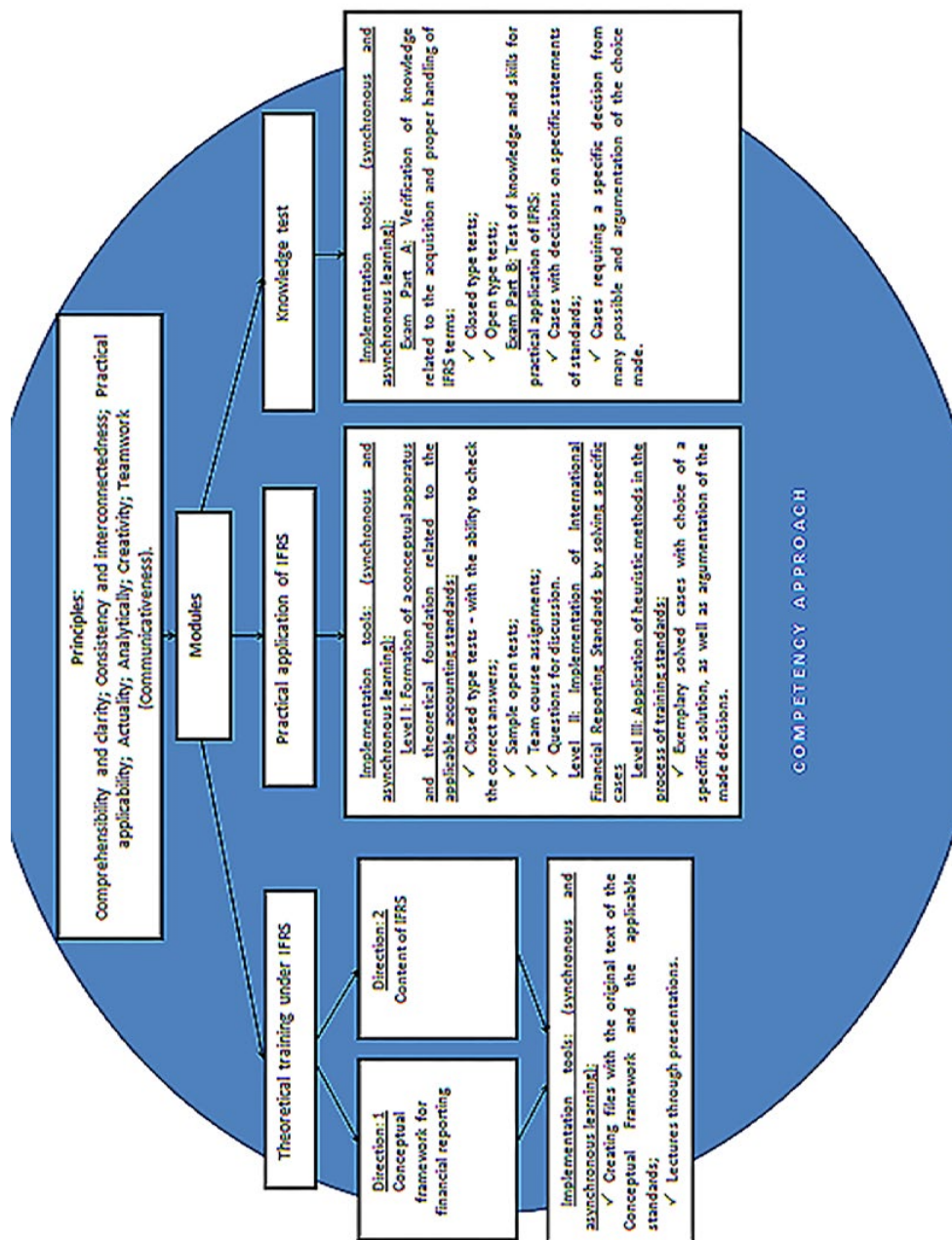
- ✓ Standards and guidelines for quality assurance in the European Higher Education Area (ESG).
- ✓ The set of knowledge, skills and competencies - personal and professional, corresponding to levels 6B, 7 and 8 of the European Qualifications Framework.
- ✓ Higher modern requirements of the users of staff regarding the knowledge, skills and competencies that the candidates for accounting profession must have.

The structure of the principle-based learning model we propose can be schematically presented as follows (see **Figure 1**):

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<sup>4</sup> Dong, Nanyan & Bai, Meng & Zhang, He & Zhang, Junrui. *Approaches to learning IFRS® by Chinese accounting students. Journal of Accounting Education. 2019. (Abstract) Retrieved [14.12.2021] from <https://www.researchgate.net/>*

Figure 1 Principle-based model



Modular training is envisaged, consisting of the following three modules:  
**First module: Theoretical training.** This module contains:

**1. Presentation of the conceptual framework for financial reporting on which IFRS are based.**

The framework addresses the concepts underlying the information presented in general purpose financial statements. It is a "coherent system of interrelated objectives and principles on the basis of which it is possible to develop consistent accounting standards"<sup>5</sup> (Bozhkov, Simeonova, Ivanova-Kuzmanova, 2020). Students who understand the conceptual framework will be able to make more informed judgments about financial reporting because they will understand what financial reporting is trying to achieve and how to achieve it. As Barth stated "The accounting profession needs persons who are well grounded in economic concepts and who want to make well-founded professional judgments." <sup>6</sup> (Barth, 2008, p. 1159-1179) Incorporating these competencies into the IFRS course will make it possible to restore the importance of accounting education programs and to fill the existing gap between accounting education and professional practice.

**2. Presentation of the main theoretical positions in the specific IAS / IFRS**

IAS / IFRSs are a "set of professional rules for identifying, classifying, recognizing, measuring, revaluing and presenting elements of financial statements, as well as disclosure requirements"<sup>7</sup> (Bozhkov, Simeonova, Mihaylova, 2016). The relation of the main business operations, the accounting of which is regulated in the respective standard, with the separate components of the financial statements should be clearly traced here. Larson and Street also state that the IFRS Foundation emphasizes and promotes approaches to teaching IFRS that encourage students to develop a deeper understanding of the economic substance underlying accounting transactions and the IASB framework concepts upon which IFRS are based.<sup>8</sup> (Larson, Street, 2011, p. 317-338) The conclusion that can be drawn is that when financial reporting requirements are taught in the context of the conceptual framework, accounting students have a better understanding of the nature and objectives of financial reporting. As Persons argues, the principle-based approach to teaching IFRS emphasizes the question of "why" rather than just "what" and "how"; using a conceptual framework for understanding and as a basis for critically examining the advantages and disadvantages of standards. <sup>9</sup> (Persons, 2014, p. 1-13)

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<sup>5</sup> Bozhkov, V., Simeonova, R., & Ivanova-Kuzmanova, G. *Schetovodni kontseptsii i standarti*. Svishtov: AI "Tsenov", 2020.

<sup>6</sup> Barth, M. E. *Global financial reporting: Implications for U.S. academics. The accounting Review*, 2008, 1159-1179.

<sup>7</sup> Bozhkov, V., Simeonova, R., & Mihaylova, R. *Standarti za predstavayane na finansovi otcheti*. Svishtov: AI "Tsenov", 2016.

<sup>8</sup> Larson, R. K., & Street, D. L. IFRS® teaching resources: Available and rapidly growing. . *Accounting Education: An International Journal*, 2011, 317-338.

<sup>9</sup> Persons, O.. *A Principles-Based Approach for Teaching International Financial Reporting Standards (IFRS®)*. *Journal of Instructional Pedagogies (AABRI)*, 2014, 1-13.

**Second module: Practical application of the provisions related to the IAS / IFRS, by solving various practical cases.** The aim of the case studies should be to emphasize both the technical requirements of the standards and the conceptual foundations (principle-based logic)<sup>10</sup>. (Saito, Hiramatsu, Mayangsari, 2012, p. 1-12)

It is planned to solve two groups of cases:

- cases where direct application of the provisions of the applicable IFRS is required. The purpose of these cases is to acquire skills for practical application of the provisions of the applicable accounting standards. For example, practical cases are developed on: initial valuation, subsequent valuation and depreciation of property, plant and equipment and other cases. The solution of the practical cases requires, along with the specific value calculations, to reflect the interrelation of the value effects of the specific business operations (purchase, sale, revaluation, etc.) in the separate components of the financial statements;
- simulation cases, the main purpose of which is based on an alternative of solutions, the students to choose the best solution in their opinion, arguing for the choice made. The purpose of these cases is based on the formed theoretical knowledge and practical skills regarding the application of IFRS students to find the best solution for the company in view of its current financial statement.

Examples of cases from the second group are the presentation of different possible depreciation methods, different approaches to revaluation. Students should analyse their effects on the components of the financial statements and, on this basis, analyse the financial condition arising from these effects in order to select the most appropriate method / approach to apply. According to Sunder, alternative accounting for business events enables students to understand the importance of judgment while developing their critical thinking skills.<sup>11</sup> (Sunder, 2010, p. 99-114) This module is related to the development of creative training techniques, such as teamwork, case analysis, etc. It is also appropriate to use the 'out-of-classroom experience' approach here, such as internships, fieldwork, etc. These two modules should apply active learning, which means that the student is engaged, actively involved and invests time and energy in their learning.

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<sup>10</sup> Saito, M., Hiramatsu, K., & Mayangsari, S. Accounting Education for the Implementation of IFRS® in Indonesia . *International review of business*, 2012, p. 1-21.

<sup>11</sup> Sunder, S. Adverse Effects of Uniform Written Reporting Standards on Accounting Practice, Education, and Research. Sunder, S. 2010. "Adverse Effects of Uniform Written Reporting S*Journal of Accounting and Public Policy* , 99-114.

There are many ways to achieve this. Learning activities include learning practical examples, group projects, discovery tasks, problem solving, practice, assessment and self-assessment, fieldwork, creativity and criticism.

### **Third module: Assessment of the formed knowledge and skills**

The process, the degree of participation and the achieved expected results are evaluated, and the evaluation is complex. Various approaches, methods and tools are used to measure the learning outcomes - not only tests, but also open discussions, game methods, individual tasks, project-based learning, presentation approaches, independent solving of cases from the two groups described above and others.

Active feedback is of paramount importance in bringing these three modules together. There needs to be effective, dynamic and transparent feedback between trainers and students. Students should be provided with feedback - reviews, comments, notes and recommendations from the trainer, which, if necessary, should be related to consultations on the learning process.

## **4. APPLIED ASPECTS OF THE PRINCIPLE-BASED MODEL OF TEACHING AND LEARNING**

### **4.1. DIMENSIONS OF THE COMPETENCE APPROACH**

The dynamics of the development of modern society brings to the fore the growing need for socially and technologically educated individuals who are able to construct their personal and professional behaviour and make decisions for the benefit of society. All this requires a change of attitudes from subject-oriented to competency-oriented teaching and learning, moving from the static concept of "learning content" and encyclopaedic knowledge to the dynamic perception of competencies as a set of knowledge, skills and attitudes that develop at university and enrich throughout life. The aim is to build in the young person skills that will serve him for full personal, social and professional realization.

The change of focus in training from teaching knowledge to mastering key competencies and solving problem-solving skills brings to the fore the main features of the competency approach<sup>12</sup> (Za prehoda ot znaniya kam umeniya, 2023):

- **integrated interdisciplinary interaction** - The whole educational process is related with separate global topics and concepts, which, in order to be understood, must be taught interconnectedly. Emphasizing the integrity of the studied means using different interdisciplinary relations

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<sup>12</sup> Za prehoda ot znaniya kam umeniya Retrieved [18.12.2021] from <https://www.mon.bg/upload/II-book>

in clarifying terms, processes and occurrences. Interdisciplinary training facilitates the formation of individual key competencies and ultimately leads to their integrated acquisition. And this contributes to the multi-layered thinking and formation of integrative qualities of the personality, which mobilize its personal potential;

- **practical orientation of the training** - in the competence approach, education is associated with the ability on the basis of the acquired knowledge to demonstrate skills to solve problems of varying complexity and in unknown everyday situations. This requires providing a real practical context for learning purposes and developing learning tasks in a way that stimulates critical thinking, teamwork, creativity, entrepreneurship, emotional intelligence, decision making - skills that are becoming essential in the 21st century. When students see the practical significance of each acquired competence, it motivates them to participate, creates confidence in them to cope, provokes them to seek positive solutions;
- **results orientation** - The competency approach focuses on the result, but the result not as a sum of learned information, but as a set of skills for action in various non-standard situations;
- **application of innovative approaches and practices in the process of teaching and learning** - The competency approach is based on interactive methods and new learning technologies that contribute to the form of independence, initiative, creativity, critical thinking in students and guide them to the specific effective result. This approach emphasizes the variety of forms of assessment and the ways of forming adequate and positive self-assessment. The use of innovations in the teaching and learning process, including technological ones, contributes greatly to increasing the motivation for active work. Creative and innovative approaches require the development of learning tasks in a way that stimulates critical thinking skills, teamwork, creativity, entrepreneurship, social and emotional intelligence and decision making.

## 4.2. ACQUIRED SKILLS AND COMPETENCIES

The application of the proposed principle-based model of IFRS training, based on competencies, leads to the formation of the following knowledge, skills and professional competencies in students:

The training provides students with:

- a wide range of theoretical and practical knowledge of IFRS - (the conceptual basis of financial reporting, theoretical statements, approaches, concepts, and methods related to specific IAS / IFRS);

- the ability to critically learn and express various theories, concepts and patterns necessary for the development and implementation of original ideas and solutions in practice.

In the process of training students acquire basic skills for:

- applying the accounting rules relating to the initial measurement and initial recognition of assets and liabilities, income and expenses, subsequent valuation, derecognition, presentation and disclosure in the financial statements, etc.;
- comparison of the recommended and admissible alternative approaches in the accounting treatment of similar transactions and events;

Interpretation and application of IAS / IFRS in accounting for the activities of enterprises and the preparation of their financial statements;

- use of practical and cognitive approaches and strategies for understanding and diagnosing abstract problems in the professional field in situations characterized by uncertainty;
- application of modern research, integration of knowledge from interdisciplinary fields and generation of new knowledge in order to solve specific problems arising in the professional field.

The training forms in the students the following main competencies:

- independence and responsibility - initiating processes of change, policy formulation, organization of activities and manifestation of leadership qualities in the management of teams for their implementation;
- learning skills - identification of the need to update and / or expand the professional qualification, ability to independently train and acquire new knowledge and skills in the field of accounting standards; application of abstract thinking and various methods and approaches for creative acquisition of new knowledge;
- communication and social competencies - argumentation and presentation of ideas, problems and solutions (regarding the development of the respective professional field) to a specialized and non-specialized audience;
- professional competencies - ability to apply IAS / IFRS in their professional activity; ability to work with information, to discover, evaluate and use information from different sources to solve various professional and scientific tasks; processing of specialized financial and non-financial data and interpretation of the created information in order to solve complex problems in the professional field; ability for adequate professional judgments and interaction.

## 5. CONCLUSION

The main factor in the practical application of this approach is the trainer with his knowledge, skills and competences.

The role of the trainer is expressed in:

- changing the focus from teaching to active learning;
- orientation the content of education towards mastering key competencies and developing problem-solving skills;
- establishing relationships with specialists from the practice, with a view to continuous assessment of the sought-after skills for the accounting profession and researching the labor market;
- conducting applied research that supports the profession and the learning process and maintains a high level of competence and expertise of trainers;
- encouraging the motivation to learn in their students;
- purposeful application of information technologies to support training;
- mediator of the information flow.

To realize this new role, the modern trainer has considerable freedom - to organize the learning environment, to plan learning activities, to select methods, approaches and educational resources, to enrich the educational process with situations close to the real ones. This enables him to create a "developmental environment" compliant to the specifics of specific students, dynamic and changing according to their level of ability, to include as much as possible modern teaching aids, to apply innovative practices to make their lesson creative, so that the main result of the training is not the knowledge received by the student, but the experience gained from systematic activities.

Purposefully application of technology can support learning without automating it, using programs and applications that support student research and provide opportunities for creative activities, if digital methods of collaboration and communication are offered within and outside the university.

As a result of the application of proposed model, a basic foundation of acquired skills and knowledge has been derived, which build the trained students as highly qualified specialists in this field.

IFRS changes as a result of objective economic conditions. This, in turn, creates a need for periodic revision of the developed training models and testing of specific changes in the training process.



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## **OBRAZOVNI MODEL UTEMELJEN NA NAČELIMA MEĐUNARDNIH RAČUNOVODSTVENIH STANDARDA – NOVA PARADIGMA STJECANJA KOMPETENCIJA U PROMIENJENOM EKONOMSKOM OKRUŽENJU**

### **SAŽETAK RADA**

Napor da se postigne usklađenost računovodstvenih praksi različitih zemalja zahtijeva da sadržaj Međunarodnih standarda financijskog izvješćivanja (IFRS) implicira interpretabilnost u njihovoj primjeni. Ova karakteristika, u kombinaciji s dinamikom ekonomskih procesa na nacionalnoj i globalnoj razini, čini proučavanje IAS/IFRS izazovom kako za nastavnike tako i za studente. Svrha ovog rada je sistematizirati pristupe u edukaciji u IFRS-u s ciljem postizanja održivosti i mogućnosti unapređenja stečenih znanja, vještina i kompetencija. Rezultat istraživanja su definirani principi obrazovnog procesa u skladu s IFRS-om. Na temelju njih, razvijen je model edukacije temeljen na modulima, koji je predstavljen kako bi osigurao dosljednost i fleksibilnost u učenju znanja vezanih za teorijske izjave i praktičnu primjenu IFRS-a. Kao rezultat primjene ovog modela, izgrađena je temeljna osnova stečenih vještina i znanja koja izgrađuju educirane studente kao visoko kvalificirane stručnjake u ovom području.

***Ključne riječi:** međunarodni računovodstveni standardi; obuka; obrazovni model; modularna obuka; računovodstvo.*

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Rad izložen na Konferenciji Računovodstvo i menadžment, 2023.

Preliminary paper  
UDK: 005

*Paper received: 30/06/2023*

*Paper Accepted: 31/08/2023*

## **THE DYNAMICS OF CROSS-CULTURAL LEARNING: A U-SHAPED JOURNEY?**

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### **ABSTRACT**

This empirical paper focuses on the dynamics of cross-cultural learning by examining the shape and changes in the cross-cultural learning curve. Specifically, analyzing the results from a study performed on a total of 322 undergraduate students, the paper aims to describe the process of developing cross-cultural competencies, and cultural intelligence in particular. This study seeks to provide answers about the context of developing cultural intelligence, especially in relation to the starting point regarding cultural intelligence, previous cross-cultural experience, and overall enthusiasm for learning.

The most intriguing finding of this paper is the fact that cross-cultural learning indeed represents a U-shaped journey. This insight helps to develop better cross-cultural training programs, that can be specifically tailored to key characteristics of the learner, and thus enabling better results in developing cultural intelligence. HR experts focused on training and development can benefit from understanding that culture shock doesn't only happen with international travel, but also with cross-cultural learning. Preparing participants of the cross-cultural training programs for the foreseeable frustration and shock as they go through training, might just be the nudge they need to finish moving along the curve towards new heights.

Additionally, the study confirmed that the cultural intelligence growth pace is correlated with the baseline reported cultural intelligence of the learner, and the learner's enthusiasm for the training project.

**Keywords:** *cross-cultural learning, learning curve, cultural intelligence, cross-cultural training, cross-cultural competencies*

## 1. INTRODUCTION

Understanding the similarities and differences among different cultures worldwide is imperative for all companies striving for global success. International companies significantly focus on developing their employees' global talents, particularly cultural intelligence (CQ). Likewise, cultural intelligence is gaining much focus in research (e.g., Chen et al., 2024; Lee and Hwang, 2024; Piršl, Drandić and Matošević, 2022; Setti, Sommovigo and Piergiorgio, 2022; Vlačić and Liović, 2023), particularly the motivational component, the so-called motivational cultural intelligence (e.g., Song, Varma and Yingying, 2023; Yang, 2023). Cultural intelligence can be described as the ability to adapt to different cultures and their particular communication style, as well as the competency to build effective relationships (Skoko, 2022). Cultural intelligence relies on understanding the differences between the two cultures, which inevitably relies on being not only familiar with both cultures, but also understanding them thoroughly. Additionally, high cultural intelligence enables a deep understanding of the cultural differences' nuances, and the ability to adjust to new circumstances. By adjusting our behavior, we can ensure smooth communication without misunderstandings. Similarly, by adjusting our expectations, we can ensure an understanding of the communication styles, behaviors, and values of individuals from other cultures.

Cultural intelligence is just one of the cross-cultural competencies in the toolkit of global talents who travel internationally or are assigned to expatriate roles. The other cross-cultural competencies include cross-cultural communication, adaptability, empathy, awareness of cultural differences, and the ability to collaborate in multicultural environments. James (2018) notes that cross-cultural communication allows expats to recognize and understand contextual differences while communicating with other individuals, and particularly with individuals from "high-context societies". Meaning, societies that rely more on the context than explicitly spoken words or sentences. It seems that cultural intelligence plays a major role in successful cross-cultural communication, as it provides a useful starting point through understanding the similarities as well as differences. And although high cultural intelligence shines particularly in interactions with individuals from high-context societies, it remains crucial for any cross-cultural communication.

Furthermore, Tsai and colleagues (2019) found that most successful expatriates in managerial positions continuously adjust their leadership styles. Adaptability is also one of the previously mentioned cross-cultural competencies. Tsai and colleagues (2019) moreover emphasize that, in addition to adaptation, successful expatriates also strive to inspire change among local employees. They highlight that successfully leading employees from different

cultural backgrounds requires an understanding of local work habits and behaviors, not just adapting to local social norms. In other words, it is once again shown that one of the characteristics of successful expatriates is a high degree of cultural intelligence, which is reflected in the adequate recognition of cultural differences and consequently the ability to adapt to circumstances.

Overall, cultural intelligence is a concept clearly recognized as an antecedent to success in global management and largely depends on acquiring knowledge and experience about different societal cultures (Lenartowicz, Johnson, and Konopaske, 2014). Therefore, a crucial question arises: can cultural intelligence be developed? Numerous corporate experiences and case studies indicate that it can. Although there are frequent opinions that the development of cultural intelligence and cross-cultural competencies, in general, should start from early childhood (e.g., Hercigonja, 2017), exposure to international cultures is most often first recorded during higher education (Vlajčić and Liović, 2023, p. 46). Regardless of individuals' prior experiences, nowadays, developing employees' cultural intelligence, or cross-cultural learning, is one of the key tasks of the Training and Development departments.

Initially, the development of global talents was most often conducted by providing direct experiences of learning about other cultures. For instance, Yamazaki and Kayes (2004) observed that expatriates often learn how to effectively manage employees from different cultures without having undergone formal training or education in cross-cultural skills. In the meantime, we have learned that the skills needed by expatriates are most effectively developed through cross-cultural education programs (e.g., Lenartowicz, Johnson and Konopaske, 2014; Okpara and Kabongo, 2011). The most commonly used methods include briefings on the local area, lectures, books, videos, interactive language learning, role-playing, local area visits, and simulations (Lenartowicz, Johnson and Konopaske, 2014). The three most commonly used cross-cultural training methods for understanding high-context cultures are interaction, didactic training, and awareness of cultural differences (Lawson and Shepherd, 2019). Specifically, using empirical research, Lawson and Shepherd (2019) identified five specific elements to consider when designing cross-cultural training: anticipatory adjustment, cultural distance, cultural match, ways and methods of adapting to a particular culture, and awareness of cultural differences and diversity.

Over time, the importance and presence of virtual cross-cultural teams in global business have significantly increased (Mochaitis, Zander and De Cieri, 2018; SHRM Foundation, 2016). Therefore, it seems extremely important not only to encourage regular cross-cultural training within companies but also to continuously enhance and improve the content of such training. Only through prioritizing cross-cultural learning can global talents truly achieve the best results in a multicultural environment.

To continuously enhance cross-cultural training, it is important to better understand the process of cross-cultural learning. Therefore, this paper focuses on the learning curve in cross-cultural training from the individual's perspective. Specifically, using the results of an empirical study conducted with 322 undergraduate students, the aim of this paper is to gain a deeper understanding of the process of acquiring cross-cultural competencies, specifically cultural intelligence. The research seeks to provide an answer regarding the context of developing cultural intelligence, particularly concerning previous experience in a multicultural environment, the initial level of cultural intelligence, and the general level of enthusiasm for developing cultural intelligence through the experience of cross-cultural learning.

## **2. THE CHARACTERISTICS OF CROSS-CULTURAL LEARNING**

It is known that the cultural adaptation process model, described by Lysgaard in 1955, depicts the experience of adapting to a different societal culture with a so-called U-curve. Lysgaard (1955), studying a group of Norwegian students who came to study in the United States, identified a distinct pattern that repeated in the students' experiences. In terms of cultural adaptation, the U-curve suggests that the experience starts with an initial state of euphoria and enthusiasm for the adventure, which then gradually turns into a period of frustration and depression due to difficulties in the new environment, and finally ends with adaptation to the new culture and an enhanced sense of satisfaction.

Gullahorn and Gullahorn (1963) attempted to build upon the aforementioned model and proposed an adaptation model whose curve resembles the letter "W". Their intention was to emphasize the fact that individuals experience a similar decline in enthusiasm twice – once when they arrive in a new culture, and once when they return to their home country (and culture). In the literature, this decline in enthusiasm is referred to as culture shock, and the subsequent decline in enthusiasm upon returning home is called reverse culture shock.

Further research has more thoroughly described the typical experience of adapting to a new culture, such as when relocating to another country. Black and Mendenhall (1991) described four stages in the process of cross-cultural adaptation. In the first, introductory phase, adaptation is relatively easy and quite pleasant, which is why this phase is called the "honeymoon." Soon, often within the first week of being abroad, a person increasingly experiences discomfort, entering periods of crisis, and this phase is called "culture shock." This phase is typically followed by the "adjustment" phase, in which the individual gradually becomes acquainted with the new culture and lifestyle in the new environment. The final phase is again described as a happy period, where the individual successfully overcomes the challenges of the new culture ("mastery") and fully integrates functionally into it.

The insights that the model of adapting to a new culture follows a U-shaped curve might be used to enhance the effectiveness of cross-cultural training (e.g., Lawson and Shepherd, 2019). Therefore, one of the objectives of this research is to test whether cross-cultural learning also follows a U-shaped curve. If this is accurate, adequately preparing training participants for the potential frustration and shock they might experience during the training could lead to faster and more successful cross-cultural learning, or the development of cultural intelligence. Thus, the first hypothesis is as follows:

**Hypothesis 1:** The dynamics of cross-cultural learning follows a U-shaped curve.

So far, the topic of antecedents to successful cross-cultural learning has been extensively addressed in the literature. The most comprehensive list includes as many as eighty different antecedents of cultural competencies, grouped into six themes: vision, contact, context, collaboration, connections, and outcome (Harper, 2008).

Additionally, the experiences of individuals who spent a significant part of their childhood in cultures different from those their parents might identify with (known as "adult third culture kids," ATCKs) highlight four key predictors of developing cross-cultural competencies (Tarique and Weisbord, 2013): diversity of early international experiences (measured by the number of countries one has lived in), linguistic diversity (measured by the number of foreign languages one speaks), diversity within the family (measured by the number of different ethnic groups in one's family background), and a personality trait considered one of the "Big Five" personality traits: openness to experience. It is also interesting to note that openness to new experiences is a key predictor of expatriate success (e.g., Tarique and Schuler, 2008).

Additionally, much is known about the different dimensions of cultural intelligence and their impact on cross-cultural learning. For example, one study found that motivational cultural intelligence significantly reduces stress levels resulting from adapting to a new culture during short-term travel, while perceived ability to speak a foreign language and the age of the participants significantly increased stress levels (Crowne and Engle, 2016).

Unfortunately, we still do not know enough about the antecedents that might lead to a steeper learning curve in cross-cultural learning, and thus a greater leap in the development of cultural intelligence. Accordingly, the objectives of this research are focused on initial cultural intelligence, prior cross-cultural experience, and differences in enthusiasm for the cross-cultural learning experience. Based on these objectives, the following hypotheses have been defined:

**Hypothesis 2a:** The growth rate of cultural intelligence correlates with the initial cultural intelligence.

**Hypothesis 2b:** The growth rate of cultural intelligence correlates with the previous cross-cultural experience.

**Hypothesis 2c:** The growth rate of cultural intelligence is correlated with the enthusiasm for cross-cultural learning experiences.

### **3. RESEARCH METHODOLOGY**

The research included students enrolled in the course Organizational Behavior, which is conducted in the second year of undergraduate studies. As part of this course, students participated in a project designed to provide them with direct experience in cross-cultural collaboration. The project accounted for 30% of the total grade, lasted eight weeks, and was organized in such a way that students were randomly divided into teams of students who attended the same course at three different universities on two different continents. The teams consisted of 3 or 4 students, with at least one student from each of the three universities present in each team.

A total of 322 students participated in the research, divided into 93 teams. Of these, 77 students were studying at a public university in the United States, 104 students were studying at a private university in the United States, and 141 students were studying at a private higher education institution in Croatia.

Quantitative and qualitative data were collected at three different time points in the research. Time point 1 refers to the period before the start of the project, time point 2 refers to the period in the middle of the project, and time point 3 refers to the period after the completion of the project. The primary variables for which quantitative data were collected are:

- (1) Cultural intelligence, measured using the Confidence sub-scale of Chen and Starosta's (2000) Intercultural Sensitivity scale, with an alpha coefficient of 0.81 for time point 1 (before the project), 0.81 for time point 2 (mid-project), and 0.76 for time point 3 (after the project);
- (2) Enthusiasm for cross-cultural learning experiences, measured through a direct question at all three previously described time points; and
- (3) Prior cross-cultural experience, measured through a direct question before the start of the project.

All quantitative variables were measured using a Likert-type scale ranging from 1 to 5. Qualitative data were also collected at each of the three-time points, which were very useful for a clearer interpretation of the obtained findings.

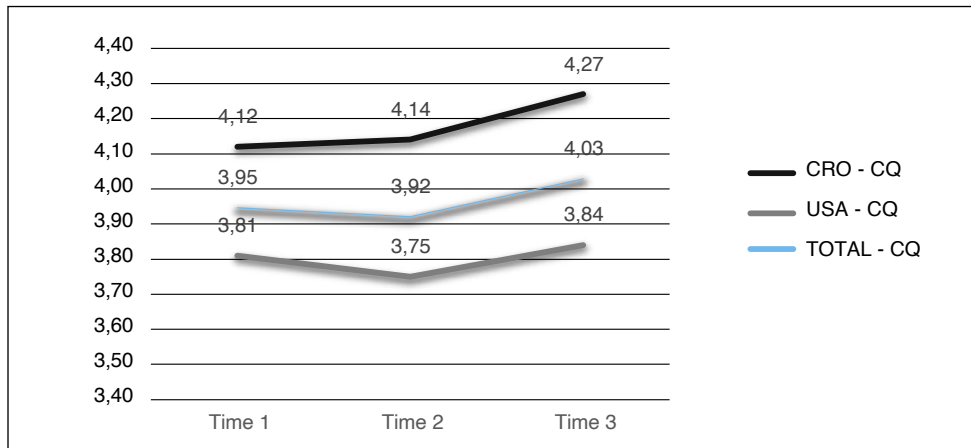
The research was conducted using a highly structured questionnaire created with the Qualtrics Survey software. The data were processed using the IBM SPSS Statistics 27 software package.



#### 4. RESEARCH RESULTS

A preliminary review of the average cultural intelligence indicates that students from Croatia reported higher initial cultural intelligence (measured at time point 1) compared to students from the USA (see Figure 1).

**Figure 1:** Cross-Cultural Learning Curve – Cultural Intelligence Over Time



This finding could be related to the fact that Croatian students also reported a higher level of prior cross-cultural experience (the average value for Croatian students was 3,81, while the average for American students was 3,08). Consequently, it is to be expected that Croatian students were simply more cross-culturally aware, which was also reflected in their assessment of their own cultural intelligence. What is particularly interesting is the movement of the cross-cultural learning curve, which in this study was observed through changes in the level of cultural intelligence at different time points (before, during, and after the project), as shown in the previous figure. The cross-cultural learning curve in this research among American students shows a decline at time point 2, during the project. Additionally, it appears that the learning curve of Croatian students rises more steeply at time point 3, after the project ends, compared to the learning curve of American students who started the study with a lower initial point.

Although Figure 1 suggests that the cross-cultural learning curve may resemble the shape of the letter “U,” to further validate these preliminary results based on descriptive statistics, additional statistical analysis is necessary. Specifically, combining data from all study participants, a paired-samples t-test was conducted to test differences between means at three different time points. Descriptive data are presented in Table 1.

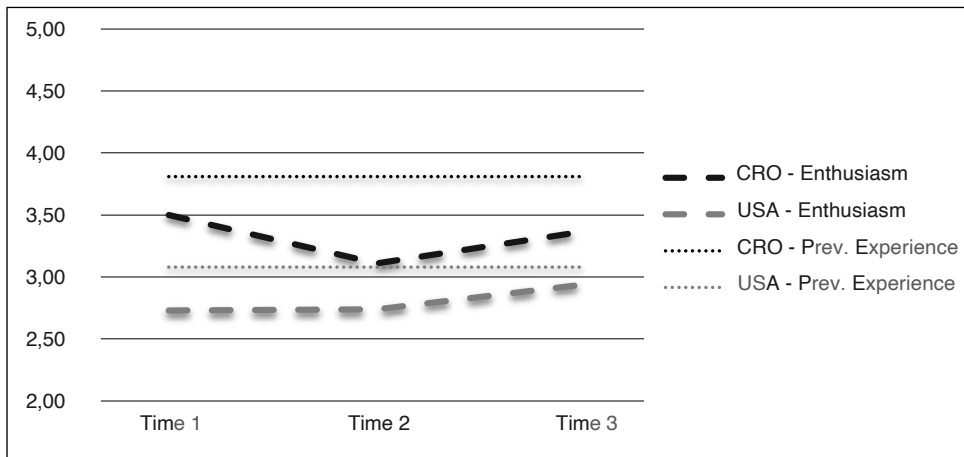
**Table 1:** Results of Paired-Samples T-Test Examining Differences in Cultural Intelligence at Three Different Time Points

Cultural Intelligence (CQ)		t	Sig.
Pair 1	Time 1 – Time 2	-2,394	<b>0,018</b>
Pair 2	Time 2 – Time 3	-2,026	<b>0,044</b>
Pair 3	Time 1 – Time 3	-3,302	<b>0,001</b>

Based on the data from the conducted t-test (Table 1), it is clear that cultural intelligence indeed significantly differs across the different time points. Therefore, we can conclude that the first hypothesis of the study is accepted, indicating that the cross-cultural learning curve over time does indeed take the shape of the letter “U”.

Further, using data from the conducted research, additional analysis was performed on initial levels of cultural intelligence, previous cross-cultural experience, and changes in enthusiasm for cross-cultural learning experiences. Interestingly, it appears that the enthusiasm curve also follows the shape of the letter “U” (see Figure 2).

**Figure 2:** Enthusiasm for cross-cultural learning experience, and previous cross-cultural experience



Based on the data obtained from the research, a new variable was calculated and named “cultural growth.” This variable represents the difference between measured cultural intelligence at time point 3 (after the project) and at time point 1 (before the project). Table 2 shows the results of the statistical analysis conducted to determine the strength of the statistical relationship using Pearson’s correlation coefficient.

**Table 2:** Correlation test between Cultural Growth and other variables from the study

		PCCE	ENT1	ENT2	ENT3	CQ1	CQ2	CQ3	CGrowth
<b>Previous cross-cultural experience (PCCE)</b>	Pearson's coefficient	1	,231**	,227**	,165*	,503**	,431**	,260**	-,127
	Significance (two-tailed)		,000	,002	,030	,000	,000	,001	,097
	N	618	618	182	173	618	182	172	172
<b>Enthusiasm at Time 1 (ENT1)</b>	Pearson's coefficient	,231**	1	,626**	,390**	,319**	,392**	,262**	,017
	Significance (two-tailed)	,000		,000	,000	,000	,000	,001	,822
	N	618	620	182	173	620	182	172	172
<b>Enthusiasm at Time 2 (ENT2)</b>	Pearson's coefficient	,227**	,626**	1	,448**	,180*	,357**	,227**	,128
	Significance (two-tailed)	,002	,000		,000	,015	,000	,001	,116
	N	182	182	265	199	182	265	198	151
<b>Enthusiasm at Time 3 (ENT3)</b>	Pearson's coefficient	,165*	,390**	,448**	1	,203**	,236**	,360**	,257**
	Significance (two-tailed)	,030	,000	,000		,007	,001	,000	,001
	N	173	173	199	229	173	199	228	172
<b>Cultural Intelligence at Time 1 (CQ1)</b>	Pearson's coefficient	,503**	,319**	,180*	,203**	1	,656**	,470**	-,380**
	Significance (two-tailed)	,000	,000	,015	,007		,000	,000	,000
	N	618	620	182	173	620	182	172	172
<b>Cultural Intelligence at Time 2 (CQ2)</b>	Pearson's coefficient	,431**	,392**	,357**	,236**	,656**	1	,521**	,041
	Significance (two-tailed)	,000	,000	,000	,001	,000		,000	,619
	N	182	182	265	199	182	265	198	151
<b>Cultural Intelligence at Time 3 (CQ3)</b>	Pearson's coefficient	,260**	,262**	,227**	,360**	,470**	,521**	1	,638**
	Significance (two-tailed)	,001	,001	,001	,000	,000	,000		,000
	N	172	172	198	228	172	198	228	172
<b>Cultural Growth (CGrowth)</b>	Pearson's coefficient	-,127	,017	,128	,257**	-,380**	,041	,638**	1
	Significance (two-tailed)	,097	,822	,116	,001	,000	,619	,000	
	N	172	172	151	172	172	151	172	172

\*\* The correlation is significant at the 0.01 level (two-tailed).

\* The correlation is significant at the 0.05 level (two-tailed).

The correlation matrix from Table 2 clearly shows a statistically significant correlation between the variable cultural growth and enthusiasm at time point 3, as well as cultural intelligence at time points 1 and 3. Such findings confirm hypothesis 2a (The rate of cultural intelligence growth correlates with initial cultural intelligence) and hypothesis 2c (The rate of cultural intelligence growth correlates with enthusiasm for cross-cultural learning experience).

It is interesting that the variable cultural growth was not statistically significantly correlated with previous cross-cultural experience, which means that it is not possible to accept hypothesis 2b (The rate of cultural intelligence growth is correlated with previous cross-cultural experience).

## **5. CONCLUSION**

The most interesting discovery of this study is the fact that cross-cultural learning follows a U-shaped curve, known as the U-curve. Considering this, international businesses now have a dual task: (1) to prepare employees who are preparing to embark on an international assignment for culture shock due to relocation, living, and working in a new culture, and (2) to prepare them for culture shock related to learning about the specifics of the new culture!

We are aware of the devastating effects individuals may experience when they find themselves at the bottom of the U-curve while immersed in a new culture. It can be assumed that a similar, albeit potentially milder, effect could be expected among individuals who find themselves at the bottom of the U-curve while immersed in a cross-cultural training program. Therefore, it would be useful to understand the intensity of this potential side effect of cross-cultural training and the best ways to mitigate its potentially negative impact.

Furthermore, the research has indicated that the level of enthusiasm with which an individual embarks on a cross-cultural training program matters significantly. This finding further underscores the importance of preparation for potential learning barriers, such as encountering culture shock during learning, and consequently experiencing a temporary decline in confidence in one's own cross-cultural skills. It would certainly be interesting to further investigate what exactly contributes to enthusiasm for developing cross-cultural skills and cross-cultural learning, as well as the causal relationship between these concepts.

Overall, the findings of the described study are highly significant for Human Resources professionals who prepare employees for international assignments. With these insights, training programs can be designed more effectively to have a stronger impact on the development of cultural intelligence in global talents by tailoring them to the specific characteristics of participants. Additionally, these findings can aid participants in cross-cultural training, as they prepare for their careers as future global leaders, expatriates, and global talents.

Quality preparation for the type of culture shock participants might experience during cross-cultural training, which is inherently similar to culture shock when relocating to another culture, can greatly reduce the shock level and help them move through the bottom of the U-curve more swiftly. For instance, Xia (2020) discusses the need to prepare Chinese students going abroad for the culture shock they will encounter. With adequate preparation, students can avoid unpleasant experiences of inadequacy or adjustment failure. Instead, with appropriate tactics and suggestions on how to experience and understand the impact of culture shock more easily, students can be prepared in advance to anticipate and reflect on their experiences, rather than dealing with the consequences of culture shock only after it occurs.

Similarly, it would be beneficial to prepare participants in cross-cultural training in advance for the culture shock related to learning. This preparation can help them avoid feelings of inadequacy or failure in adaptation when they start the cross-cultural journey and begin to explore all cross-cultural topics they were unaware of, yet didn't realize they didn't know.

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## SLIJEDI LI MEĐUKULTURNO UČENJE U-KRIVULJU?

### SAŽETAK RADA

Ovaj empirijski rad se fokusira na oblik i kretanje krivulje međukulturnog učenja. Analizom podataka prikupljenih istraživanjem koje je provedeno na 322 studenta prijediplomskih studija, ovaj rad nastoji pobliže opisati proces stjecanja međukulturnih kompetencija, specifično kulturne inteligencije. Rad opisuje kontekst razvoja kulturne inteligencije pojedinca, s fokusom na prethodno iskustvo u višekulturnom okruženju, prvobitan stupanj kulturne inteligencije te općeniti stupanj entuzijazma za razvoj kulturne inteligencije kroz iskustvo međukulturnog učenja.

Najvažniji doprinos ovog rada je spoznaja da međukulturno učenje slijedi krivulju u obliku slova „U“, tzv. U-krivulju. Razumijevanje krivulje učenja omogućuje dizajn kvalitetnijih programa treninga, prilagođen specifičnim ključnim obilježjima polaznika, a koji mogu imati jači utjecaj na razvoj kulturne inteligencije globalnih talenata. Spoznaja da se svojevrsni kulturni šok može doživjeti već za vrijeme međukulturnog treninga, vrlo sličan kulturnom šoku pri preseljenju u drugu kulturu, vrijedna je za stručnjake za ljudske potencijale koji se bave obrazovanjem i razvojem. Kvalitetna priprema polaznika može uvelike smanjiti razinu šoka i omogućiti brže i uspješnije međukulturno učenje, odnosno razvoj kulturne inteligencije.

Također, rezultati istraživanja su potvrdili da je stopa rasta kulturne inteligencije u korelaciji s početnom kulturnom inteligencijom te također u korelaciji s entuzijazmom za iskustvo međukulturnog učenja.

***Ključne riječi:*** međukulturno učenje, krivulja učenja, kulturna inteligencija, međukulturni trening, međukulturne kompetencije



Professional paper  
UDK: 005

*Paper received: 20/05/2024*

*Paper Accepted: 30/06/2024*

# **HUMANIZING LEADERSHIP: FROM EMPATHY TO INCLUSION**

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## **ABSTRACT**

The more our environment becomes digital and artificial, the greater the need to humanize leadership. This paper aims to advance understanding and give suggestions on how certain leadership capabilities can be developed that could be considered key in humanizing leadership in the digital age: empathy, listening, and inclusion. Empathy is essential for deep listening, while both empathy and listening lead to genuine inclusion. Developing these three capabilities would allow leaders to better recognize, respect, and value the emotions, perspectives, and ideas of others, which has become key to improving well-being and effectiveness on the individual, group, and organizational levels. The proposed humanizing leadership framework is applicable to organizational leadership at all levels and across the private, public, and nonprofit sectors. Leadership development specialists can utilize it to design and implement programs tailored to individual and organizational objectives, while current and aspiring leaders can use it for learning and development.

*Keywords: leadership, leadership development, empathy, listening, inclusion*

## 1. INTRODUCTION

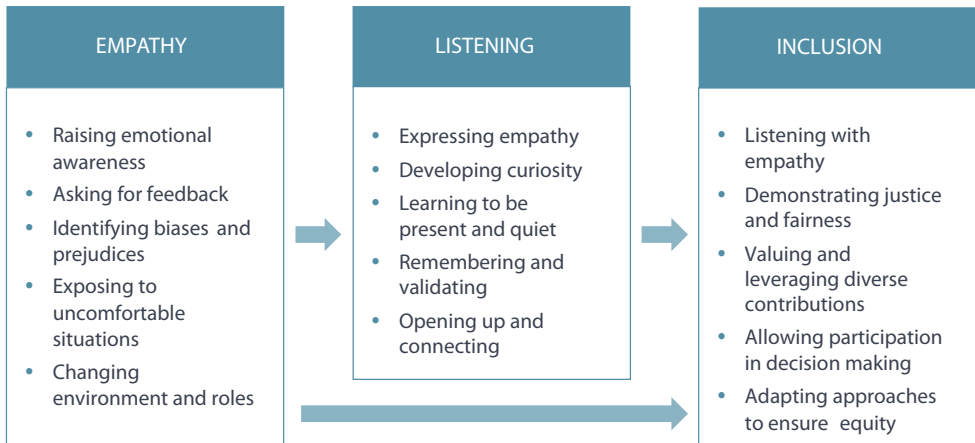
While the focus on artificial intelligence grows, leaders increasingly need human intelligence to lead people. Employees now expect their leaders to show genuine care for their well-being, which most leaders are still uncomfortable with. Developing the capabilities of leaders that would allow them to better recognize, respect and value the emotions, perspectives, and ideas of others has become key to enhancing the well-being and effectiveness on the individual, group, and organizational levels. Supporting today's leaders requires leadership development frameworks that are purposeful, focused, and adaptable to cultural and organizational contexts.

Leadership development refers to developing reciprocal commitments and relationships necessary for effective leading-following processes within a given social context (DeRue & Myers, 2014). It is aimed at raising awareness of individual and collective purpose and values, identifying development needs, priorities and intended outcomes, acquiring leadership knowledge and skills through facilitated experiences, integrating all these elements into leadership practice, and continuously reflecting on the development processes. Leadership development is therefore more complex and comprehensive than leadership education and leadership training. Internal learning and development specialists and external leadership development specialists should develop and propose leadership development strategies that would align the purpose and objectives of the organization and its current and potential leaders.

According to the *2023 Global Leadership Development Study: Ready for Anything* (Harvard Business Publishing, 2024), one of the key challenges for leadership development today is humanizing leadership in the digital age. This study highlights the following skills for humanizing leadership: (i) empathy in communication, feedback sharing, and listening; (ii) high emotional and social intelligence; (iii) ability to manage conflict among team members; and (iv) intent and ability to promote diversity and inclusion in the workforce.

This paper aims to advance understanding and give suggestions on how certain leadership capabilities can be developed that could be considered key in humanizing leadership in the digital age: empathy, listening, and inclusion. The proposed humanizing leadership framework (Figure 1) is applicable to organizational leadership at all levels and across the private, public, and non-profit sectors.

**Figure 1: Humanizing leadership framework**



Source: Author's work

## 2. EMPATHY

Empathy in leadership is a precondition for deep listening and genuine inclusion. In today's continuously changing, complex, and uncertain environments, a leader's capability to express empathy is particularly valued. Empathy is a key emotional intelligence competency that can be developed throughout life. It is the foundation for effective relationship management, along with emotional self-control (Goleman, 2006, 2007). According to Goleman et al. (2017), three aspects of empathy are recognized in the neuroscience and psychology literature: cognitive empathy (the ability to understand another person's perspective and to reflect on the mental state of others); emotional empathy (the ability to feel what another person feels and be emotionally in tune with feelings of others); and empathic concern or compassion (acting on an inclination to relieve the distress of another person).

Prior research indicates that empathy enhances leadership effectiveness through its impact on the level of leader, followers, and organization (Živković, 2022). On the level of the leader, empathy contributes to raising self-awareness which leads to enhanced verbal and non-verbal expression, developing listening and mentoring skills due to the capability to perceive and care about the needs of others, and improving relationships with stakeholders both within and outside the organization. The outcomes of empathy in leadership on the followers' level include improving employee mental and emotional well-being due to the leader's caring attitude and a more favorable work climate, empowering through recognition and development, and providing role models in developing emotional intelligence. Empathy enhances organizational effective-

ness by fostering diversity and inclusion, increasing employee engagement and retention, and building a culture of care, responsibility, and innovation.

The following strategies for developing empathy are proposed to be an integral part of leadership development programs aimed at humanizing leadership:

- *Raising emotional awareness:* To empathize with the emotions of others, it is necessary for leaders to recognize, understand and accept their own emotions. Observing emotions as they arise in the present moment, reflecting on how we felt in the past in certain situations and with certain people, and naming emotions are practices that could improve emotional awareness.
- *Asking for feedback:* How we see ourselves, our behaviors and our reactions is often not how others see us. It is therefore important that leaders ask for feedback regarding their (non)expression of empathy from both their teams and peers to identify development needs.
- *Identifying biases and prejudices:* Feeling and expressing empathy can be selective in the way that it exists only toward people with similar backgrounds. Therefore, it is necessary to identify according to which groups of people with different national, racial, religious, professional, and other backgrounds a leader has prejudices. To abandon or reduce such prejudices, it takes conscious effort and more interaction with diverse groups.
- *Exposing to uncomfortable situations:* It is in human nature to avoid uncomfortable emotions. However, engaging in uncomfortable conversations and tasks, reading uncomfortable books, or watching uncomfortable movies that are meaningful, bring new perspectives and offer insight into various human experiences across cultures can contribute to the development of empathy.
- *Changing environment and roles:* Visits to other places and cultures allow a better understanding of diversity. Openness to engaging in roles other than managerial, such as volunteering, mentoring, and assistance to people in need, expands the leader's capacity to empathize with others.

### **3. LISTENING**

Listening is essential in leadership that fosters learning, supportiveness, and inclusion. However, leadership development guidelines and programs are mostly emphasizing how leaders should speak and not so how they should listen. As a multidimensional skill, listening involves hearing, perceiving, understanding, assigning meaning, remembering, evaluating, and responding (Flynn et al., 2008). Two types of listening that are considered most relevant to leadership practice are active and deep listening. Active listening implies

that the listener remains sensitive to the message's meaning, asks questions to understand the context, responds to emotional reactions during the conversation, and notices both verbal and non-verbal cues (Rogers & Farson, 1987). In active listening, the full attention of the listener is on the speaker. Deep listening focuses on opening up to new possibilities, new perspectives, and new ways of thinking and acting, connecting with others, and deepening understanding of one's self and others (Laryea, 2018). In deep listening, the attention of the listener is both on oneself and the speaker. Such an approach to listening can result in generative conversations and change on multiple levels.

In their review of research on listening in the workplace, Flynn et al. (2008) indicate that managerial listening can improve communication, collaboration, employee morale and retention, learning and productivity in organizations, and result in stronger perceptions of trust, supportiveness, and motivation. Listening becomes more critical to effectiveness as individuals move into senior management positions (Brownell, 1994). Therefore, the development of listening skills is important at both lower and middle management levels, as it contributes to the preparation of individuals for leadership positions and improves effectiveness within the organization.

The proposed strategies for developing listening skills aimed at humanizing leadership include:

- *Expressing empathy*: To express empathic concern by listening, it is key to recognize, reflect on and acknowledge the mental and emotional state of others. It is challenging yet beneficial to recall and be aware of how much it would mean to us if someone listened to us.
- *Developing curiosity*: Listening to learn driven by curiosity can diminish the urge to express an opinion and give advice after we listened to others. Curiosity can be developed and expressed by asking thoughtful questions, noticing and interpreting non-verbal cues, and nurturing a sense of awe.
- *Learning to be present and quiet*: Listening with the intention to truly understand and support others requires being present in the moment, a capacity built on self-awareness and self-control. It is crucial not to interrupt others during the conversation. Instead of commenting or asking questions immediately after the person says something, it is often more supportive to remain quiet and make pause despite the awkward silence since this can create a space for a person to open up more and say what is of substantial importance to them.
- *Remembering and validating*: Repeating or paraphrasing to others what they said during the current conversation, as well as in previous ones, is a way to show that we listened carefully and to make the other feel

respected and valued. The validation of what we have heard and seen through non-verbal cues does not imply agreeing with the other but rather acknowledging the situation and emotions of the other.

- *Opening up and connecting*: Being open to being touched by what we hear implies vulnerability and the courage that goes with it. It enhances the leader's capability to connect with others and, consequently, improve relationships, collaboration and effectiveness.

#### **4. INCLUSION**

Inclusion in leadership is needed to leverage diversity within work environments for the purposes of both individual and organizational development. Inclusion implies the degree to which a person perceives that she or he is valued as a member of the group through experiencing treatment that contributes to satisfying her or his needs for belonging (the need to develop and maintain strong and fulfilling interpersonal relationships) and uniqueness (the need to preserve a distinct sense of self) (Randel and et al., 2018).

Inclusive leadership recognizes differences among people as a source of strength and advancement (Hays-Thomas, 2022). It implies building an organizational culture where all individuals feel accepted, valued and rewarded (Garg & Sangwan, 2021). Although the constructs of transformational and empowering leadership may involve fostering inclusion to accomplish shared objectives, inclusive leadership additionally facilitates belongingness, ensures justice and equity, promotes diverse contributions, and highlights the value of the uniqueness of individuals (Randel et al., 2018).

A review of prior research conducted by Korkmaz et al. (2022) showed that inclusive leadership is related to positive outcomes on the level of employee (e.g., well-being, creativity, engagement, voice behavior, innovative behavior, organizational citizenship behavior, knowledge sharing behavior, job performance, task performance, self-efficacy, etc.), team (e.g., team diversity, identity, innovation and performance, unit psychological safety and performance, workgroup performance and effectiveness, global virtual team experiences, etc.), and organization (e.g., inclusive culture and climate, business model innovation, project success, etc.). According to Randel et al. (2018), a key positive impact of inclusion is related to the psychological empowerment and work identification of individuals, which, in turn, leads to positive outcomes on the group or organizational level.

The following strategies for developing capabilities to foster inclusion of employees are proposed to be implemented into leadership development programs aimed at humanizing leadership:

- *Listening with empathy:* Both expressing empathy and listening contribute to enhanced well-being of employees which could lead to psychological empowerment as they feel heard, seen, and appreciated. By listening to employees and recognizing their mental and emotional state, a leader can more effectively identify their potential and needs.
- *Demonstrating justice and fairness:* A fair treatment of all group members shows them that they are respected as members of the group. Leaders should take care that the work environment is free of harassment, intimidation, and unlawful discrimination. They should set the standards and then lead by example in fostering justice and fairness in the workplace.
- *Valuing and leveraging diverse contributions:* Leaders should learn to see differences as opportunities for growth and development. Building a culture where employees are invited to share their ideas and opinions, identify problems, and propose solutions leads to diverse contributions of individuals. This, in turn, creates a sense in employees that their uniqueness is valued.
- *Allowing participation in decision making:* Within certain boundaries and depending on the workplace characteristics, leaders should allow employees to participate in decision making on both the individual and team levels. This implies that leaders should be capable of delegating and supporting autonomy of their team members. Shared decision making contributes to creating a sense of belongingness.
- *Adapting approaches to ensure equity:* Based on identified diverse abilities, needs and circumstances, leaders should adapt their approaches to each person to the extent possible. They should proactively consider how certain decisions might undermine equity among group members and provide the resources they need to have an equal opportunity to be effective.

## 5. CONCLUSION

The proposed humanizing leadership framework focused on empathy, listening, and inclusion is relevant and applicable across cultural and organizational contexts. Empathy is essential for deep listening, while both empathy and listening lead to genuine inclusion. Leadership development programs that integrate developing these three capabilities could enhance leader and organizational effectiveness through improved employee well-being, engagement, and performance. Humanizing leadership and, consequently, building a culture of care within organizations, can also contribute to the co-creation of a positive impact on a societal level. The proposed humanizing leadership framework can be utilized by leadership development specialists in designing and implementing programs tailored to individual and organizational objectives, while current and aspiring leaders can use it for learning and development.

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## **HUMANIZIRANJE VODSTVA: OD EMPATIJE DO UKLJUČIVANJA**

### **SAŽETAK RADA**

Što više naše okruženje postaje digitalno i umjetno, to je veća potreba za humaniziranjem vodstva. Cilj ovog rada je unaprijediti razumijevanje i dati prijedloge o tome kako se mogu razviti određene sposobnosti vodstva koje bi se mogle smatrati ključnima u humaniziranju vodstva u digitalnom dobu: empatija, slušanje i uključivanje. Empatija je neophodna za duboko slušanje, dok i empatija i slušanje vode do istinske uključenosti. Razvijanje ove tri sposobnosti omogućilo bi vođama da bolje prepoznaju, poštuju i vrednuju emocije, perspektive i ideje drugih, što je postalo ključno za poboljšanje dobrobiti i uspješnosti na individualnoj, grupnoj i organizacijskoj razini. Predloženi okvir humaniziranja vodstva primjenjiv je na organizacijsko vodstvo na svim razinama te u privatnom, javnom i neprofitnom sektoru. Stručnjaci za razvoj vodstva mogu ga koristiti za osmišljavanje i provedbu programa prilagođenih pojedinačnim i organizacijskim ciljevima, dok ga sadašnji i potencijalni vođe mogu koristiti za učenje i razvoj.

***Ključne riječi:** vodstvo, razvoj vodstva, empatija, slušanje, uključivanje*



## INSTRUCTIONS FOR AUTHORS

All the papers dealing with the topics of accounting and management are welcome. All the submitted papers are considered for publication and have been blindly peer-reviewed by two independent reviewers.

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- **Scientific review article** contains a detailed and comprehensive critical review of a certain problem area, but with no significant originality of the obtained results;
- **Professional paper** contains the information and experience relevant for a certain profession, but without scientific characteristics.
- **Case study** contains a description and detailed information about the particular subject or small group.

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2. The manuscript should be submitted in a MS Word format.
3. A cover page should be supplied, containing the title of the paper, name(s) and address(es) of the author(s), including the telephone number, e-mail address and the name and postal address of the author(s) home institution.
4. The full paper should not exceed 10 single-spaced pages of text (font: Times New Roman, size 12) including graphs, tables, endnotes and references.
5. The paper should begin with an abstract of not more than 900 characters and maximum 5 key words
6. The Editors reserve the right to make editorial changes in order to adjust the style of the paper to the Journal.
7. The manuscripts are not returned.
8. No payment is made to the authors for publication of the paper.



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### **Publication decisions**

The editorial board is responsible for deciding which of the articles submitted to the journal should be published.

The editorial board will be guided by the policies of the journal and constrained by legal requirements related to libel, copyright infringement and plagiarism. Members of the editorial board will confer and refer to reviewers recommendations in making this decision.

### **Equality**

An editor, member of the editorial board or reviewer must evaluate manuscripts for their intellectual content without regard to race, gender, political philosophy, sexual orientation, ethnic origin, citizenship, or religious belief of the authors.

### **Confidentiality**

The review process takes place in two stages. In the first stage the editor must not disclose any information about a submitted manuscript to anyone other than the corresponding author, reviewers, potential reviewers, and other editorial advisers. This stage concludes with an agreement between the author and reviewers about the continuation of their cooperation in the open reviewing forum in which issues of confidentiality do not arise.

### **Disclosure and conflicts of interest**

Unpublished materials disclosed in a submitted manuscript must not be used in an editor's, reviewer's or any other reader's own research without the express written consent of the author.

## **Duties of Reviewers**

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### **Contribution to Editorial Decisions**

Reviewers assist the editorial board in making editorial decisions and through the editorial communications during the open review process with the author may also assist the author in improving the paper.

### **Qualification of Reviewers**

Any selected referee who feels unqualified to review the research reported in a manuscript or knows that its prompt review will be impossible should notify the editor and excuse himself from the review process. The editorial board is responsible for ensuring the competence of the reviewers

### **Promptness**

Authors will normally receive feedback about the acceptance of his/her paper for the reviewing process within three weeks and in another three weeks s(he) will normally receive the first response from the reviewers.

The editorial board is responsible for ensuring the promptness of responses in the open review process.

### **Confidentiality**

Any manuscripts received for review in the open review process are subjected to the criteria of enhancing their rationality through the mutual rational controls of critical discussion.

### **Establishing Standards of Objectivity through Critical Discussion**

Reviews should be conducted objectively. Authors are encouraged to make explicit the internal criteria they use to evaluate the validity of their contributions to knowledge. Personal criticism of the author is inappropriate. Referees should express their views clearly with supporting arguments in the spirit of enhancing the quality of the paper through the mutual rational controls of critical discussion.

### **Acknowledgement of Sources**

Reviewers should identify relevant published work that has not been cited by the authors. References to the ideas of others should be accompanied by the relevant citation. A reviewer should also call to the editor's attention any substantial similarity or overlap between the manuscript under consideration and any other published paper of which they have personal knowledge.

### **Disclosure and Conflict of Interest**

Information or ideas obtained through peer review must only be used with the explicit agreement of the participants in the peer review. Reviewers

should not consider manuscripts in which they have conflicts of interest resulting from competitive, collaborative, or other relationships or connections with any of the authors, companies, or institutions connected to the papers.

## **Duties of Authors**

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### **Reporting standards**

Authors of reports of original research should present an accurate account of the work performed as well as an objective discussion of its significance. Underlying data should be represented accurately in the paper. A paper should contain sufficient detail and references to permit others to judge the validity of the contributions to knowledge. Authors are asked to provide the raw data in connection with a paper for editorial review, and should be prepared to provide public access to such data and should in any event be prepared to retain such data for at least two years after publication.

Fraudulent or knowingly inaccurate statements constitute unethical behavior and are unacceptable.

We believe it is important to emphasise that the editorial board is not responsible for copyrights and for any ethical consequences of the publication of any particular contribution (written or in the form of multimedia). However, we expect that all people providing sources of data for published accounts have been given informed consent and that no one in any way involved in the processes of the research has been coerced into co-operation or is unknowingly being co-opted. Authors should have written permission of parents to include photos or videos of children and juveniles into research accounts.

### **Originality and Plagiarism**

The Editorial Board of JAM recognise different cultural beliefs about the acceptability of quoting the ideas of others as if they were one's own. The documents concerning the submission of papers for JAM review recognise these different cultural beliefs and emphasise the statement that 'authors should ensure that they have written entirely original works, and if the authors have used the work and/or words of others that this has been appropriately cited or quoted.'

### **Concurrent Publication**

Submitting the same manuscript to more than one journal concurrently, constitutes unethical publishing behaviour and is unacceptable.

### **Authorship of the Paper**

Authorship should be limited to those who have made a significant contribution to the conception, design, execution, or interpretation of the reported study. All those who have made significant contributions should be listed as co-authors. Where there are others who have participated in certain substantive aspects of the research project, they should be acknowledged or listed as contributors.

The corresponding author should ensure that all appropriate co-authors and no inappropriate co-authors are included on the paper, and that all co-authors have seen and approved the final version of the paper and have agreed to its submission for publication.

### **Disclosure and Conflicts of Interest**

All authors should disclose in their manuscript any financial or other substantive conflict of interest that might be construed to influence the results or interpretation of their manuscript. All sources of financial support for the project should be disclosed.

### **Fundamental errors in published works**

When an author or reader discovers a significant error or inaccuracy in the published work, it is the author's obligation to promptly notify the journal editor and work with the editor to retract or correct the paper.





