

Managers' Power Distance in Bosnia and Herzegovina

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Abstract

Power distance is a cultural dimension developed by Dutch scientist, Geert Hofstede and it determines how different societies handle inequality. Inequality is a fact that exists in the family, school, organization and society. The Gini index shows that Bosnia and Herzegovina is a very unequal country, just behind the poor African countries such as Namibia, Botswana and Sierra Leone. Bosnia and Herzegovina is also the most unequal country in the region. The paper will present the Gini index for selected countries and Bosnia and Herzegovina.

The paper will explain characteristics of cultures with high and low power distance and present the index of power distance for selected countries based on secondary research. Bosnia and Herzegovina, according to these dates, has a high index of power distance. The paper will try to explain the reasons for high power distance in Bosnia and Herzegovina.

Inequality is present in organizations in manager-subordinate relation. The power is concentrated in the hands of the boss and different opinions and critics can be dangerous. Not agreeing with the decisions of the chiefs, or public criticism or exposing irregularities can lead not only to problems in the work, but also to loss of job.

Primary research has been done on the sample of 51 managers from all parts of Bosnia and Herzegovina. Managers participating in research belong to the different ethnic groups. Managers are of different genders, approximately half of the managers included in the research are men and the other half is women. Managers have different jobs. Half of the targeted managers work as civil servants for the ministries, parliaments and government agencies. The other half of managers work for international organizations, international business or business related to international clients. The purpose of this research is to determine if there is difference in power distance related to gender, ethnicity or jobs of managers. The purpose of the research is to determine if there is a difference in power distance between managers and average citizens of Bosnia and Herzegovina. The data was analyzed using the Statistical Package for Social Sciences.

Key words: Managers, Culture, Power Distance, Inequality, Bosnia And Herzegovina

Introduction

Power distance determines how different societies handle inequality. It is a cultural dimension developed by Dutch scientist, Geert Hofstede, who conducted a study in IBM subsidiaries in over 70 countries around the world between 1967 and 1973. He empirically

demonstrated the existence of differences in national cultures and the power of distance, as one of the cultural dimensions.¹

Primary research has been done on the sample of 51 managers from all parts of Bosnia and Herzegovina in 2011 and 2012. The purpose of the primary research is to determine the degree of power distance of managers in Bosnia and Herzegovina. The purpose of the research is also to determine if there is a difference in power distance between managers and average citizens of Bosnia and Herzegovina. The purpose of this research is also to determine if there is difference in power distance related to gender, ethnicity or jobs of managers.

The survey was sent by e-mail, however due to the lack of responses, in many cases managers answered questions in direct interviews. Thus the managers had the opportunity to discuss questions and give their comments, explanations and objections.

SPSS (Statistical Package for the Social Sciences) has been applied to analyze the surveys.

Power distance as a measure of inequality

Inequality exists in every society. "Global wealth pyramid has a broad base and a very narrow and sharp peak. The richest 1% of the population controls 43% of the world's wealth, the richest 10% has 83% of the world's wealth. 50% at the bottom of the pyramid has only 2%. The richest 10% controls the world capital and they choose where to establish new jobs, which politicians will be elected and to which charities money will be given."²

Different societies have different attitudes toward inequality. Some societies think that it is an acceptable and even good thing. Other societies think that inequality is an inevitable fact of life, however, it is a bad thing and should be minimized as much as possible. This attitude depends on national culture and the cultural dimension called power distance. Power distance is the measure to which members of the national culture approve and expect that power is distributed unequally in society. Thus, power distance indicates which degree of inequality between people can be tolerated in this society.

Inequality is a very complex and interdisciplinary phenomenon, which is the focus of anthropologists, sociologists, historians, and those who deal with management and organization. The legal system states that all people are equal in front of the law. The UN resolution on human rights declares that all people are born free and equal. However, inequality exists in all societies, institutions and relations.

Inequality exists in all institutions and social relations. Inequality exists in the family, schools, organizations and countries. In the family, parents have power over children; teachers have power over students in the schools. Inequality is reflected in the existence of different social classes in society. In the organization, jobs that require the minimal education and the

¹ See Hofstede, G., Hofstede G.J., and Minkov, M. (2010). *Cultures and Organizations: Software of the mind*. 3rd edition. New York: McGraw Hill Companies, page 53-89 and Hofstede, G. (2001). *Culture's consequences: Comparing Values, Behaviours, Institutions and Organizations across Nations*. Thousand Oaks, Ca : Sage publications, Inc., page 79-137

² See *The Economist* (2011). More millionaires than Australians, A special report on global leaders. January 22nd-28th, 2011, page 6-7

lowest status, unqualified workers, have a large power distance. Jobs with the greatest status and educational level, like managers and professional workers, have a small power distance.

Power distance in the organization

Inequality is present in the organization in manager-subordinate relation. In the countries with high power distance, inequality is seen as the basis for the functioning of society and organizations. There is a hierarchy in an organization that reflects inequality between subordinates and superiors. The ideal manager is an autocrat, who makes all decisions. Decision-making is centralized; there is a high concentration of authority. Power is concentrated in the fewest possible hands.

Managers rely on formal rules. Subordinates expect to be told what to do. The organizational pyramid is high; there are many superiors and a lot of reporting one to another. Access to information is restrictive.

Managers are seen as superior persons whose decisions must be respected without question. Subordinates quickly learn that it is dangerous to oppose the decision of the manager and he/she never openly opposes the decisions of the superior. There is no protection from superior's harassment.

Managers are seen as more valuable than the subordinates and it is normal for them to have expensive homes, cars, privileges and to demonstrate it publicly. It is also considered normal that managers use the power for their enrichment.

The distribution of income is unequal. There is a high difference in salaries among those at the top and bottom of the organizational pyramid. The range is bigger if the power distance is bigger.

In countries with small distance, it is considered that all people have equal rights. There are no significant differences between superiors and subordinates. Superiors and subordinates are considered equal, the position in the hierarchy is uneven because of the job requirements, but the roles may change, if someone is the manager today, he/she may not be tomorrow.

The organization is decentralized, the organizational pyramid is flat, and the number of supervisors is small. There is a low concentration of authority. The decision making structure is decentralized. Information is shared. Differences in salaries between the top and bottom of the pyramid are small.

Managers should not have any privileges because they have power in organization. Managers should not especially show that power. In countries with small power distance those who are in higher positions do not have the privileges, all use the same restaurant, parking, and toilets. Employees will relate negatively to the manager who has the expensive car or shows his/hers position in any other way. Supervisors are available to subordinates. The ideal manager is a democrat, who consults the subordinates before making a final decision. If the employee believes that the manager violates his/hers rights, there are ways to appeal that are already embedded in the organization.

A survey³ that was conducted among managers in nine Western European countries, the United States and three Asian countries (Indonesia, Japan and China) shows the differences in power distance. When asked whether the main reason for the existence of a hierarchy is the need to know who has the authority over whom, American managers have responded negatively. American managers believe in a flat organization without a lot of hierarchical levels, where all behave as colleagues rather than as subordinates and superiors. Hierarchy for American managers exists only in order to organize the work and to solve the problem. Unlike Americans, 83% of Indonesia's managers have agreed with this statement. It is the most important for them to know who reports to whom. It is the most important to determine who will be the manager and who will be the subordinate; everything else comes later. Different cultures have also shown differences in response to the question whether it is necessary to bypass hierarchical lines in order to achieve an effective working relationship, and whether the manager must know the precise answer to all the questions that employees may ask. Swedish managers did not see any problem in bypassing hierarchical lines. They believe that it is normal to refer to the person who knows the answer to the question, not his/hers manager, regardless of hierarchy. Swedish managers do not believe that there is a manager who knows everything. Therefore, they see bypassing hierarchical lines as natural, logical, and the only real way for employees to work successfully in today's world of constant change. Similar answers were given by the Americans. However, the Indonesians, the French and the Italians believe that bypassing the hierarchy is insubordination and a bad thing in an organization. They strongly believe that all the questions have to be addressed to the manager who has all the answers.

There are a lot of researches in theory of management and organization that prove that small power distance leads to higher efficiency of the organization. Participation of workers in management was very popular in the management literature in the 1970's. Many researchers have shown that the participation of workers in the management is beneficial from the economic point of view, and that the greater participation of workers in management is positively correlated with the growth of the gross domestic product.

The ranks of countries in the world according to power distance index for selected countries are shown below.⁴

³ See Adler, N. J. (2002). *International Dimension of Organization Behavior*. 4th edition. Cincinnati, OH: South Western Thomas Learning, page 48 -51.

⁴ See Hofstede, G., G.J. Hofstede, and M. Minkov, (2010). *Cultures and Organizations: Software of the mind*, 3rd edition, McGraw Hill Companies, USA, page 57-59

Table 1. Rank and power distance index for selected countries

Country	Index	Rank (out of 76 countries)
Malaysia	104	1-2
Guatemala	95	3-4
Russia	93	6
Arab countries	80	12-14
China	80	12-14
India	77	17-18
Turkey	66	32-33
Italy	51	50
Germany	35	65-67
Sweden	31	69-70
New Zealand	22	73
Denmark	18	74
Israel	13	75
Austria	11	76

Source: Hofstede, G., G.J.Hofstede, and M. Minkov. (2010).

Small power distance countries are rich countries, as Scandinavian countries, Great Britain, Germany, Switzerland and Austria.

Power distance in Bosnia and Herzegovina

Bosnia and Herzegovina has a high power distance. There is no power distance index value for Bosnia and Herzegovina. However, there is data for former Yugoslavia, which Bosnia and Herzegovina was part of in the time when this research was done. In Hofstede's calculations, Yugoslavia was located very high, at 19th position with an index of 76, which means that Yugoslavia and Bosnia and Herzegovina, as part of it, belong to the countries where the power distance is quite high.⁵ Data on neighboring countries, Serbia, Croatia and Slovenia, which was recalculated based on the original research, also suggests that all these countries have a high power distance, which, based on the principle of correlation, can be claimed for Bosnia and Herzegovina.

Table 2. Power Distance Index Value for ex-Yugoslav countries⁶

Country	Index	Rank (out of 76 countries)
Serbia	86	8
Croatia	73	20
Slovenia	71	21

Source: Hofstede, G., G.J.Hofstede, and M. Minkov (2010).

⁵ See Hofstede, G. (2001). *Culture's consequences: Comparing Values, Behaviours, Institutions and Organizations across Nations*. Thousand Oaks, Ca : Sage publications, Inc., page 500

⁶ See Hofstede, G., G.J.Hofstede, and M. Minkov, (2010). *Cultures and Organizations: Software of the mind*, 3rd edition, McGraw Hill Companies, USA, page 57-59

It is easy to notice high power distance in Bosnia and Herzegovina in everyday life and media. Parents take care of children, try to protect them and make decisions for them. Children in turn take care of their parents as long as they live. Big part in the structure of the gross domestic product of Bosnia and Herzegovina belongs to remittances, which Diasporas send in order to help their parents. Remittances amounted to 11.9% of gross domestic product in the year 2004.⁷ This information applies only to formal banking transfers; the amount is probably higher due to informal methods of transferring money through friends, relatives, etc.

Obedience is a feature that parents and teachers expect from the children, managers from the subordinate and politicians from citizens. Opposition or public criticism is not desirable. This may not only cause inconvenience, but can have also more serious consequences, as the loss of jobs.

In Bosnia and Herzegovina, as well as in all societies with high power distance, people who have the power have rights. It is normal for those who are in power and for the citizens. Everybody is equal before the law, but those who have the power, get the case in the court. Or they can legally pay to avoid jail. Newspapers reported the changes of the Criminal Code of the Federation of Bosnia and Herzegovina, which entered into force on 21 July 2010. Changes in the laws allow those who are sentenced to up to one year to pay and gain freedom. The price is 36,000 marks a year.

It is normal for people who have power to make scandals, but it is always covered. If things go wrong, the blame is on the one who is at the bottom. In these cultures, the people who have power try to keep it at any cost. They use this power to maximize their wealth. Taxes and social policies do not favor redistribution of income as in the Scandinavian countries, but they are designed so that the rich become richer and the poor poorer. World Bank research shows that 4% of the gross domestic product is spent on social benefits in Bosnia and Herzegovina. It is more than any other country in Europe and Central Asia. However, the impact of these benefits on poverty reduction is almost non-existent, because they are merit based instead of need based. Three-quarters of these benefits go to people who have had credit in the last war, and the bearers of various medals.⁸

There are big differences in the distribution of income in Bosnia and Herzegovina. There are a few rich people and a lot of poor people. The Gini index shows that Bosnia and Herzegovina is one of the most unequal countries; it is immediately behind poor African countries such as Namibia, Botswana and Sierra Leone.

⁷See Branković, A. (2005). Economic reality and vision of BiH. Sarajevo: Parliamentary Assembly of BiH, page 3

⁸World Bank (2009). Social safety nets and Employment support project in Bosnia and Herzegovina. Retrieved 25.04.2013. URL: http://reliefweb.int/sites/reliefweb.int/files/resources/92676C6642CB2F5A492576D6001944AF-Full_Report.pdf

Table 3. List of the most unequal countries in the world⁹

Country	Gini index
Namibia	70.7
South Africa	65
Lesotho	63.2
Botswana	63
Sierra Leone	62.9
Bosnia and Herzegovina	56.2
United States of America	45
Russia	42.2
China	41.5

Source: world Bank and CIA

The Gini index shows that the most unequal countries in the world are poor African countries. The United States, although it is a very rich country is an unequal country. Russia, China and India are also unequal countries. Bosnia and Herzegovina is a very unequal country and it is similar to African countries. The most equal countries are Scandinavian countries and other rich European countries.

Power distance is related to the wealth of the country. Bosnia and Herzegovina is a poor country, and poorer country means the bigger power distance. Bosnia and Herzegovina is together with Albania the poorest countries in the Europe.¹⁰

High power distance may be also explained with the history. Bosnia and Herzegovina has been in the largest part of its history under various conquerors, which contributed to creating a mentality in which everyone who has the power must be respected.

Primary research on managers' power distance in Bosnia and Herzegovina

Primary research has been done on the sample of 51 managers from all parts of Bosnia and Herzegovina with the purpose to determine the degree of power distance of managers in Bosnia and Herzegovina; to determine further if there is difference in power distance related to gender, ethnicity or job of managers; to determine finally if there is a difference in power distance between managers and average citizens of Bosnia and Herzegovina.

The degree of power distance has been measured by managers' decision making style, managers' attitude towards employees' participation in decision making, managers' attitude toward expressing disagreement with managers' decisions, managers' attitude toward differences in salaries and status, managers' attitude toward asking for salary increase and benefits.

The results of primary research show that the Bosnian managers have a medium degree of power distance. Managers' answers to certain questions show that managers belong to a

⁹ The World bank (2013). Gini index. Retrieved 25.04.2013. URL:

<http://data.worldbank.org/indicator/SI.POV.GINI>

& Central Intelligence Agency (2013). The World Factbook. Retrieved 25.04.2013. URL:

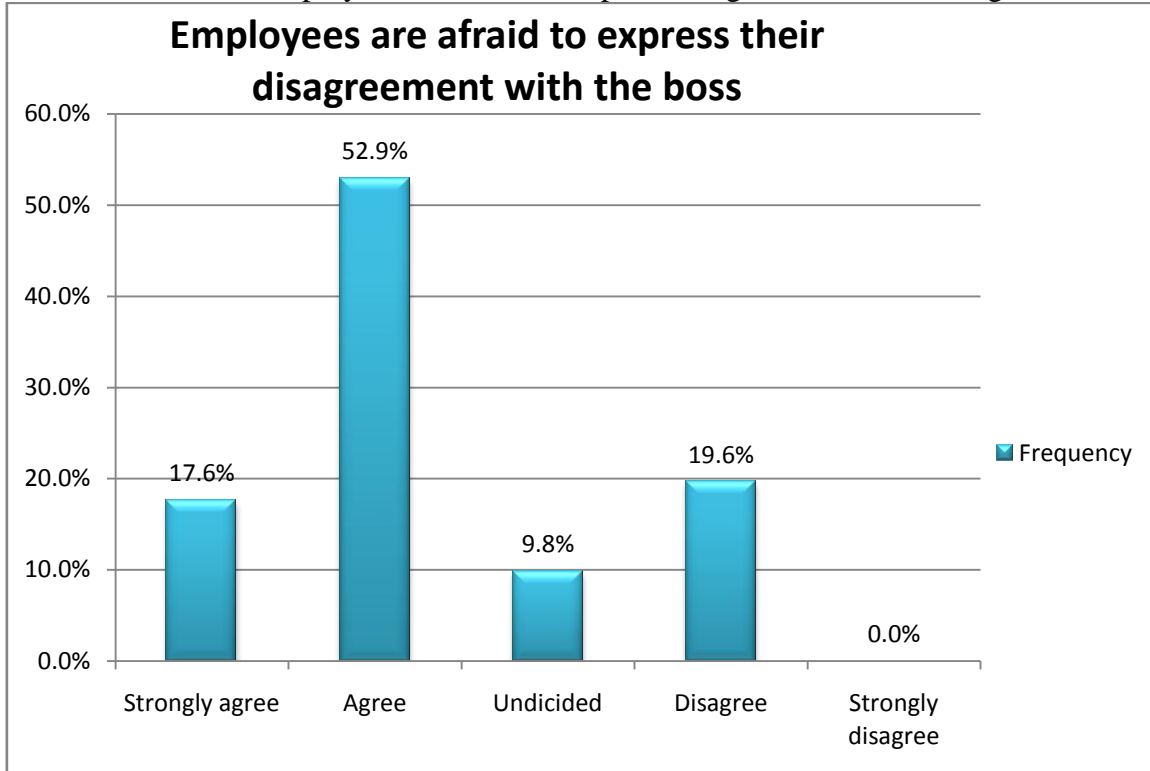
<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html>

¹⁰ The Vienna Institute for International Economic Studies (2012). Wiiw Handbook of Statistics, page 10.

high power distance culture, as all other citizens of Bosnia and Herzegovina. One of these questions is related to expressing disagreement with the boss.

Managers agree that in Bosnia and Herzegovina employees are often afraid to express their disagreement with the boss, which is a characteristic of high power distance cultures.

Chart 1. Employees are afraid to express disagreement with managers

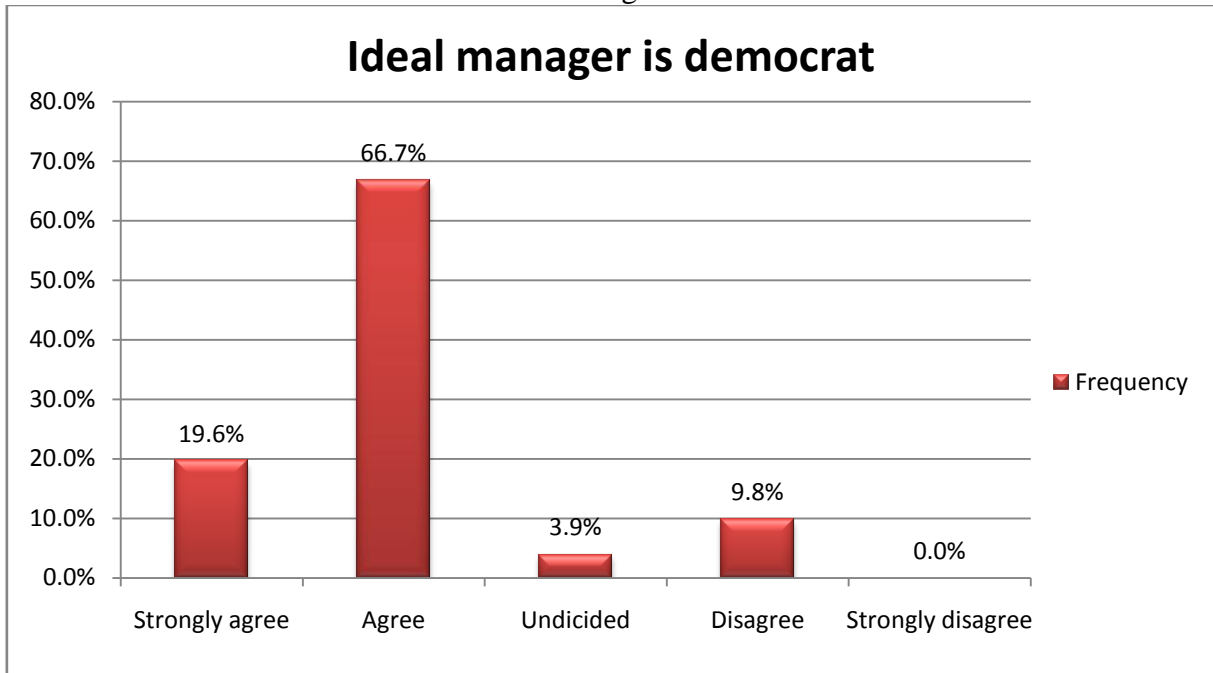


Source: Author's primary research

Managers also think that they should have higher salaries, privileges and status in comparison with subordinates, what is a characteristic of high power distance. It is interesting to note that manager answered that managers are employees as others.

However, other answers demonstrate a different picture. This is especially the case with questions related to employees' participation in management and democratic decision making. Managers in Bosnia and Herzegovina appreciate employees' participation in management. They think that the ideal manager is a democrat, who consults with subordinates before making any decision. They also think that an autocratic manager who makes all the decision by himself is not good for business. They think that employees' participation in management leads to better business results. All these answers relate to small power distance cultures.

Chart 2. Ideal manager is democrat



Source: Author's primary research

The third group of questions indicates that managers in Bosnia and Herzegovina have a medium power distance. Managers are undecided about the statement that most employees do not like the work and will avoid it if they can. Managers are also undecided in the regard that employee should not ask for salary increase, even if they think that they deserve it.

Based on all of the above, we can conclude that there is a difference in the power distance between managers and the citizens of Bosnia and Herzegovina. The results of primary research show that managers have smaller power distance compared to the average in Bosnia and Herzegovina. There could be several explanations for this difference.

The research that was carried out in three countries (France, Germany, Great Britain), among 38 different occupations in IBM's subsidiaries, confirm that occupations that require the least education and the lowest status as unskilled or semi-skilled workers have a bigger power distance. In contrast, the occupations with the highest status and educational level, such as managers and professionals like engineers and scientists, have a small power distance.¹¹

Managers in Bosnia and Herzegovina have more education and higher status than does the average citizen of Bosnia and Herzegovina, and therefore, as well as their counterparts from France, Germany and Great Britain have a lower power distance. Managers in Bosnia and Herzegovina have higher incomes than the average citizen of Bosnia and Herzegovina. This cultural characteristic is closely associated with wealth; more money means less power distance.

The questions that put Bosnia and Herzegovina's managers in a culture with low power distance are related to the participation of workers in management. Yugoslavia was

¹¹Hofstede, G., Hofstede G.J., and Minkov, M. (2010). *Cultures and Organizations: Software of the mind*. 3rd edition. New York: McGraw Hill Companies, page 65

a successful example of a country with participation of workers in management and it was studied as a model around the world, and its achievements have been copied in much richer and more economically developed countries. A consortium of researchers from 12 mostly European countries has formed a research group IDE (Industrial Democratization of Europe) to study participation of workers in management. The project began in 1981 and lasted six years. Data was collected from 134 organizations from all areas here and of all sizes. The questionnaire was filled by 1000 managers and 8000 employees and officers. In 1981 the IDE has shown that the most successful country was Yugoslavia. Academic literature states that it remains a puzzle and a question for future researchers: how such a successful country in terms of industrial democracy could collapse shortly thereafter in a bloody war.¹²

The primary research included men and women managers in Bosnia and Herzegovina. Since both women and men are the children of their culture, one might assume that they both have the same cultural characteristics. However, some studies show that women in business are softer and have more understanding for others, as opposed to men who are hard, aggressive and competitive. Results of the statistical analysis found no differences in cultural characteristics between men and women managers in Bosnia and Herzegovina. This study aimed to research whether there are differences in power distance between managers in business and those in state administration. According to cultural theories we are all children of our culture and we all carry values, patterns, and behaviors of our cultures. However, other studies have confirmed that there are cultural differences within the same country, depending on education and the work that we do. Results of statistical analysis show that there were no differences in power distance between managers who work in public administration and those who work in the business.

Bosnia and Herzegovina has a specific ethnic structure composed of Bosniaks (44%), Serbs (31%), Croats (17%) and others (8%).¹³ Results of statistical analysis showed that there were no differences in power distance among managers in these three ethnic groups. Historically, Bosnia and Herzegovina was always a mixture of different nations and cultures, which have been living together. From the earliest times, the population accepted the achievements of other cultures in technology, building, architecture, art, cuisine, and lifestyle. Based on all of the above, the results of the primary research confirmed what was obvious throughout history.

Conclusion

Bosnia and Herzegovina is one of the most unequal countries in the world, close to poor African countries. Secondary research puts Bosnia and Herzegovina amongst countries with high power distance. The high power distance index can be explained with poverty, as Bosnia is the poorest country in Europe. An explanation can be also found in the long history of Bosnia and Herzegovina. Bosnia and Herzegovina has been during the largest part of its history under various conquerors, which contributed to creating a mentality in which everyone who has the power deserves respect.

Primary research has not found any differences in power distance between genders, ethnicity and jobs that managers performed. However, primary research shows that

¹² See Hofstede, G. (2001). *Culture's consequences: Comparing Values, Behaviours, Institutions and Organizations across Nations*. Thousand Oaks, Ca : Sage publications, Inc., page 110.

¹³ See European Commission (2011). *Multi-annual indicative planning document 2009-2011 for Bosnia and Herzegovina*.

managers in Bosnia and Herzegovina have smaller power distance. It can be explained with better education, economic position and valuable network that managers acquired.

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