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Authentic Leadership in Contemporary Slovenian Business Environment: Explanatory Case Study of HERMES SoftLab

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The paper explores the authentic leadership in learning organization in Slovenian business environment. The purpose of the paper is to present relationship between authentic leadership and learning organization. Main research thesis is focused on characteristics of authentic leadership in company HERMES SoftLab. The main thesis of this paper is that authentic leadership in learning organization enables the growth of leaders in organizational surroundings through a constant dedication to authenticity and organizational learning that will be explored through the qualitative research method of case study research approach. Key research finding is that authentic leaders can be identified in company HERMES SoftLab and that there is a mutual influence between learning organization and authentic leadership. Therefore, the main research finding is that the learning organization leverages the authentic leadership, which in turn leverages the learning organization.

Keywords: authentic leadership, learning organization, authenticity

1 Introduction

The paper outlines the theory and practice of authentic leadership in the learning organization as the modern managerial concept. The concept of learning organization itself was developed by Senge (1994; 1995) who defined it as an organization where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together. Concept of learning organization incorporates knowledge management and learning process in everyday workplace in order to improve efficiency and effectiveness of the workers. In Slovenia the concept of learning organization is in the stage of evolution, also due to the fact that European Union's strategic goal is to become a dynamic society, based on knowledge and dedication to lifelong learning and personal development. The concept of learning organization in this article is linked to the concept of authentic leadership as a presentation of an environment in which constant transfer of professional and personal development essential for authentic leadership and success of organization is most suitable.

Essential changes that are happening in business environment demand radical transformation in companies and leadership. If the main goal of the companies in the past century was profit, contemporary organizations pursue the main goal of satisfying the needs of all stakeholders. This can only be done by the companies which are capable of fast enough adjustment to changes and have implemented changes as their continuity. These learning organizations are aware that the knowledge can bring them permanent competitive advantage. Organizational learning is based on the learning of an individual and teams and transmission of explicit and tacit knowledge that is why those organizations promote learning and implementation of concept of learning organization (Grah, 2010). Positive correlation has been shown between implementation of a learning organization and business effectiveness of the company (Česnovar, 2006).

In order to implement the further step - the concept of authentic leadership in learning organization Slovene companies use different management tools: participative leadership such as authentic leadership, open communication to assure free flow of knowledge and information, open organizational culture, spreading the vision among employees, learning in

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Experiental learning	Feedback and open book management
Participative organizational politics	Leaders experiment and take on risks
Decentralized decision-making	Constant possibilities for professional and personal growth
Information systems based on learning process	Constant experimentation
Flexible reward system enable the iniciatives of employees	Organizational structure enables learning and internal exchange of knowledge
Culture of learning organization and dedication of employees to learning	IT systems that empower employees
Inter-organizational learning	Inter-functional teams and team learning
Tacit knowledge transfer into explicit knowledge	Idea sharing through vertical, horizontal, geographical and time boarders
Strengthening of communication and collaboration through involvement of all employees in problem solving	Long term focus
Principle of equalness	Strengthening of flexibility and idea generation

Figure 1: Characteristics of a learning organization. Source: Authors, 2010

teams and constant dedication to learning. The new leadership theory is intriguing because of its view on leadership development – the challenge is in self-development through different organizational and personal mechanisms.

Research of the concept of authentic leadership after 2003 has gained attention both from researchers of positive organizational behavior (Avolio et al., 2004a; Avolio, Luthans and Walumbwa, 2004b; Hackman, 2009) and from business environment (George, 2003). Luthans and Avolio (in Yammarino et al., 2008) define authentic leadership as a process which contains the characteristics of positive psychology as well as a well developed organizational setting which combined together results in higher self-awareness of leaders and followers and promotes positive personal and professional development. Authentic leaders recognize and appreciate individual differences and are capable and motivated for identifying talented individuals and for helping them upgrade their talents into personal advantage. Authentic leaders may be directive, participative or autocratic as long as they behave in compliance with personal values and believes which are well accepted also among their coworkers.

Authentic leaders are capable of motivating people, stimulating activities and commitment, satisfaction and participation in order for employees to constantly improving their performance (Avolio et al., 2004a). The construct of authenticity was researched already by ancient Greek philosophers as »know thy-self«, and »thy true self«. The essence of authenticity is to know yourself, and to accept who you really are. Instead of accepting authenticity as a theoretical construct is better to understand it as element of continuum where leaders and their followers are becoming more and more authentic the more they are preserving their true values, preferences and identity (Copper, Scandura and Schriesheim, 2005).

Endrissat, Müller and Kaudela-Baum (2007) have found four characteristics relevant to authentic leaders: (1) one's oppinion (and avoidance of constant adjustment), (2) binding commitment (walk the talk value), (3) social proximity (establishing the culture of trust), (4) relationship to business (work is a challenge). Authentic leaders follow five dimensions (George, 2003): (1) understanding their purpose, (2) practicing solid values, (3) leading with heart, (4) establishing connected relationships, and (5) demonstrating self-discipline. Authentic leader needs to understand and value his life and leadership style in order to find his internal compass, which will lead him through life. Internal compass (George, 2003) demonstrates to the leader who he is as a person at the deepest level of his personality and it represents the fixed orientation point in dynamic world. It helps the leader to stay focused and integrated. It is based on what is the most important to the individual, which are the values which he really appreciates and the motivation that leads him through life.

Taxonomy of the concept of authentic leadership shows us that leading researchers from the field of organizational behaviour are interested in it (Avolio et al., 2004a; Avolio, Luthans and Walumbwa., 2004b; Avolio and Gardner, 2005; Dimovski, Penger and Peterlin, 2009; Gardner et al., 2005; Gardner and Schermerhorn, 2004; Ilies, Morgeson and Nahrgang., 2005; Luthans and Avolio, 2003; May et al., 2003; Penger, 2006; Sparrowe, 2005). Multi-dimensional influence of authentic leadership that reaches all employees is the main reason why so many researchers are looking into it. Scientists (Luthans and Avolio, 2003; May et al., 2003) are aware of the fact that in order to achieve and retain desirable results of business,

strategy of authentic leadership development at the level of strategic business organizational units is necessary (Gardner and Schermerhorn, 2004; Cooper, Scandura and Schriesheim, 2005) and that the main construct of all positive forms of leadership and its development is authentic leadership (Avolio, Luthans and Walumbwa, 2004b).

Avolio et al. (2004a) define authentic leaders as individuals who are deeply aware of their reflections and behavior and are also seen by others as people who are aware of their values, knowledge, advantages and context in which they work. Authentic leaders are self-confident, full of hope and trust, optimism, flexible and ethical (Cooper, Scandura and Schriesheim, 2005). Research has also shown that the followers comprehend leaders who demonstrate also negative emotions as more honest, credible and trust worthy as the ones who only demonstrate positive emotions (Bono and Ilies, 2006). Concept of authentic leadership is an answer to the call for new form of leadership that would suit the needs of employees in modern organizations. The new paradigm tries to offer antipode to manipulative forms of leadership in many organizations by concentrating on personal competitive advantages of an individual and development of positive organizational behaviour which includes self-esteem, hope, trust, optimism and flexibility (Avolio et al., 2004a; Avolio, Luthans and Walumbwa, 2004b).

The aim is to present the authentic leadership in a learning organization in Slovene business environment. Another purpose of the paper is to present the relationship between two theoretical constructs through a model of authentic leadership in learning organization. Hence, the focus of this study is on the impact authentic leadership has in a learning organization and vice versa. The basic thesis of this paper is that authentic leadership has a key role in implementing and improving learning organization and that learning organization in turn is

START OF THE QUALITATIVE RESEARCH	
I.a. Formation of research questions	I.b. Formation of thesis of the model
DEVELOPMENT AND EXPLANATION OF CONCEPTUAL MODEL	
GATHERING OF EMPIRICAL MATERIAL FOR QUALITATIVE RESEARCH	
III.a. Secundary analysis of archive data	III.b. Content analysis of important documents
QUALITATIVE INTERVIEWS – In-depth interviews	
OBSERVATION	
V.a. Observation (without participation)	V.b. Observation with participation
METHOD OF QUALITATIVE ANALYSIS (CASE STUDY)	
DOCUMENTATION MANAGEMENT	
QUALITATIVE ANALYSIS	
INTERPRETATION OF DATA AND FORMATION OF RECOMMENDATIONS	
CONCLUSION OF RESEARCH	

Figure 2: Outline of the Qualitative Research – Case Study of HERMES SoftLab. Source: Authours, 2010.

the most suitable business environment for developing authentic leadership which will be researched in Slovene company HERMES SoftLab.

This paper focuses on leader's point of view, since the new paradigm of leadership is focused on developing leaders around the organizational environment, not only in organizations but also in the wider surrounding of the organizations. Contemporary organizations need managers who are first of all wise (McKenna, Ronney and Boal, 2009) and authentically strong leaders (Dimovski, Penger and Peterlin, 2009). Authentic leaders point the followers into the right direction, gain their compliance for the mission of the organization and then motivate them to achieve the goals set together by the followers and leaders but further more they develop new leaders. Leaders can be described as people who do the right things, in comparison to managers, who do things right (Bennis and Nanus, 1986). The challenge in contemporary times, with the intensity of work steadily progressing, is exactly the ability to have the insight into which strategic development needs to be implemented in order to give perspective employees the chance to grow accordingly to the leadership guidelines. The focus of the leaders is on all management levels, as learning organization is the environment that needs great number of skilled leaders and also has the tendency to develop authentic leaders.

2 Methods

In the first part of the article the most important theoretical finding from the field of authentic leadership and learning organization have been outlined. In the article it is also used the method of description, above all construct analysis, comparison and in-company observation. The second part of our article is empirical research based on the qualitative analysis of explanatory case study approach. The critical overview of the company HERMES SoftLab through the method of analysis is presented. With the intention of demonstrating validity and avoiding bias of our findings research has been based on different internal sources (yearly reports, internal documents of the company, intranet data) as well as observational findings and in-depth interviews with identified key personnel in the company. In order to raise the level of reliability and validity of the study, inputs were gathered from different sources (HERMES SoftLab Internal Report, 2009): internal sources of the company were examined – e.g. annual reports, rules and processes, internal documents, as well as intranet. Additionally, also other basic methods for data gathering were used – observation with participation in a longer period of time, analysis of own experiences regarding individuals and groups performance and non-structured individual interviews with some of the key employees were conducted. The usage of different methodologies has lead to the same conclusions.

There are some limitations to the study – methodologically there is no formula to calculate if a leader is authentic or not. It can be only described with the adjectives more or less, so different methodologies had to be used to avoid making wrong conclusions. There are also two limitations regarding timeframe. The first one is the timeframe of the study – from the year 2007 to 2010 when the study is concluded, whilst the

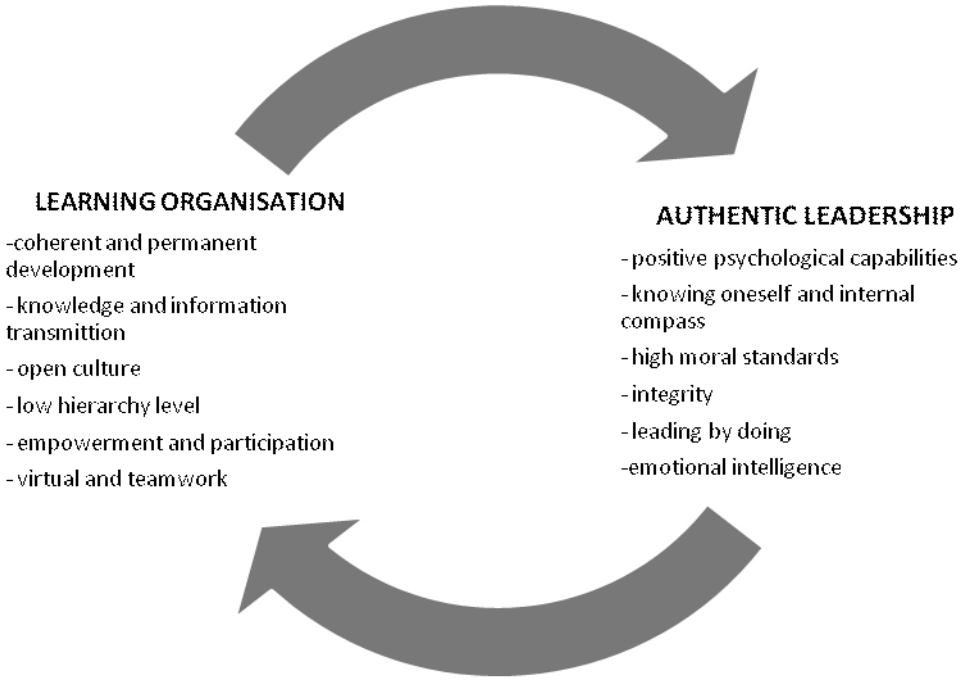


Figure 3: Authentic leadership in a Learning Organization. Source: Authours, 2010.

other is the actual time of three months when the study was conducted – form November 2009 to January 2010 (Figure 1).

3 Results

Authentic Leadership in Learning Organization Model (Figure 2) outlines the importance of highly developed organizational context and the development of positive psychological capacities: self-esteem, hope, trust, optimism and flexibility (Avolio et al., 2004a; Avolio, Luthans and Walumbwa, 2004b) that need to be dispersed across the organization in order to gain greater organizational and follower performance.

Slovenian research group Future-O has been dedicated to research of modern concepts of management over a decade and since 2004 a high importance has been given to research of contemporary evolving leadership concepts, with a special dedication to authentic leadership (Dimovski, Penger and Peterlin, 2009; Penger, 2006; Peterlin, Penger and Dimovski, 2009). Contemporary organizations are in the need of faster systematic learning than their competitors so they need to evolve into learning organizations. But they also need something deeper, they need leaders with profound understanding of business functioning in today's environment and ability to produce authentic products and demonstrate authentic leadership behavior. A changed role of managers in learning organizations demands leadership skills that evoke human potential through inspiration, team work and motivation, which means that traditional principles of management need to change considerably (Dimovski, Penger and Peterlin, 2009; Fields, 2007; Jensen and Luthans, 2006; Sanchez and Heene, 1997; Storr, 2004; Zupan, 2001).

New research approaches to leadership that are mostly based on natural laws offer a complementary view to the challenges of leadership in today's business environment (Dimovski et al., 2005; Dimovski, Penger and Peterlin, 2009). Comprehension of the organization from a mechanical or organic perspective influences the work methods that leaders use. Therefore, there are likely to be gains for the learning organization through improved performance through greater

Research and description of authentic leadership and learning organization and development of a thesis that authentic leadership as a construct is best embedded in a learning organization. *Secundary analysis of archive data*	Internal documents of the company demonstrate an inclination towards learning organization and no direct written source of the concept of authentic leadership that was researched through the method of observation. *Content analysis of important documents*
I. *QUALITATIVE INTERVIEWS – In-depth interviews* – In-depth interviews show the need of employees to incorporate authentic behaviour in the leadership practice of HERMES SoftLab management team. – In-depth interviews support the thesis that the learning organization enables both professional and personal growth and that dedication to authenticity strengthens the learning process.	
II. *OBSERVATION* – HERMES Softlab has authentic leaders. – A more systematic leadership programe of authentic leadership skills needs to be implemented. – Knowledge management as a main tool of a learning organization is well developed.	
III. *METHOD OF QUALITATIVE ANALYSIS (CASE STUDY)* – Through the used methods the main finding is that authentic leaders in HERMES SoftLab demonstrate high positive psychological capabilities, high moral standards and high self-awareness and self-regulation. – Neophyte training for all newcomers is a well developed mentorship system and an authentic leadership practice developed in HERMES Softlab. – Beneficial implementation of multifunctional virtual teams in order to transfer explicit and implicit knowledge. – Employees in HERMES SoftLab are more inclined towards authentic leadership practice if organization and its management team is dedicated to constant learning and authenticity.	

Figure 4: Presentation of results on the basis of methods used. Source: Authors, 2010.

autonomy and intrinsic job satisfaction (Guest, 2007; Oldham and Hackman, 2010). Learning organizations need a renovated view on leadership that sees employees as active creators (Dimovski, Penger and Peterlin, 2009).

Essential for understanding the theory of authentic leadership is the thesis that authenticity and, therefore, authentic leadership demand the raise of leader's level of self-awareness and of his/her coworkers that is the basic element for authentic leadership development and happens when individuals are well aware of their own identity. Self-awareness is a process in which an individual continuously grasps his/her own identity, unique talents, strengths and values. It is rooted in understanding of personal knowledge, experience and capabilities of an individual. Avolio and Gardner (2005) have identified four main elements of self-awareness: values, identity, emotions and motives/goals.

Authentic leader's dedication to development, starting at one's self, works as an indispensable example for co-workers. Authentic leaders in learning organization need to be committed to constant learning (Schein, 1992) that requires self-changing, high level of motivation for learning from one's mistakes, emotional power for dealing with unpredictability, ability for establishing connected relationships and demonstrating self-discipline, and self-trust. The attention is needed to be turned to the management of the intangible resources in knowledge-based society (Swart, 2007). Successfully lead organization are based on trust (Avolio et al., 2004a) as it is well known that the quality of relationships has an important influence on accepting the leader's way of solving strategic challenges (Clawson, 2003). Authentic leader's emphasis (Peterlin, Penger and Dimovski, 2009) is on the development (self and follower's) in the direction of greater commitment, satisfaction, participation, self-awareness, self-regulated positive behaviors and positive-self development. Figure 2 shows the connection between learning organization and authentic leadership which are interconnected as shown.

3. 1 Results of the Explanatory Case Study HERMES SoftLab

The results of the case study are based on collected secondary and on primary data. The company working processes have been examined and a critical analysis was made, together with recommendations what to improve to achieve greater level of learning organization and authentic leadership.

HERMES SoftLab is a leading Slovenian IT company, established in 1990, headquartered in Ljubljana. Group subsidiaries are located in the Adriatic region – Serbia and Bosnia, as well as in United States (California) and Western Europe (Germany, Austria, Ireland, UK and France). HERMES SoftLab is a provider of software engineering services primarily for the clients in the US and Western Europe, serving vendors in telecommunication, storage and gaming industries as well as hi-tech and embedded systems vendors. The company has developed their own product line for applications management. In the Adriatic region, HERMES SoftLab is an IT services and solutions provider to public sector and health organizations, telecommunication companies, financial institutions, gaming industry and other enterprises. In 2008 HERMES SoftLab became a member of a ComTrade Group.

The main practices that the company uses to raise its authentic leadership level are the promotion of open corporate culture and open door policy. The common practice of HERMES SoftLab's leaders is also encouraging the learning process, creativity, open spirit and creation of new ideas. The key findings of the study shows, that there are authentic leaders in the company, which have positive psychological capabilities (confidence, hope, optimism and resilience), high moral standards and high self-awareness and self-regulation. Authentic leaders know their purpose and goals, and they are aware of their reasons for becoming leaders. They have their authentic followers and each of them has its own individual style. They stay the same when the changes occur and follow their internal compasses. None can say for himself/herself that he or she is authentic – they must be recognized as such by others.

The best time to recognize authentic leaders is in difficult, breaking moments, when they are who they are, and act in accordance with themselves. One of such periods is also a recession – time when there is a need to take care primarily on the financial goals in the company. Some of identified authentic leaders in HERMES SoftLab have managerial positions, while other do not, but all of them have their own, individual style, with which they convinced their followers about their authentic behavior to follow them and enjoying in their roles and assignments, resulting in greater achievements. All identified authentic leaders are also good in their roles of mentorship for their followers, have time for followers and last but not least – positive psychological capabilities and high moral standards.

In HERMES SoftLab, they practice different activities in order to increase the level of positive psychological capabilities. To name a few; one of them is positive feedback by leaders, when employees do something great, praise of individuals or groups for special achievements and successfully finished projects on staff meetings, which is the base for increasing employees confidence and working motivation. Work is usually done in (virtual) project teams. Second activity, which we are going to mention, is their program of coaching and mentorship. To all newcomers in the company, the formal mentor is assigned, which primarily task is to coach the newcomers to be able to execute their assignments and projects in the future on their own. The newcomers are given the access to all relevant documents for their assignments. In the scope of teams, the workshops are arranged, to pass the best practices and different case studies between all team members. There is also a neophyte training, obligatory for all newcomers in the company, organized each quarter of the year, to introduce the company as a whole, its culture, values and beliefs. After that, all managers introduce their teams, to give the basic idea to newcomers on company procedures and processes.

One of the tools for increasing confidence is also yearly PE/PD processes (personal evaluation/personal development plan; HERMES SoftLab, 2009). It is conducted once a year by immediate manager and employee. It is a process of defining the employees' yearly goals, which are challenged, but not impossible to achieve. And achieving those goals, no matter whether they are short or long term goals, is another way

of increasing the level of confidence of each employee. The results show that the higher level of learning organization in the company leverages the higher level of authentic leaders, which in return, leverages the higher level of learning organization. The positive cycling effect/leverage between authentic leadership and learning organization, as shown in Figure 2 has been identified.

One of the key findings of this case study has been that in HERMES SoftLab implicit, as well as explicit knowledge is transferred between different individuals and groups. For the explicit knowledge transfer, there are several standard practices and processes, established in all company subsidiaries, – e.g. all employees have access to intranet portal and other knowledge databases, share documents. Implicit knowledge is well transmitted within each company location, but there are some obstacles to implicit knowledge transitions between different locations. This is due geographical distances and not knowing all employees working at other locations. Few activities in the company have a goal to overcome the mentioned obstacles – e.g. project meetings and virtual teams - teams including team members from different locations, virtual conferences, events, working in other subsidiary, workshops. Knowledge infrastructure (technology, culture and structure) and architecture of knowledge process (capture, transition, usage and protection) are very well defined and the company takes care of their knowledge on strategic, tactical, as well as operational level. The company should put even more emphasis on the training of positive psychological capabilities, which will result in greater financial, as well as in non-financial results.

On the basis of presented data conclusion can be made that Slovene company HERMES SoftLab can be defined a learning organization in which authentic leadership may develop. The presence of one theoretical construct promotes the increase of the level of appearance of the other construct. The more the company is a learning organization, the easier it is for employees to develop and perform as authentic leaders. And further more, the more we have authentic leaders in a learning organization, the more they promote the acquisition of new knowledge and reorganization into the direction of structured learning organization where employees possess more freedom at work, feel empowered, first time mistakes are usually allowed, if lessons are derived from them, team work is in progress and there is higher connection inside and outside the learning organization.

4 Discussion and conclusion

Authenticity of authentic leaders is often awaken by an event that dramatically or unconsciously changes the life of authentic leader because it raises thoughts about questions what he really wants and who his true self is. His personal contemplation is reflected in his personal and professional growth. If a person besides personal growth also has the leadership capabilities he can leave a signet for the humankind in a positive or negative light (Gardner et al, 2005).

In order to be an authentic leader in a learning organization it is essential one knows very well itself and the organization in order to know what needs to be improved or changed. Bill George (2003; 2008) has described the authentic practice of following our own values and empowering employees as staying true to our true north. Authentic behavior has the ability to spontaneously produce new authentic leaders. "You can discover your authentic leadership right now. You do not have to be born with the characteristics or traits of a leader. You do not have to be at the top of your organization. You can discover your potential right now (WBF 2010; George, 2010)." Authentic leaders practice: (1) achievement and not persuasion; (2) professionalism and competence and not their title or position; (3) support and commitment and not controlling (Guest, 2007); (4) setting the mentality of employees and not setting goals for the followers. Authentic leadership demands merely consistency. Leaders need to realize they have the privilege to serve the people (Dimovski, Penger and Peterlin, 2009).

Unique leadership challenges which organizations all around the world are confronted with demand genuine model of authentic leadership in a learning organization. In order to stay competitive in contemporary business environment a company constantly needs to invest into new knowledge and development of authentic leadership. Modern challenges call appeal a renewed view of research constructs such as self-confidence of a leader, trust, flexibility, optimism in a leadership process.

One of the most important challenges of authentic leaders (Avolio et al., 2004a) is identification of personality strengths of their co-workers and the proper direction and motivation in order for them to best take advantage of their strengths and connect them with goals and mission of the organization which we have concluded is implemented in the company HERMES SoftLab. Crucial challenge of a learning organization demonstrates itself in the awareness of authentic leaders that an individual is the most important part in the organizational network of knowledge. Authentic leaders need to identify the key advantages of their followers and help them to develop them and connect them with the vision and identity of the organization.

One of the key characteristics of authentic leaders is integrity. Palanski and Yammarino (2009) state five explanations of integrity from the management literature: integrity as perfection, fullness; integrity as consistency between words and actions; integrity as consistency in difficult situations; integrity as staying true to one's self and integrity as ethics or morale. Palanski and Yammarino (2009) suggest the second explanation for integrity (consistency between words and actions) because all the others explanations are virtues by itself (being true to oneself demonstrates the virtue of authenticity). Toor and Ofori (2008) emphasize that authentic leadership may be a proper response to the crisis of leadership in contemporary business environment as it distinguished by high integrity (Storr, 2004), positive energy, moral values, self-discipline, clear goals, trust and hope, optimism, flexibility and personal values.

The concept of authentic leadership was developed in the United States of America (Avolio et al., 2004a; George 2003), where different types of personal values are appreciated than in Slovenia. Authenticity should be nurtured and developed accordingly, starting in kindergarten and primary school, when the person's personality is not defined yet. Someone

with defined personality, who has learned that he or she is not allowed to make mistakes, will be very difficult to convince that learning by mistakes and authenticity is a desired value. The people with the boldness to try, who will be authentic and have a desire to learn, will be the people shaping our future. And the presented case study supports it – the learning organization leverages the authentic leadership, which in the return leverages the learning organization.

The case study approach has demonstrated that authentic leadership can be detected also in Slovene business environment. HERMES SoftLab is determined as a learning organization in which authentic leaders have been identified (Dimovski, Penger and Peterlin, 2009). The company is dedicated to searching for advanced business solutions and encourages employees at all levels for acquisition of new knowledge, empowerment and participation. Authenticity is the basis for all positive changes that we have demonstrated in the article. Organization, such as HERMES SoftLab is through the dedication to constant learning and authenticity better equipped for fighting the global competition in the IT market.

Limitations of the paper are methodological and time limited. Research findings are based on secondary data and observation with and without participation. Case study was time limited 2007-2010. Due to the fact that the case study is a statical whereas a company is a dynamic entity and changing on a daily basis the consideration needs to be taken that the researched construct of authentic leadership and learning organization is changing.

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