ROMANIAN ECONOMIC AND BUSINESS REVIEW

Author Information

The ROMANIAN ECONOMIC AND BUSINESS REVIEW (REBE) is a refereed journal published four times annually by the Romanian-American University. The editors invite submissions of articles that deal with important issues in economy and business. Papers that focus on specific phenomena and events affecting Romanian economy are particularly encouraged. Because REBE seeks a broad audience, papers should be comprehensible beyond narrow disciplinary bounds.

Manuscripts should not exceed 8,000 words and must conform to the REBE's style requirements, which are guided by The Chicago Manual of Style (14th edition). All submissions must include a cover sheet explaining the scope of the article, and including the authors' names and affiliations, telephone and e-mail address. The text should be single-spaced. References are cited with parentheses using the author/date/page style. *Example*: (Marcus, 2005, p. 74). Authors should use footnotes, not endnotes to add only short comments. Bibliography should include only references cited in the text, in the alphabetical order of authors. An abstract of no more than 200 words should be included.

Submission of a paper implies that the paper will not be submitted for publication to another journal unless rejected by the REBE editor or withdrawn by the author, and that it is an original work. All submissions should be sent to the journal Editor:

Dr. Bogdan Glăvan
Romanian-American University
Bulevardul Expoziţiei nr. 1B
Bucureşti
E-mail: bogdan.n.glavan@gmail.com

Subscription rates:
Institutions - $100/year
Individuals - $30/year

ROMANIAN ECONOMIC AND BUSINESS REVIEW

ROMANIAN ECONOMIC AND BUSINESS REVIEW

CONTENTS

THE DEVELOPMENT OF ECOTOURISM IN PROTECTED AREAS
STUDY CASE: COMANA NATIONAL PARK

Alina-Gabriela Neacsu
Patricia Dodu**

Abstract

It has been proven in the last years, that integrating the ecotourism as an instrument of sustainable development of protected areas represent a beneficial method in the management of the latter, including results regarding the economic prosperity of the local communities, besides important results obtained at the level of protection and conservation of concerned areas generated by tourism revenues.

In other words, additionally to a positive environmental impact, the proper handle of ecotourism, generates direct effects on the economic progress, education and the perception regarding the identity of surrounding communities, creating interdependence win-win relationships between the protected area and the inhabitants.

In Romania, a country with a high ecotouristic potential, the official steps taken by the authorities in implementing this form of tourism either are delayed, or have been adopted in a declarative way, which is why Romania has only two declared destinations of ecotourism. Comana National Park is a treasure on the Romanian land, with a rare biological diversity, fully deserving the title of "The second Romanian Danube Delta" and the enrolment on the UNESCO World Heritage list. The Comana National Park case, in which the ecotourism expansion strategy has obvious lacks respecting a practical point of view, is one of the protected areas in which ecotourism may become a real balance factor among conservation and sustainable economic evolution.

Keywords: *Sustainable development; Ecotourism; Protected Areas; Comana Park.*

JEL Classification: L80, Q50.

Introduction

Not often tourists visiting a protected area are passionate about nature or amazed by its biodiversity. It happens quite often that the people visiting the Comana Natural Park forget to respect nature and offer it what deserves: life and cleanliness.

Natural areas are true oasis of life. Life in a protected area never ends even though any being ceased of live at some point. Biodiversity is what supports this idea of life

---

* Alina-Gabriela Neacsu is Master's student at the Romanian American University in Bucharest. Patricia Dodu is Lecturer at the Romanian American University in Bucharest.

without death within protected areas. Moreover, the connection between man and nature can only be realized in nature, which is why the observation of the protected areas must be an objective of the authorities.

The benefits that come from protected areas are numerous. First of all, protected areas support biodiversity and all that involves it, from ecosystems and species to the smallest organisms that form an ecosystem, thus shaping the diversity of life.

At the same time, the importance of conservation areas can be found in the fact that they encompass significant areas from a cultural, historical, educational and even medical point of view.

Natural areas at international level

The concept of setting up national parks and protected areas took shape in educational and social terms, initially developing in advanced industrial countries. Over time they have spread across all regions of the globe and currently United Nations registers 2600 national parks or biosphere reserves, in 124 countries. (UICN, 1992, OMT, 1993)

Conservation areas requires a subtle involvement, rather than a very extravagant one, which can differ from country to country. Also, the touristic equipments found in natural parks are different in every country, those fitting in the margins established by the ecosystem. Respecting those margins is extremely important in protected areas, any imbalance causing disturbance or even destruction of their stability.

Ever since ancient times people defended and conserved nature. Therefore, those notions are not recent. The idea of national park, however, originally appeared on the territory of the United State of America, in 1832, where George Catlin was committed in protecting the Native Americans culture, fearing that the impact of others on this civilization and everything surrounding them (plants, animals, wildlife) could destroy this perfect and harmonious ecosystem.

Among the oldest protected areas in Europe is the one found in Grand Paradiso, Italy. It was born in 1856 as a refuge for wild animals. Not long after, in 1909, Swedes are the one who create the first national parks in Europe.

Yearly, there is an increase in both the number and the surface of the protected areas worldwide. World Database on Protected Areas provides every five years data regarding the growth recorded in protected areas. In 2016 there have been registered 202,467 areas[1], with a surface of 19,8 km^2 representing 14,7% of the cumulated surface of national territories.

The development of ecotourism in protected areas; Evolution at international level

Regarding ecotourism, it has been observed that it is difficult to be measured and did not carry out accurate analyzes defining the clear number of tourists that who would be really motivated by the principles of practicing it. However, it is noted that ecotourism is the part of tourism that is developing the fastest.

---

[1] Protected Planet Report 2016, p. 30.
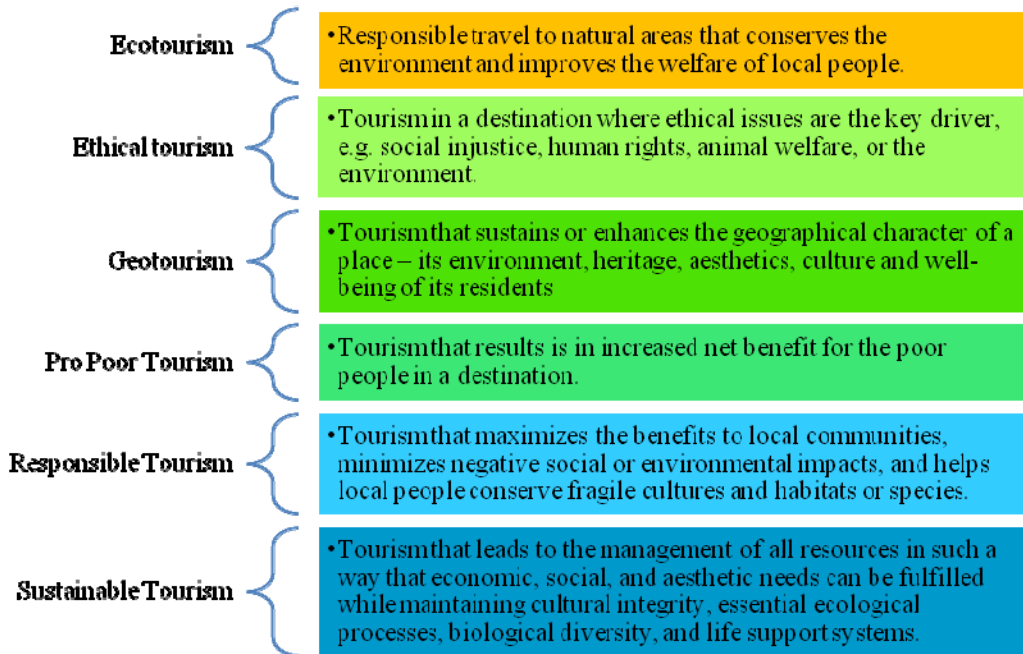
Figure no. 1: Tourism forms
Source: The Case for Responsible Travel: Trends & Statistics 2016

Lately, ecotourism has grown internationally, particularly in Europe, Asia and North America, but the difficult part intervenes in the way of providing ecotourism products and their impact on the environment and economy. On this line, Blue Flag[2] and Green Flag International[3] have been created, actions that fight and contribute to the optimization of the environment.

The ecotourism in Romania and protected areas
The territory of Romania has 1,395 protected areas[4], which can be translated into a concrete percentage of 24,46% of the country's surface. These protected areas are included in the National Protected Areas Network.

Both the position and the geographical conditions, but also the natural environment facilitates the improvement of flora and fauna diversity on our country. From a geographical point of view, Romania is the only country that holds five of the eleven biogeographical areas met in Europe, fact which is clearly indicating the wealth and prosperity of Romania's ecotourism areas.

The most important wetland in Europe (the Danube Delta), the Carpathian Mountains (more than half of their surface), virgin forests, all these are found on the territory of Romania.

---

[2] http://www.blueflag.global/
[3] http://internationalgreenflag.org/about.php
[4] http://www.wdpa.org/country/RO

The richness of our country is constituted by these elements, which together with the history, traditions and authenticity of the area turn Romania into one of the richest countries in Europe in terms of biological diversity and wildlife.

Tables no. 2 contain information regarding the number of habitat types and plant species on Romania's territory. Furthermore, table no. 3 presents the situation of protected areas in Romania (areas of national, regional and international importance) along with the specific categories of each area and the number encountered on Romania.

Almost 47% of Romania's territory is represented by natural ecosystems[5]. Protected Areas also represent an important percent of Romania's surface, more exactly, 25%.

Table no. 1: Types of habitats and plant species on Romania's territory

Types of habitats	Plant species
13 – costal	23 – monuments of nature
143 – wetlands	39 – endangered
196 – pastures and meadows	171 – vulnerable
206 – forestry	1.253 – rare
90 – dunes and rocky areas	
135 – farmlands	

Source: Adapted from the National Strategy for the Development
of Ecotourism in Romania 2016-2020, p. 32

The first column of table no. 2 represents the types of habitat found on Romania's surface. These cover a total of 783, shared on 261 sectors surveyed. The second column represents the plant species in our country and how are they divided.

Besides the richness of the flora, fauna and biogeographical framework, there are important historical events, traditions and old customs, that standeth giving the country both a mystical and authentic air.

The link between conservation areas and ecotourism is unavoidable, even overlapping at a certain point. The National Institute for Research and Development in Tourism has discovered due to a research project several ethnographic areas specific to Romania. Several areas of the previous are very close to protected areas, contributing and creating the opportunity of expansion for ecotourism.

---

[5] Fundația Centrul Național pentru Dezvoltare Durabilă, Natura 2000 în România, București, 2012, p. 6.

Tabel no. 2: Protected areas in Romania

	Categories	Number
Areas of national importance	National Parks	13
	Scientific Reserves	36
	Natural Reservations	539
	Natural Parks	15
	Nature Monuments	172
Areas of regional importance	Sites of Community Importance	383
	Special Protection Areas (Birds Directive)	148
Areas of international importance	Ramsar Sites, Wetlands of International Importance	19
	World Heritage	1
	Reservations of the Biosphere	3

Source: Adapted from Protected areas in Romania: Introductive notions, pg. 31

Identification of protected natural areas. Problematic.

The central purpose of the protected areas is as it is already understandable from its name, the protection of the natural environment. In the same time, they represent an attractive point for the tourism industry. However, the problem arises when humans intervene; therefore allowing tourists to visit the natural protected areas is not always an advantage. There are a lot of protected areas, natural or national parks which are not maintained, mostly administratively, according to the proper standards which also brings a series of other problems.

One of the problems that contribute to the depreciation of the protected areas is represented by traffic, and not only touristic. In a lot of areas cars and busses are going through the protected areas (Switzerland, France and Italy, have a large number of protected areas where traffic is permissible). Clearly there can be no benefit; on the contrary, the negative effects are even more devastating.

First and foremost, the existence of automobiles in protected areas pollute the environment implicitly, they contribute to the relatively slow but certain destruction of the ecosystem. The imbalance and disruption of the habitat, fauna and flora take place as a negative effect of traffic. In the same time, it would be ideal for all people that visit a protected area to be interested and to support the development of zonal ecosystem or even re-construction of it in some cases.

Circulation issues also arise in protected areas that are crossed by national roads or highways. Obviously, roads, national roads have a very important purpose in facilitating access from one area to another, but often do not bring a real benefit to a protected area, contrary to the overcrowding that brings about a decrease or even loss of beauty of the area.

We can also talk about the deterioration of the protected areas and the different types of accommodation structures. For example, a hotel of large size is not the best accommodation structure that could be implemented in a protected area, as tourist traffic would be excessively amplified, which would have negative effects on ecosystems.

Last but not least, it has been found that over the years, one of the causes that have greatly contributed to extinction was hunting. The best example is Western European countries. On their territory there were problems with the wolves wading the reindeer herds, so it was decided that the wolf hunt would be an advantage. Instead, the result was

the extinction of the species. Hunting is currently prohibited in protected areas, at least theoretically.

Comana Natural Park. History.

Comana hides an impressive history that involves the name of a feared ruler: Vlad Țepeș. During his reign, Vlad Țepeș founded a wooden church that later became the Comana Monastery, building around the history, economy and culture of the area, followed by the evolution of the area. Archaeological finds attest to the fact that the region has been inhabited since Neolithic times. Besides these discoveries of the archaeologists, 12 tombs were found in the courtyard of the Comana Monastery, hiding very old coins, which led the researchers to support the idea that the original wooden church built by Vlad the Impaler was then surrounded by walls, in a monastic settlement with the role of protecting the Romanian Country[6].

Comana Natural Park was founded in 2004, Giurgiu County, at a distance of almost 30 km from Bucharest. According to the studies and research carried out by the Institute of Biology, there is a large number of species in Comana. The first discoveries at this site took place in 1800 and were made by doctors and botanists of the Romanian Academy such as Dimitrie Brândza and Dimitrie Grecescu, indicating that Comana has a great potential in terms of biodiversity.

According to Comana Natural Park Management Plan, at the moment, the total surface of Comana Park is 24.963 hectares, covering ten protected areas.

Wetland of international importance

Wetlands have stretches of different types of water (standing, flowing, sweet, salted) and swamps, where many bird and animal species build their habitat[7]. These are the most fertile ecosystems in the world, so wetland maintenance and protection is essential. According to the Protected Planet[8], Romania has 19 wetlands of international importance, including the Comana Natural Park.

Firstly, for an area to be considered a wetland of international importance, it must have specific wetland characteristics. Both the ***geographical location*** of the Comana Natural Park and the ***soil quality*** were key points in declaring this area a wetland of international importance. The Comana Pond is an extremely important factor, first of all in the Comana Park, being considered as a ***"micro-delta"***, presenting specific features unchanged since 1953. A lot of migratory birds species and not only come back year after year, reason for which this area is considered extremely important in terms of feeding and multiplication of species. Another criterion that a wetland of international importance must meet is the ***existence of extinct species***.

---

[6] http://www.manastireacomana.ro/index.php
[7]   https://dreptulmediului.wordpress.com/2013/05/11/conventia-ramsar-asupra-zonelor-umede-de-importanta-internationala-in-special-ca-habitat-al-pasarilor-de-apa-2/
[8] https://www.protectedplanet.net
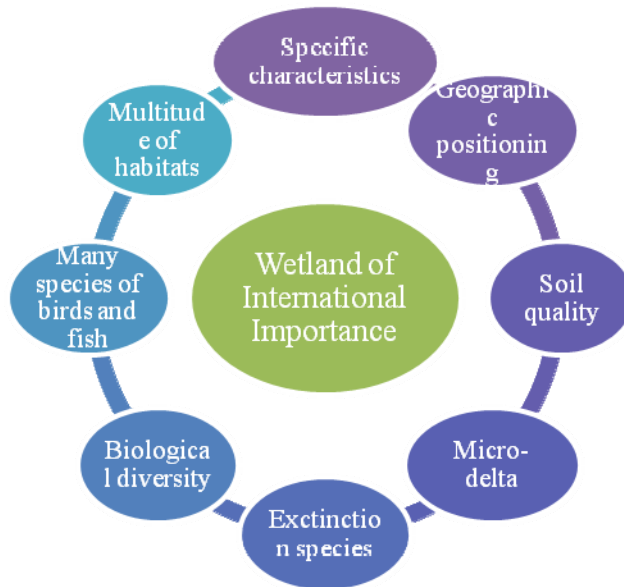
Figure no. 2: The wetland features of the Comana Natural Park
Source: Adapted from the Comana Natural Park Management Plan, p. 55

Therefore Natural Comana Park meets the necessary requirements of a moist area of international importance, being registered in 2011 on the Ramsar List[9].

Tabel no. 3: Species currently encountered in Comana Natural Park

Species	Number
Birds	212
Reptiles	9
Fish	30
Amphibians	10
Plankton	34
Mammals	37

Source: https://www.comanaparc.ro/docum/continut.pdf, p.39

In 1974 a group of botanists carried out several examinations and studies that demonstrated the existence of more than 1,200 plant species. The absence of laws and regulations to protect the area at that time led to a decrease in the number of plant species over time to 1,153 plant species. The realization of the need to protect the area has turned into the creation of the Comana Natural Park.

---

[9] https://mpgeneva.mae.ro/local-news/1394

Tabel no. 4: Rare / Endangered species found in Comana Natural Park

TOTAL: 1153 plant species of which:		
69 species have varying levels of danger	Rare at national level	52 species
	Rare at international level	3 species
	Vulnerable	11 species
	Extinction	3 species

Source: Adapted from the Management Plan Comana Natural Park, p. 56

The Comana Natural Park also fulfills this criterion, observing, according to the previous table, that within the park there are encountered both endangered and rare species at national and international level, as well as vulnerable species.

In the same time, Comana has a distinct biological diversity, which places it on the second place after the Danube Delta, and in terms of surface, it is appreciated as the third wetland of international importance in the south of our country, on the first two places being the Danube Delta and the Brăila Small Lake[10].

The existence of ***numerous bird and fish species*** in this area has also been an extremely important point in positioning the Comana Natural Park on the Ramsar list. A large number of birds are migrating and overwinter here, which is due to the location. Moreover, along the river courses they have made ***a lot of habitats*** that facilitate the presence of rare fish species, which constitutes another specific characteristic that indicates the character of the wetland of international importance.

The main management objectives of Comana Park

According to the Visit Strategy of the Comana Natural Park, the objectives that the Park administration is considering are those listed in the previous figure.
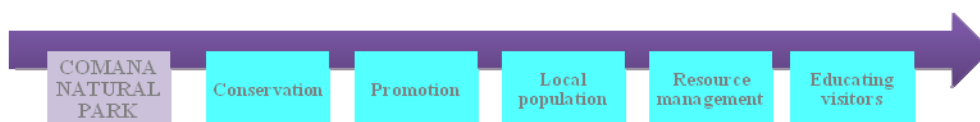
Figure no. 3: Fundamental objectives of the analyzed areas
Source: Adapted from Comana Nature Park visiting strategy, p. 10 and the
Plitvice National Park Management Plan, p. 53

Protecting and preserving intact both the ecological systems, implicitly the species that are found within them, as well as the elements related to the naturalness of the area (views, panoramas) outline the first objective of the protected area. The development and promotion of natural heritage along with the habits of the area and the proper capitalization of renewable resources, together with the education of visitors and of the local population regarding the need to protect and preserve the area sites are also important objectives set within the administration of Natural Park Comana.

---

[10] https://rsis.ramsar.org/ris-search?page=1&f[0]=regionCountry_en_ss%3ARomania&pagetab=1

Financial situation of the Comana Natural Park

Tabel no. 5: Financial situation of Comana Natural Park 2011-2016 RON

Year	Indicators					
	2011	2012	2013	2014	2015	2016
Turnover	368,852	449,216	490,747	612,482	623,468	605,786
Total income	442,520	501,230	634,693	800,036	958,557	772,539
Total expenses	440,527	495,720	627,311	794,613	976,553	761,992

Source: Adapted based on the processed data on http://mfinante.gov.ro/infocodfiscal.html

During the analyzed period, within the Comana Natural Park, there have been significant increases in all the analyzed areas. If in 2011 the turnover was 368,852 lei, until 2015 this doubled.
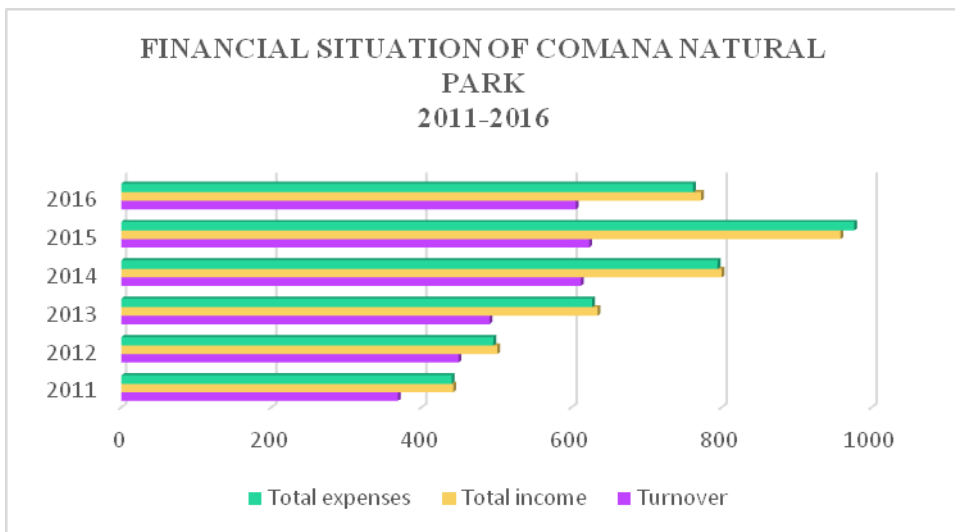
Figure no. 4: Financial situation of Comana Natural Park 2011-2016
Source: Adapted based on the processed data on http://www.mfinante.gov.ro

The reasons for which the turnover increased significantly during the period 2011-2015 are mainly due to the investments that have led to a large flow of tourists. In 2011, massive investments were made in the four observatories in the Comana Natural Park, built to provide tourists with the opportunity to watch birds and animals in the area. Besides this important investment, in 2013, the Ministry of Tourism granted funds from the state budget for the restoration of Comana Monastery. Comana Park also contributed to the increase in turnover.

Possible solutions and conclusions

In conclusion, the topic addressed is a topical issue that should be treated more carefully by the authorities. Protecting areas with rare and very rare species of extinction is extremely important in creating optimum conditions for the reproduction of these species.

Comana Natural Park is a treasure on Romania's territory, of a rare biological diversity, which deserves its status as the "Second Delta of Romania" and the inclusion on the UNESCO World Heritage List.

The development of tourism in the protected area in Comana can be an important tool in promoting the area, educating the locals and raising funds in order to sustain this activity within ecological limits inside the area, having real opportunities to become a recreation center for the capital's inhabitants, but also an educational and informational center on the importance of protecting and preserving the environment.

However, the valences that tourism may bring to the protected area of Comana, must be carefully studied and implemented, requiring the pursuit of a coherent and reasonable strategy tourism development. At the moment, we consider the tourist activities carried out in the area to be beneficial on one hand, enrolling in the right tools of development, but the lack of an effective control can lead to many inconsistencies with the concept of conservation and protection.

For example, the unrestricted access of cars and tourists, the lack of an applicable conduct code inside the protected area, the acceptance of open fire and grills for the usual Romanian picnics, the lack of noise threshold regulations lead to the aggression of habitats of numerous species, contrary to the proposed conservation and protection desideratum of Comana area.

However, we believe that some important developmental initiative in the area, which have maximum implementation chances in a protected area, are considered the best ecological tourism instruments: equestrian tourism and biking.

The Horses Kingdom Hippodrom of the Comana Adventure Park is a point of interest for many tourists visiting the area, with carriages (from 50 to 120 lei/hour depending on the route chosen)[11].

We support the development of riding paths classified by difficulty (except for fragile areas and reserves in order to avoid the disturbance of the ecosystem), where tourists, along with a guide or a specialist, can walk in nature or ride.

As previously mentioned, Comana has a great potential which is not "exploited" to its real value. Even tough the possibility to rent a bicycle to explore the park for a few hours - 15 RON/hour, or all day - 50 RON, tracks and cycling tracks is not brought to their full potential. Usually, tourists are left to follow easy tracks, accompanied by track signs, and in specific times of the year they have the opportunity to participate in competitions such as Comana Bike Fest.

Tracks for cyclists can be better introduced as a part of Comana and also as a part of natural reserves, resulting in real beautiful cycling tracks (without modifying the ecosystem) which can benefit the tourists. At the same time, forming an organization with which Comana Park administration can collaborate would increase the number of

---

[11] http://parcaventuracomana.ro/tarife/

tourists, which would implicitly lead to the development of local communities, but also the economic development.

References

Andreea Mihaela Băltăreţu, (2011), *Arii protejate. Ecoturism. Dezvoltare durabilă*, Editura Pro Universitaria, Bucureşti.

Dodu Patricia, Patrichi Ioana, (2010), *Dezvoltarea durabilă a turismului*, Editura Pro Universitaria, Bucureşti.

Paul F.J., McCool, Stephen F. and Haynes, Christopher D.A., *Sustainable Tourism in Protected Areas.*

Patrichi Ioana, (2013), *Turism durabil - o noua perspectivă*, Editura Pro Universitaria, Bucureşti.

Conrady Roland, Buck Martin, 2010), *Trends and Issues in Global Tourism 2010*, Springer-Verlag Berlin Heidelberg.

Andrew Solway, (2009), *Sustainable Tourism*, Edit. Franklin Watts Ltd.

Richard Sharpley, 2009), *Tourism Development and the Environment: Beyond Sustainability*, Edit. Earthscan.

Anthony S. Travis, (2011), *Planning for Tourism, Leisure and Sustainability: International Case Studies*, Wallingford, CABI.

Mircea Muresianu, (2015), *Ecotourism in Rodna Mountains National Park, Between Wishfulness and Reality*, International Journal of Environmental Research.

Protected Planet Report 2016, United Nations Environment Programme.

The case for responsible travel: Trends & Statistics 2016.

Dr. Kelly S. Bricker, *Trends and Issues for Ecotourism & Sustainable Tourism.*

Shellyanne Wilson, Indera Sagewan-Alli, Agustina Calatayud, (2014), *The ecotourism Industry in the Caribbean*, Inter-American Development Bank.

Adventure Tourism Development Index: An Adventure Travel Scorecard, International Institute of Tourism Studies, The 2016 Report, Sixth Edition, Published September 2016.

Ecoturismul în România între teorie şi practică; Ecostudent - Revistă de cercetare ştiinţifică a studenţilor economişti, Nr. 5/2015.

Planul de management al Parcului Natural Comana.

http://ariiprotejate.eu/retea-parcuri/

https://propark.ro/images/uploads/file/manual%20arii%20protejate_net.pdf

http://turism.gov.ro/en/dezvoltare-turistica/

http://propark.ro/ro/stiri/rezultat-selectie-parteneri-proiect-natura-si-traditii-in-sprijinul-dezvoltarii-durabile-389.html

https://dreptulmediului.wordpress.com/2013/05/11/conventia-ramsar-asupra-zonelor-umede-de-importanta-internationala-in-special-ca-habitat-al-pasarilor-de-apa-2/

http://www.ibiol.ro/proiecte/Acad/proiecte2016.htm

http://www.ecologic.rec.ro/articol/read/dezvoltare-durabila/14201/

http://www.pronatura.ro/ap/mondial.htm

http://parcaventuracomana.ro/

https://mpgeneva.mae.ro/local-news/1394

http://www.comanaparc.ro/docum/cercetare.pdf

http://www.comanaparc.ro/docum/stire_ramsar.pdf
http://internationalgreenflag.org/about.php
http://www.blueflag.global/
http://www.mfinante.gov.ro/infocodfiscal.html
https://patrimoniu.gov.ro/images/turismcultural/Romania/Strategie-ecoturism.pdf
http://www.insse.ro
http://www.ramsar.org/wetland/romania
http://www.internationalrangers.org/ro/toolkit/world-database-on-protected-areas

THE RATIONALE FOR SOVEREIGN WEALTH FUNDS IN NIGERIA: ISSUES AND CONSIDERATIONS

Shobande Olatunji Abdul[*]

Abstract

A significant concern to monetary policy formation and implementation is the volatility in government revenue arising from sharing of the monetized oil proceeds which normally led to spikes in both exchange and short-term interest rates with disruption effects on the monetary transmission mechanism. To complicate the process, the excess liquidity sharing arising would lead to significant cost on the part of the central bank for liquidity mop up operation. This study reviews the aftermath of the current sovereign wealth funds in Nigeria and its potential of enhancing stability and policy coordination.

Keywords: *Sovereign wealth funds, policy, Nigeria*

JEL Classification: E00, E02, E03, E61

Problem Formulation

The growth in recent years of Sovereign Wealth Funds (SWFs) has generated an extensive body of literature. Much of these literatures is largely descriptive. A huge portion is normative relating to foreign direct investment. Only a few fractions considered economic-theoretical issues and their implication on monetary policy coordination and savings for future generation. While, the sovereign wealth funds are invested globally, possibly because it consists a pool of money derived from a country reserves which are set aside for purpose of the benefit of economic stability and developmental financing.

In terms of concept, sovereign wealth funds are state owned investment which comprises of financial assets such as stocks, bonds, property and natural resources. SWFs may be held by the Apex bank, which accumulate funds through prompt supervision of bank and management of deposit money banks. Other sovereign wealth funds are pool of savings that are invested in various forms such as Foreign Currency Deposit, Special Drawing Right (SDRs) and required deposit by International Monetary Fund (IMF). Success recorded from the sovereign wealth funds as evidence by Norway, China, Saudi Arabia, Singapore, Kuwait and United Arab Emirates have shown that sovereign wealth funds have several potentials of reducing inflationary pressures, transparency in economic management, increase saving for future generation and enhance economic stability.

---

[*] Shobande Olatunji Abdul is at the Department of Economics, Faculty of Social Sciences, University of Lagos, Akoka, Yaba, Lagos, Nigeria

Despite the glory attached to this relative initiative the need to review the existing framework of the sovereign wealth funds in Nigeria become crucial, since emphasis to provide solution to the controversies surrounding the Excess Crude Account (ECA) persist. Also, the need to put an end to budget shortfalls and ensure sound economic stability is the major concern of this study. The remaining part of this paper is broken into four segments. Next it starts with segment evolution of sovereign wealth funds. Followed by the Dividend of Sovereign Wealth Funds in segment three and concluding remarks in segment four.

I. Evolution of Sovereign Wealth Funds in Nigeria

The establishment of the stabilisation funds precursor formed the foundation of the sovereign wealth funds. The stabilisation funds was meant to offset the revenue declines perceived from consistent decline in commodity prices or production growth which has led to volatility in the price of natural resource such as metals, diamond, crude oil among others. This stabilisation funds was designed to promote local development by smoothening spending during boom and burst period (Wolf, 2009). Because of the domestic financial sector recapitalization, the need for institutionalization and reallocation of resources the sovereign wealth funds was established. The Kuwait sovereign wealth funds were widely acknowledged as the oldest in the world. It was established in 1953 to assume the responsibility of managing the Kuwait's State Assets. Likewise, the Singapore investment corporation established in 1981 as private company to facilitate government savings to meet budget deficits and currency volatility, along side with the sovereign wealth funds established by United Arab Emirate, Saudi Arabia, China as well as the Norwegian Sovereign Wealth Fund established in 2008 (Blackson, 2011).

In Nigeria, the controversies surrounding the Excess Crude Account (ECA) have led to the establishment of the Nigerian Sovereign Wealth Funds as an urgent solution to meet the budgets shortfalls as well as enhance stability through policy coordination between the monetary and fiscal policies. By 2011, the Nigerian Sovereign Investment Authority (NSIA) was established and mandated to received, manage, and invest in a diversified medium and long-term revenue of the government. To make effective policy, the Governing Council was established and head by the president. This move gave room for independent body capable of holding, acquiring and disposing assets in its corporate name (Martin, 2008).

To carry out its mandate effectively, the NSIA has been broken down to three operational responsibilities which include Future Generation Funds (FGF), Nigerian Infrastructure fund (NIF) and Stabilisation Funds. While, the FGF is targeted at providing the future generation with savings, the NIF was targeted at making investment related to critical infrastructure such as power sector restructuring, agricultural growth, dams construction and sewage treatment. The stabilisation fund was considered for effective conduct of sound fiscal policy for reducing fluctuation in price level.

II. Dividends of Sovereign Wealth Funds

One of the major challenges to monetary policy formulation from government is the volatility in oil revenue. It is a very good development that establishes a mechanism

for setting up the SWFs which will smoothen out the effects of volatility of oil prices and permit the intertemporal transfer of benefit from oil wealth (Tule, 2014). From the monetary policy perspective, sovereign wealth fund is expected to smoothen volatility in the financial market (money and capital market) and exchange rate which is often associated with sharing of government revenue.

Given the dynamic structure of Nigeria economy, the recourse to the excess crude account in the course of budget implementation is to benchmark price of crude oil the budget. Suggesting that the government has to operate a fiscal deficit marked by improvement in term of trade that will impact on inflationary pressure and output growth.

III. Concluding Remarks

The current state of the Nigeria economy shows that oil revenue account for a larger share of government budget, as such the monetary policy environment is dominated by fiscal measures. Therefore, the rationale for monetary and fiscal policies coordination becomes obvious. Although, the Nigeria government have attempted to establish the monetary and fiscal polies coordinating committee (MFPCC) for creating a platform for harmonization of monetary, fiscal and debt policies with a view of promoting stability in the financial system.

This study queries the existing policy coordination arrangement and suggests urgent need to address the problem of excessive liquidity in the Nigerian financial system, especially when monetization of dollar revenue has curtailed the development of the foreign exchange market and weaken the pragmatic monetary policy efforts.

References

Blankson, A., (2011), Newsletter: Sovereign Wealth Funds in Nigeria: An Overview of the enabling Provision.
CBN (2012), Understanding Monetary Policy Series, *Central Bank of Nigeria, No 18*
Martin, A., (2008), Sovereign Wealth Funds: Background and Policy Issues for Congress.
Mordi, C.O., (2014), The Rationale for Monetary and Fiscal Coordination in Nigeria. *Central Bank of Nigeria. Proceeding of Fiscal Liquidity Assessment Committee Retreat.*
Tule, M.K., (2014), The Role of Data on Government Finance in the Design, Implementation and Efficacy of Monetary Policy in Nigeria. *The Central Bank of Nigeria Proceeding of Fiscal Liquidity Assessment Committee Retreat.*

CULTURE SHOCK OF STUDYING ABROAD
- NEW TRENDS FOR THE DEVELOPMENT
OF INTERCULTURAL SKILLS -

Ana Mihaela Istrate**

Abstract

In a multicultural world, where students and professionals have numerous opportunities to travel for business and academic reasons, a set of skills for coping with culture shock is absolutely mandatory. Starting from an understanding of Hofstede's definition of culture as "the collective programming of the human mind", and continuing with Lysgaard"s U-curve of Culture Shock, the present study offers solutions for coping with adaptation problems in a new cultural environment.

Based on a set of interviews with international students that experienced the U curve and the W-curve of culture shock, during their international study programs, we will be able to offer better solutions for the problems encountered while being away from the cultural comfort zone.

Keywords: *Hofstede, U-curve of culture shock, intercultural dimensions, international study programs*
JEL Classification: Z10

I. Introduction

The modern academic world has recently become a space for the development of young international individuals, travelling all over the world for tourism reasons mainly, but also for educational reasons. It means that more and more students apply for international programs, and spend a minimum of one semester, up to an entire three/ four-year bachelor program abroad. Particularly in the case of Romanian students we can observe an increasing trend among high school graduates to apply directly for European bachelor programs. Thus, the demands of academia increased dramatically, requiring further specialization/ level of adjustment to international environments, for the students.

But a better understanding of the triggers for this increasing trend, among high school graduates, needs an understanding of the definition of culture, of cultural differences and only then an understanding of culture shock and the ways we can overcome its effects.

I always view the definition of culture starting from Geert Hofstede's definition as the "collective programming of the human mind", that distinguishes its members according to their level of specialization and their ability to master intercultural environments (Hofstede, 1991, p. 5).

I consider that culture can be learned, and our programming, from an early age, when we are taught the cultural norms and values, dictates us how to behave in new and different environments. It is the case with most Romanian-American University students, who apply for international Erasmus programs, which can last from three months up to nine months abroad.

---

* Ana Mihaela Istrate is Lecturer at the Romanian American University in Bucharest. E-mail: ana_istrate2002@yahoo.com

Along the present study I will make reference to particular cases of students who applied for international programs and spent one or two semesters abroad, but I will also refer to the specific case of a student who decided to return home after a month spent on her international Erasmus program in Holland, due to her inability to adjust to the norms and values of the new host culture, which she considered too distant and too low context, compared to the one that she left, and thus she was unable to cope with culture shock.

Starting from the definition of culture shock, by explaining the stages of the U-curve of culture shock and explaining the symptoms that students can suffer during their international student exchange programs, we will try to understand how Romanian students cope with all these elements and, if possible, understand if students need further guidance on the type of country or culture that they should apply for, in order to avoid the effects of culture shock.

II. From Culture to Culture Shock

Leopold Gutierrez considers that culture is the way in which we are able to engage in relations with other people, "providing a combination of intermediate patterns which channel our feelings and thoughts, making us react in a particular way, different from those who have been submerged in different patterns". (Gutierrez, 1973, p. 17)

We can thus understand that a community creates a set of shared norms and values that are taken for granted in the interaction with other individuals. If this set of norms and values differs in other cultural contexts, individuals sometimes are not able to efficiently cope with them.

When a student or an adult decides to move abroad, for educational or professional reasons, he/ she may expect to be impacted by culture shock, which is actually the result of being exposed to a cultural environment that he/ she may not be very familiar with.
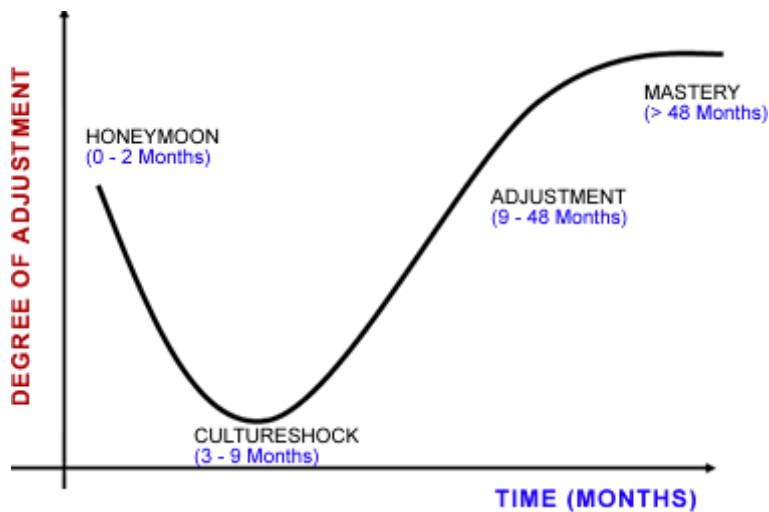
Fig. 1 *U-Curve of Culture Shock*, Sverre Lysgaard, 1955

In the specialized literature, the term *culture shock* appeared in the 1950s, when it was postulated by the American anthropologist Cora DuBois, who used the notion to define the state of confusion that anthropologists experienced, when coping with a new cultural environment. Later on, in 1954, Kalervo Oberg, the Finnish anthropologist who used his personal experience as expat, travelling for studies and work all over the world, expanded DuBois concept, by applying it to all people experiencing an international distress, caused by removal from the comfort of the home

culture. But in 1955 it was Sverre Lysgaard, the Norwegian sociologist who used the four terms (honeymoon, culture shock, adjustment and mastery) to define the stages that can impact the state of mind and behavior of people who experience the discomfort of living abroad. He also explained the exact periods of time that humans can experience the different stages of culture shock.

What researchers suggest is that any human, deciding to move abroad for work or education, needs to become acquainted with the new culture, be informed about cultural differences, perceptions, attitudes, etc., and be prepared with a set of realistic expectations about the country and people that he/she will meet.

At the same time, it is important to inform sojourners that a certain level of stress is absolutely normal in any given change a human's life, and that frustration and confusion are part of the adaptation process.

III. Analysis of culture shock stages – case study

It is the case of my student, enrolled with the Marketing bachelor program who, in her second year of studies, applied for an international Erasmus semester at Fontys International Business School, in Holland, with the campus in Venlo. After the two-week cultural immersion program, that she had to follow with the international office of the Dutch university, she was helped to find an appropriate accommodation, in an international students' dorm building.

Unfortunately, coming from a high context culture, as the Romanian one is, where information is explicitly communicated with words, which are put in context, which is stated form the beginning and details are included in a holistic picture, the student was not able to cope with the demands of a very low context culture, as the Dutch one is, where personal relations and speech are compartmentalized, and showing an evident preference for main points, and ending with details. (Nunez, Mahdi, Popma, 2014, p. 24-25)

In only a couple of weeks she reached the angry stage, or the culture shock, at the bottom of the U-curve, where all symptoms (anger, tiredness, exhaustion, depression) became evident. Because of her lack of experience, she very quickly reached the angry stage of denial, refusal to adapt to the new environment, inability to cope with the cultural differences and felt as if she failed in some way. That is why she decided to come back, return the financial grant she was offered, and continue her studies in Romania.

Unfortunately, the entire experience had an overall negative impact upon her future activity, because on her return home, even though she only spent a month in Holland, she entered in a rapid stage of re-entry shock and needed months to get accustomed to her home environment and be able to cope with the demands of her national system of education.

I consider that unfortunate situations like the above-mentioned one can be avoided, through a careful preparation of the students for the international experience, through a process of selection that takes into consideration the psychological state of mind of the students and an understanding of the triggers behind their desperate need to study abroad, a very tough language selection, because "competence in the language of the host culture is stressed in the literature as very important for the adjustment process" (Zapf, 1991, p. 114), or at least a guidance of the students towards those host countries where cultural differences and barriers are not very high, as in the particular case of Dutch culture.

However difficult or disappointing this example is, we have to admit that most of the students travelling abroad for studies have successful stories to tell, on their return back home. Because adaptability is in human nature and most of the time members of the young generation have the potential to adjust to new environments, even to the hostile ones, where cultural differences are very abrupt.

As literature suggests, the overall state of the mind of the student is very important, because in certain situations certain levels of stress can become a motivating stimulus for excellent

academic performance and culture shock represents only a stage in a transition process towards the maturing process of the individual. It is indeed very important that the student is not alone, but part of a group of international students, where at least one or two have the same nationality as the one experiencing culture shock. Refusal to interact with members of the same nationality will only deepen the state of desperation and will increase the state of depression.

In this sense, I have more successful stories, of students who decided to apply in small groups for international programs. There is the case of two young girls, enrolled with the Management program, who applied together for a semester in Portugal, at the University of Porto, who coped very well with culture shock. On the one hand, it was due to the fact that they were together, which helped them overcome cultural differences, and on the other hand, the fact that they applied for a country where the language belongs to the family of Latin languages helped a lot.

There is an even more interesting case of two other girls, students enrolled with the same Marketing program, who applied together for a Dutch university. The level of English of one of the girls was extremely low, compared to the demands of the academic program, but the culture shock helped her overcome even her personal limitations, and supported by her colleague, who was also her roommate, she was able to pass all her exams, integrate easily among international students and even consider a future master program in Holland, upon graduation of the bachelor program in Romania.

Compared to these situations, international students studying in Romania have a totally different profile and cope differently with culture shock. If Romanian students usually apply for Erasmus programs in Western countries, most of the international students coming to Romania are from middle-eastern countries, conflict zones or Muslim countries, where the cultural background deeply impacts the overall behavior of the human being.

They have the tendency of standing in the angry stage longer than people belonging to other cultures, because of their refusal to engage and interact with local people. At the same time, it is due to the fact that in many situations their level of English does not allow them to engage in complex conversations with local people that create a real barrier between them and the other members of the academic group. In the particular case of students coming from middle-eastern countries, we have to acknowledge the fact that, for example in Bucharest, there is a large community that they can engage with, and thus the need for an interaction with local people becomes almost superfluous.

IV. Conclusion

Culture shock is a process, and as all processes it has an initial phase, but also a final one. When mastering a culture, it means that the individual was able to cope with all the difficulties, starting from getting acquainted with an environment, new people, new food, new language and religion. And as Fons Trompenaars suggested, culture refers to the way we are able to deal with difficult situations and solve problems. Thus, psychologists recommend specialized advice and counseling once the symptoms of culture shock appear in young adults studying abroad.

As human beings, we are equipped with sensitivity and we are endowed with cultural empathy. These two important tools help us adjust to context and situation and move between different frames of reference, without losing our identity.

References

Gutierrez, L.G., (1973), *On intercultural contact and the effort toward synthesis*, In R.A. Marshall (ed.), *Can Man Transcend His Culture?* Washington; American Association of State Colleges and Universities.

Hofstede, G., (1991), *Cultures and Organizations: Software of the mind.* London: McGraw-Hill.

Nunez, C., Nunez-Mahdi, R., Popma, L., (2014), *Intercultural Sensitivity. From denial to intercultural competences*, Royal Van Gorcum.

Trompenaars, F., Hampden-Turner, C., (1997), *Riding the Waves of Culture. Understanding cultural diversity in business*, Nicholas Brealey Publishing, London.

Ward, C., Bochner, S., Furnham, A., (2001), *The psychology of Culture Shock*, Routledge, London.

Zapf, M.K., (1991), *Cross-cultural transitions and wellness: Dealing with culture shock*, International Journal for the Advancement of Counselling 14: 105-119, Kluwer Academic Publishers, Netherland.

REFLECTING ROMANIA. BETWEEN STEREOTYPING AND REALITY

Roxana Bîrsanu[*]

Abstract

The features that distinguish one culture from another and that give its uniqueness are not always considered from a favourable angle. When this happens, the perspective is biased by stereotypes, which may reflect a distorted image of a given culture/community. In the last decade, Romania's image abroad has been massively constructed through stereotypes. This paper sets out to look into how Romania is presented on the Internet, both by natives, and by foreigners. The aim of this analysis is to detect whether the already 'classical' stereotypes of Romania and Romanians are preserved in the two examples under study and how they influence the perception foreigners may develop of our culture.

Keywords: *stereotyping, identity, intercultural communication, interaction, culture*

JEL Classification: Z10

1. Introduction

In the contemporary world, a consideration of the social interaction context would be utterly incomplete in the absence of intercultural communication. One can no longer deny its relevance for everyday occurrences and encounters. This is precisely due to the fact that intercultural situations have become so embedded in the weave of social interaction on the whole, that they are considered a datum of modern social communication.

Although intercultural communication is nowadays a concrete reality, the efficiency of this endeavour should not be taken for granted. In order to be successful when interacting interculturally, one should first be aware of cultural differences and then try to gap them by using a set of communicative skills that can be acquired through study and learning on the one hand and through direct, hands-on experiences, on the other.

Contact with a distinct culture can be mediated through the application of what might be called a vertical reading of that specific culture, i.e. the semiotic interpretation of the visible aspects reflecting its underlying structures and values. That is an interpretation of signs that make up the surface of that culture, from road infrastructure to the attitude of shop assistants or the condition of hotels and airports and the general atmosphere that you

---

[*] Roxana Bîrsanu is at the Romanian American University in Bucharest. E-mail: roxanabirsanu25@yahoo.com

experience in the street or in pubs and restaurants. In a way, the information one extracts from and the overall impression one builds as a result of this surface contact with the receiving culture may be considered predictors for how someone is likely to behave when interacting with their culturally distinct partners of communication.

Nevertheless, there is another highly relevant factor which may dictate the success or failure of the interaction with another culture, at least in the first instances of interaction. This factor refers to stereotypes, a psychological construct that is used by almost everyone, whether we like to admit it or not. Stereotyping has been the focus of significant and consistent research, with many definitions and debates focusing on aspects such as origins, mechanisms of generation and manifestation of stereotypes or their variability and the best methods used to measure their scope and impact on social interaction.

For the purpose of this paper, I will use the definition proposed by Stangor, according to whom: "stereotypes represent the traits that we view as characteristic of social groups, or of individual members of those groups and particularly those that differentiate groups from each other. In short, they are the traits that come to mind quickly when we thing about the groups" (2009: 2). A closer analysis of this definition reveals that the key terms used are "traits", "groups" and "differentiate". In other words, stereotyping reflects the way we perceive members of another group based on aspects such as one's previous personal experience, the ideas and (mis)conceptions that one's own group applies to other groups and/or the oversimplification of traits ascribed to other groups. Therefore, the conceptualisation of stereotypes has often been linked, in the specialty literature and in everyday life alike, to concepts such as disapproval, generalisation and inaccuracy.

In order to fully grasp the meaning of stereotypes, perhaps it would be useful to see the mechanisms through which they operate. According to McGarty et. all (2004, 2), researchers have designed three principles which they apply when dealing with stereotypes. One is that stereotypes facilitate explanation, another is that they are devices which save energy and the last one refers to the fact that stereotypes are beliefs shared by a group with respect to other groups/communities etc. The first of these principles suggests that stereotypes assist the perceiver in making sense of a given situation, the second conveys the idea that they help the perceiver save the effort involved by attempts to decode and interpret a given circumstance, while the last principle infers that stereotypes are actually formed in compliance with the already existing norms and beliefs circulated by the group to which the perceiver belongs.

Due to their nature which relies on generalisation and judgment based on insufficient knowledge of and experience with a new culture/community etc., it is obvious that stereotypes "sometimes lead to errors, biases, self-fulfilling prophecies and a variety of unfair and unjustified outcomes" (Jussim et all, 2009: 203). Further consequences translate into social exclusion, marginalisation and even aggression towards the victim of stereotyping. It is worth mentioning that stereotypes need to be conceptualised in a cultural and social context and that they are not always frozen in time. They tend to follow the dynamics of the social context. See, for instance, stereotypes based on the distribution of social roles according to gender, profession or age.

Despite the fact that stereotypes are usually considered from a negative perspective, sometimes they may have a positive orientation, when they help us predict behaviour and thus prepare us to think of solutions to overcome possible roadblocks, which happen frequently in intercultural interactions. At the same time, the information that may gather about a certain group/community may be overwhelming, and in order to avoid information overload, we have developed a mechanism to structure and simplify data by organizing it into various patterns (Brozbă, 2010).

Actually, this reflects the first principle mentioned above, which indicates that stereotypes facilitate explanation and assist someone in decoding a given situation or encounter based on what s/he already expects to be faced with. However, it seems that "we generate many more negative than positive stereotypes when asked to do so, and even expressing positive stereotypes is not seen positively" (Stangor, 2009: 2), since it is automatically implied that we have negative ones as well.

Although it is difficult to control stereotypes, as they represent social categorisations that are constructed in time and rely on patterns that have already been around for years, caution is advised as to the extent to which we allow them to guide and influence our interactions with the others. At the same time, we should be aware that, whether we like it or not, we are all subjects of stereotyping and prone to creating stereotypes, regardless of whether we refer to gender, age, profession, religion etc.

Awareness of the generation and use of stereotypes is actually a highly useful means to fight them. There are also other paths than can be taken in order to limit stereotyping: "through fostering perceptions of shared identities, encouraging meaningful contact that defies group boundaries, and highlighting similarities on other dimensions unrelated to group distinctions, the ingroup and outgroup can begin to see each other as more similar than different, thereby reducing negative intergroup actions and promoting positive ones" (*Ibidem,* 10).

2. Discussion

In this paper, I am addressing the issue of stereotyping by relying on a case study which involves two perspectives on the surface structure of Romanian culture. One belongs to a team of native Romanians who run the web page www.romania-insider.com, the other is extracted from a foreign web page administered by people outside Romania, www.expatarrivals.com. The two web pages have seemingly similar purposes, but target rather different groups. The Romanian web page, which is extremely well-run and well-organised, addresses many aspects of Romanian culture, from politics to news, social and cultural events. The selection of information considers the readers' interests in the local culture and events are analysed from an objective standpoint; all in all, it is a highly valuable resource for anyone who is interested in Romania and its culture. The topics upon which my analysis focuses from the perspective of stereotyping target potential tourists visiting Romania.

On the other hand, there is the foreign web page, with contributors from around the world, which, as the name suggests, mainly targets expats (it specifies that it contains "local information for global expats"). The content is organised on continents and countries. The team presents information structured on categories such as education,

transport, healthcare, accommodation etc. The data are constantly updated and presented in a straightforward manner, the general impression being that the editorial team attempts to inform readers by maintaining a neutral position. A very useful part of the chapter dedicated to Romania is the one called "Expat experiences in Romania", in which former and current expats share their everyday experiences in our country.

The logical question which arises is the following: when you go abroad and do your homework before leaving, would you be more prone to believing what locals say about that place or to listening to the opinion of other foreigners who visited it before you? This comparative analysis aims to identify two perspectives on the same reality, one which comes from the inside, from people who live this reality every day of their life and who may disregard aspects which are relevant for a foreigner or see them in a subjective light. The other perspective belongs to the foreigner, the Other, who presents their Romanian experience with the argument of unmediated encounter, since most of the information relies on testimonials from other foreigners who had come into contact with Romanian culture. Obviously, these too bear the mark of subjectivity, since the accounts are biased by a positive or a negative experience.

The article analysed here which was taken from romania-insider.com is called "Romania crash course – 10 things any foreigner should know". Basically, judging by the title, the data contained in the article are aimed at the information of practically anyone interested in our country, with a stronger on potential tourists.

How a given culture/group sees itself can also be subjected to self-stereotyping. This is precisely the case with the article from Romania-insider, which is signed by an insider, a Romanian, and is targeted at foreigners. It is a very relevant example of how self-stereotyping works. In case of self-stereotyping, the concept of social identity comes into play. Social identity is distinct from personal identity, which is formed through personal relationships and idiosyncratic features. Hogg and Abrams claim that "because social identities define, prescribe and evaluate who one is and how one should think, feel and act, people have a strong desire to establish or maintain the evaluative superiority of their own group over relevant other groups – there is an inter-group struggle for evaluative positive group distinctiveness" (2003:421). According to research on self-stereotyping, which is also reinforced by the above-mentioned scientists, when self-stereotyping, the general tendency is to emphasise the positive traits assigned to the group to which the perceiver belongs.

However, as we will see in what follows, the author of the cited article chooses to highlight mostly negative traits which are normally associated with Romanians and Romanian culture. It is incomprehensible why the author opted to take such a negative approach in an informative text which is meant to depict one's culture in a manner that should motivate people to visit his country and not discourage them before even arriving at their destination.

The introduction is not very motivating, although the intention of the author is manifestly expressed: to ease foreigners' adjustment to Romania, which, in the author's opinion, means being prepared for an utterly negative experience. In other words, he offers to mediate the impact of any potential culture shock: "First time in Romania? Or planning to arrive for business or pleasure? Here are 10 hints that will bring a smoother

adjustment to the country. In most cases, we're focusing on the worst case scenario, especially for things that we know happen quite often in Romania. Be ready for them and enjoy the exceptions – plenty of which DO exist in Romania!". In other words, the alternatives to any negative scenarios that might happen are only exceptions, and not the norm in Romanian society. The author fails to be convincing in his attempt to persuade potential visitors of the opposite, even though he uses capital letters in his effort to do so.

The ten topics which are discussed in the article represent areas of interest for anyone who wishes to initiate contact with another culture: language, time, agreements, parties, family, infrastructure, small talk topics & interests, status symbols, relationships and safety. Unfortunately, all these topics are covered from a negative perspective. For instance, foreigners are informed that they will hardly find any official signage in English. Presumably, the reason for this warning is to "save them from having too high expectations". In terms of agreements, potential business people are warned to "brace themselves for swimming in uncertain waters".

Not very encouraging if one intends to initiate a business contact with Romanian companies.

The negative description of Romania reaches its climax in the approach to infrastructure. One of the most frequently met stereotypes foreigners apply to Romania is that road infrastructure needs improvement. The author of the cited article strengthens this stereotype in very vehement words: "You might have heard about Romania's bad road infrastructure. But nobody will prepare you for the full extent of it until you drive on a road full of potholes: it will ruin your mood for holidaying. Prepare mentally for that possibility every time you go around driving in Romania and remember that in most cases, amazing places will await for you at the end of the roads. Try not to be frustrated […]".

Another stereotype that is addressed in the article refers to status symbols. Although they do not differ from what most cultures regard as signs of status, the Romanian author chooses to emphasise the negative aspects associated with status symbols. Surprisingly, he specifically expresses that the presentation of these symbols relies on generalisations and advises caution when dealing with them. In other words, he is aware that such generalisations could be detrimental to the image of his culture; nevertheless, he consciously does what he advises others not to: "Below we list some of the most important status symbols for many Romanians […] (these are generalisations, they do apply to many people, but not to all – so it is always safe to check, rather than presume, what values a person holds dear)". Presented as they are in this article, the symbols that define status for "many Romanians" suggest a shallow culture, whose values reflect a concern for superficiality and the ephemeral.

If we were to draw the conclusion of this presumably motivating article, that would be that foreigners are strongly discouraged to visit Romania unless they are well-prepared for disappointment. They should come to Romania with a low level of expectations and should be prepared that, in a nutshell, in this culture positive things are not the rule, but the exception.

The biased presentation of Romania and Romanians undermines the positive image of our culture and society by displaying values, perceptions and beliefs which do not apply to all of its members. At the same time, it creates negative expectations with

potential visitors, who may thus come to Romania prepared for the worse. Undoubtedly, it is unlikely that the Romanian experience could really be defined by entirely negative happenings. Surprisingly, the author of the article, who is a local, takes on and preserves some of the most frequently met stereotypes about Romania. The mere fact that he approaches them without even attempting to demolish them is, in a way, a form of endorsement; he admits to the stereotypes being accurate and legitimate. Who better to know the weak spots of a community/group if not one of its members?

On the other hand, there is the information on Romania available on the web page expatarrivals.com. While the Romanian article seems to address potential visitors rather than business people or persons who might wish to come and work in Romania permanently or temporarily, this latter category seems to be the target readership of the contributors from expatarrivals.com. The introductory paragraph, however, briefly mentions the stereotypes most often associated with Romania: "Expats moving to Romania will find it both challenging and rewarding. For many, Romania conjures images of gypsies, Dracula and Transylvania, but it has far more to offer. The country is growing as an international tourism destination and a gateway to business in Eastern Europe". In a single paragraph, it does more service to the image of Romania as a country worth visiting/moving to than the entire Romanian article.

The content is presented in a well-structured and objective manner and highly professional in terms of updated information and the selection of topics that would be of utmost interest to expats. They can find details on areas such as education, accommodation, healthcare and even a very useful insight related to the culture shock foreigners may experience upon their arrival to Romania. I particularly focused on the article on culture shock, since it is the one most likely to address stereotypes. Indeed, the introduction to this category of information warns foreigners to be prepared for some setbacks, but without the vehemence of the Romanian article: "Foreigners can expect to find much that will initially seem strange and inspire a fair degree of culture shock in Romania. That said, the country has opened up to the world at large, meaning that the challenges expats face when adjusting to life in Romania are diminishing as it becomes increasingly Westernised". This Westernalisation is not exactly fortunate for the preservation of national identity, but, in this particular context, it is useful for the adjustment of foreigners to Romanian realities.

The web page also displays the category of Frequently Asked Questions, and one which is called Expat Experiences. These are extremely useful, since expats already living and working in Romania or who did this at some point share their Romanian experience. The issues touched upon are extremely varied, from cost of living to social life and work culture. The testimonials of the expats living in Romania are mostly positive; the most common complaints refer to road infrastructure, public administration and the language. Overall, after reading the information on this web page, the general impression is that www.expatarrivals.com is a useful resource for people interested in Romania, precisely due to the largely unbiased and balanced depiction of both positive and negative aspects pertaining of Romanian culture and society.

3. Conclusion

Difference and otherness are not only prevalent coordinates of social and cultural life which cannot be ignored, but they are also concepts which should be preserved and enhanced due to their potential for strengthening individuality and for the multitude of valid perspectives on reality. However, under various types of social pressure and as a consequence of inherited preconceived ideas, they are prone to generating stereotypes. Negative stereotyping in particular may be difficult to struggle against, since it is in the human nature to resort to categorisation and labelling as mechanisms to simplify an overload of information and since it mostly occurs out of awareness.

The comparative analysis of the information on Romania presented on the above-mentioned web pages reveals that stereotyping can be used and approached from different perspectives, with distinct consequences. On the one hand, there was the article signed by a local, a native Romanian, who chose to emphasise a series of mostly negative stereotypes about his own country. Although in the article humour pervades the rather gloomy perspective on stereotypes, it hardly manages to counterbalance the dominantly negative final impression readers may be left with after reading the information. Most likely, the author fails to achieve the intended effect of the article (that of assisting foreigners in coping with Romanian realities), which pushes potential visitors off rather than motivates them to embark on a Romanian adventure.

On the other hand, the style, organisation and presentation of information on expatarrivals.com accurately reflect the general aim of the contributors (which is actually similar to the one intended by the Romanian article): to inform and help expats going to Romania to adjust to a completely new culture, by approaching both positive and negative aspects. Consequently, the information on this web page can be significantly more useful to foreigners than the criticism the Romanian author makes of his own country under the guise of a "crash course" intended for foreigners' use.

References

Brozbă, Gabriela, (2010), *Between reality and myth: A corpus-based analysis of the stereotypic image of some Romanian ethnic minorities.* Munchen: GRIN Verlag.

Hoggs, M. and Abrams, D., (2003), "Intergroup Behaviour and Social Identity" in *The Sage Handbook of Social Psychology.* pp. 407-431.

Jussim, L. et all., (2009), "The unbearable accuracy of stereotypes" in *Handbook of Prejudice, Stereotyping and Discrimination* (ed. Todd D. Nelson), New York: Psychology Press. pp. 199-227.

McGarty, C., (2004), *Stereotypes as Explanations. The formation of meaningful beliefs about social groups.* Cambridge University Press.

Stangor, C., (2009), "The Study of Stereotyping, Prejudice and Discrimination within Social Psychology. A Quick History of Theory and Research" in *Handbook of Prejudice, Stereotyping and Discrimination* (ed. Todd D. Nelson), New York: Psychology Press. pp. 1-12

www.expatarrivals.com

www.romania-insider.com

LEADERSHIP STYLES OF OWNER-MANAGERS AND EMPLOYEES' PERFORMANCE: THE MODERATING ROLE OF AGE AND EXPERIENCE

Aborampah Amoah-Mensah,
Patrick Darkwa[*]

Abstract

Drawing on the contingency theory, we investigated the relationship between the leadership style of owner-managers of small sawmills in the Sokoban Wood Village in Kumasi, Ghana. Based on 315 employees from 63 sawmills, we proposed that leadership styles of owner-managers influence employees' performance. We also hypothesized that the age and experience of owner-managers moderate the relationship between leadership styles of owner-managers and employees' performance. Using simple linear multiple and moderated multiple regressions to test the hypotheses, we found that autocratic, charismatic, transformational and visionary leadership styles of owner-managers influence employees' performance. Age and experience of owner-managers, however, did not moderate the relationship between leadership styles of owner-managers and employees' performance.

Introduction

Leadership is the bedrock of organizational sustenance and competiveness. The case of leadership in SMEs is even more crucial since the owner-manager also serves as the leader and an employee of the firm. According to Punnett (2004), leadership is a key component of all organizations, but its function and capacity is getting more complicated with increased involvement in globalization and technology development. It is believed that effective leadership practices play a major role in dealing with challenges that affect the performance of firms, in general, and SMEs, in particular (Schoemaker, Krupp & Howland, 2013). Therefore, it is necessary to explore the effect of leadership styles on employees' performance (Hitt, Ireland & Hoskisson, 2010). Ireland and Hitt (2005) indicate that effective leadership practices plays a crucial role in increasing the performance of firms operating in an unpredictable and turbulent environment. Dess,

---

[*] Aborampah Amoah-Mensah is Lecturer in Entrepreneurship and Business Ethics, School of Business, University of Cape Coast, Cape Coast, Ghana, E-mail: aamoah-mensah@ucc.edu.gh.
Patrick Darkwa is Lecturer in Accounting and Operations Management, School of Business, University of Cape Coast, Cape Coast, Ghana, E-mail: pdarkwa@ucc.edu.gh.

Lumpkin and Eisner (2010) also emphasize that SMEs can compete and grow quickly by adopting strategic management practices compared to large organizations with no leadership opportunities. Further, Moriano, Molero, Topa and Margin (2014) note that owner-managers assist their employees in their individual endeavors as well as improve work procedures in order to enhance the operations of the firm in general. Therefore, it is appropriate to study how owner-managers' leadership styles affect their employees' performance.

SMEs play a major role in all economies of the world. Firms with up to 250 employees are SMEs, regardless of their legal status and whether they are formal or informal entities. It is estimated that there are 450 to 510 million SMEs in the world (ILO, 2015). SMEs share of total employment growth in the world between 2002-2010 was about 85% (de Kok et al., 2011). They constitute the majority of businesses and account for about 92% of all businesses and contribute about 70% to the nation's Gross Domestic Product (GDP) (Abor & Quartey, 2010). SMEs are also a source of revenue for metropolitan assemblies or the local councils as SMEs pay income taxes. Therefore, effective leadership by owner-managers has a rippling effect not only on the performance of their employees and for that matter their businesses, but also on the Ghanaian economy and the global economy in general.

The extent to which members of an organization are able to harness the resources of the organization depends on how well the managers or the supervisors of the organization understand and adopt appropriate leadership style in performing their roles as managers and leaders. Thus, efficiency in resource mobilization, allocation, utilization and enhancement of organizational performance depends, to a large extent, on the leadership style, among other factors (Yusuf, Muhammed, & Kazeem, 2014). Thus, leadership is key to the survival of the organization in terms of improving its performance via innovation, increased productivity and profitability (Bass 1990 cited in Hashim, Ahmad & Zakaria, 2012). Montgomery (2008) asserts that few leaders allow themselves to think about strategy and the future. Leaders should give direction to every part of the organization. The leader must have the ability to keep one eye on how the organization is currently adding value and the other eye on changes, both inside and outside the organization that either threatens its position or presents some new opportunity for adding value.

This study submits that leadership should be dynamic because there is no one way of doing things; even the more when technology has become a global force driving almost every aspect of organizations. Similarly, leadership at the apex should not be merely traditional in which case power is concentrated only in the top. Therefore, flexibility should be allowed along the levels and subunits, enabling individuals who find themselves in the organizational levels and subunits to be more strategic in leading and managing their organizations and to pursue the organization's goal with strategic thinking. Therefore, the study is informed by the contingency theory.

Previous studies on leadership have focused on organizational performance (Obniwuru, Okwu, Akpa & Nwankere; Uchenwamgbe, 2011; Gupta, 2014; Horstmeier, Boer, Homan & Voelpel, 2016; Huruduzeu, 2015; Dele, Adegboyega & Taiwo, 2015; Bottomley, Mostafa, Gould-Williams, & Leon-Cazares, 2016; Saasongu, 2015; Tahir, 2015). Some studies have also looked at employees' performance (Lumbasi, 2015; Igbal,

Anwar, & Haider, 2015; Mohammed, Yusif, Sanni, Ifeyinwa, Bature & Kazeem, 2014;). Other works have investigated personal initiative and employee creativity (Herrman & Felfe, 2014), organizational culture (Omira, 2015; Veiseh, Mohammadi, Pirzadian & Sharafi, 2014), corporate social responsibility (Waldman, Siegel & Javidan, 2006) and workplace development (Chuang, 2013).

Studies on leadership styles of SMEs and performance have focused on leadership styles in general (Ozer, Tinaztepe, 2014; Linge, Shikalieh & Asiimwe, 2016), ethics (Khan, Ghouri & Awang, 2013; Madanchain, Hussein, Noordin & Taherdoost, 2017; Mihai, Schiopoiu & Mihai 2017), innovation (Aslan, Diken, Sendogdu, 2011; Yildiz, Basturkb & Bozc, 2014); and corporate governance (Lekhonya, 2015; Ogarca, 2015). All these studies concentrated on two or three leadership styles, making studies that have focused on the relationship between five leadership styles with respect to organizational performance rare. In addition, there is a paucity of studies on leadership styles in which age and experience of owner-managers moderate the relationship between leadership styles of owner-managers and employees' performance. To fill these vacuity, this study investigates the relationship between five leadership styles (transformational, transactional, autocratic, charismatic and visionary) of owner-managers of small sawmills and employees' performance. It also examines how age and experience of owner-managers moderate the relationship between their leadership style and the performance of their employees.

Literature Review
The Concept of Leadership

Peretomode (2012) is of the view that leadership is dynamic, fluid, and complex so that it does not have a universally accepted definition. Eze (1982) indicates that leadership is relational and it concerns both the agent influencing and the person who is being influenced. He adds that without followers there can be no leader. Also, an effective leader is obtained through the abilities and characteristics of the people s/he is leading as well as the characteristics of the situation in which her/his leadership takes place. For Lawal (1993), leadership has to do with influencing subordinates to work wholeheartedly towards an organizational goal. Asika (2004) also posits that leadership is the process of influencing followers to work hard to achieve specific goals. Igbaekemen (2014) asserts that leadership includes willingness to work with zeal and confidence while Armstrong (2002) sees leadership as the process of influencing and supporting others to work enthusiastically towards achieving the objectives.

Vroom (1979), however, refers to leadership as a particular behavior applied by a leader to motivate his or her subordinates to achieve the objectives of the organization. Leadership in an organization is one of the factors that play a significant role in enhancing the interest and commitment of individuals in the organization (Obiwuru, Okwu, Akpa & Nwankwere, 2011). Jones and George (2000) observe that leaders are efficient when they inspire, motivate and direct employees to attain organizational goals. Mills (2005) asserts that effective leadership helps a nation in times of danger and makes business organizations successful. According to Warrick (1981), leaders reward and punish employees to shape their behavior and create the enabling environment which

eventually affects their performance. Leaders are concerned with strategies that will enable the organization to be more effective and efficient (Mostashari, 2009).

Theoretical Review
Contingency Theory

The contingency leadership theory was propounded by Fred Edward Fiedler. The theory indicates there is no single best way for managers to lead. Different situations will require different leadership styles from a manager (Gill, 2011). According to Levine and Hogg, (2012), there is no best leadership style that is effective; instead, the situation or the circumstance determines the leadership style to be adopted. The contingency theory posits that the traits of the leader do not constitute the factors that determine successful leadership. Even though the leader may possess certain traits, s/he has to take into consideration the prevailing situation and the relationship or the interaction between the leader and the group members. Weihrich, Cannice and Koontz (2011) are of the view that the contingency theory has three principles, namely position power, task structure and leader-member relations. Position power refers to the power that compels the group members to adhere to the leader's directions.

Task structure, on the other hand, takes place when a task is well structured that the employee's performance can be evaluated effectively. That is, the steps or the process to be followed to complete the task are clear and the people assigned to it are held responsible. Leader-member relations are concerned with how the leader interacts with employees as well as the trust, respect, support and the confidence the employees repose in the leader so as to follow her/him. The three principles constitute the parameters that determine whether a leader's style will be effective or not. The contingency theory is very useful for leaders and managers, in particular, because it serves as a yardstick to measure the leadership potential of a person (Waters, 2013). According to Taormina (2008), data from previous contingency theory studies have enabled people to predict the probability of leadership effectiveness of a particular person in a given situation. Finkelstein, Hambrick, and Cannella (2008) indicate that leaders should not always lead in every situation but rather organizations should endeavor to put them in optimal situations. One of the criticisms of the contingency theory is that it fails to explain why some leaders who adopt certain leadership styles perform better than others (Fry & Kriger, 2009).

Employees' Performance

Mathis and Jackson (2009) posit that performance relates to the presence, timeliness, efficiency, effectiveness, the quality and quantity of the work executed. Suresh (2012), on the other hand, intimates that performance is associated with excellence in all areas such as leadership, productivity, and adaptation to change, process improvement, and enhancement in capabilities. Performance is the results of work achieved by someone or a group of people in an organization in accordance with their respective authority and responsibility to reach the organizational goal legally, without breaking laws and in accordance with moral and ethics (Prawirosentono, 2000). Rath and Conchie (2009) assert that employee's performance is linked to how well an employee achieves his or her goals and objectives. Pattanayak (2005) also state that the

performance of an employee is his or her resultant behavior on a task which can be observed and evaluated. According to him, employee performance is the contribution made by an individual in the accomplishment of organizational goals and also the result of patterns of action carried out to satisfy an objective according to some standards.

According to Obicci (2015), employees' performance is a behavior which consists of directly observable actions of an employee and mental actions or products such as answers or decisions, which result in organizational outcomes in the form of attainment of goals. Hartnell and Walumbwa (2011) argue that there is good association between leadership and employees' performance, and performance is used for determining organizational goals, pioneering, stirring and examining the individual's skills to be inspired. Sinha (2001) contends that employees' performance depends on their willingness and openness to do their job which subsequently increases their productivity. Sabir, Iqbal, Rehman, Shan, and Yameen, (2012) argue that employee's performance is the vital element of any organization and the most important factor for the success of the organization and its performance. According to them, although most organizations depend on their employees, one or two employees cannot change the organization's destiny. This is because an organization's performance is the shared and combined endeavor of all its employees Sabir, Iqbal., Rehman, Shah & Yameen (2012).According to Al-Harthy and Yusof (2016), employees who perform well, assist organization to remain competitive and achieve strategic goals.
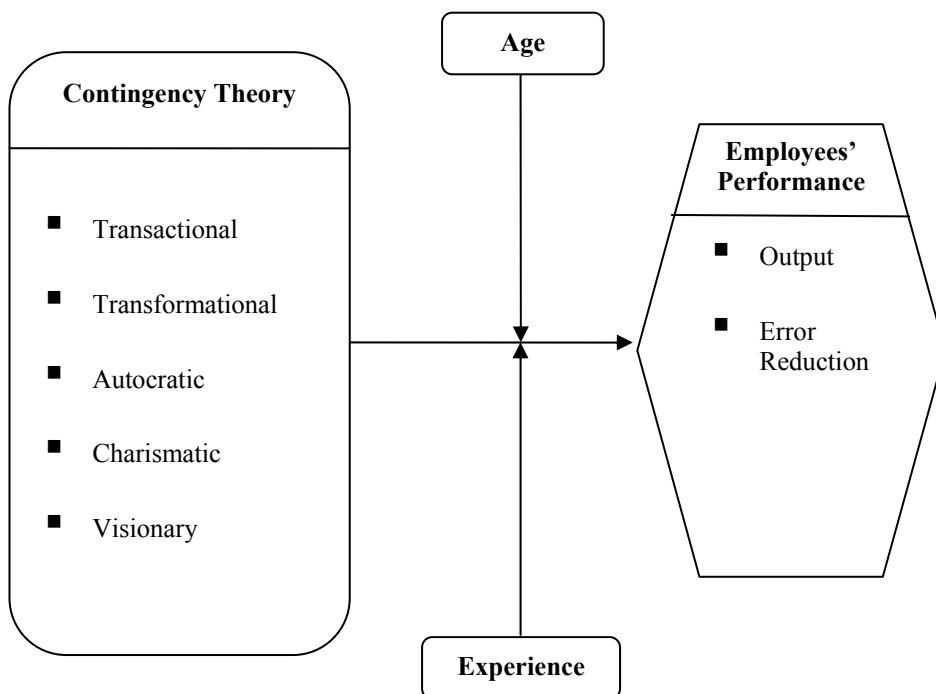
Conceptual Framework

The conceptual framework for this study is based on the contingency theory. According to the theory, there is no single best way for managers to lead. Different situations will require different leadership styles from a manager or a leader. As indicated in figure 1, the leadership styles (transactional, transformational, autocratic, charismatic and visionary) **are** expected to influence employees' performance (output and error reduction).

Leadership Styles and Hypotheses
Transactional Leadership

According to Suresh and Rajini (2013), transactional leadership, also known as managerial leadership, focuses on the role of supervision, organization, and group performance. It is a style of leadership whereby the leader promotes compliance on the part of followers through rewards and punishments. The leader is concerned with first-order changes through day-to-day transactions. Followers are rewarded via recognition or the giving of bonuses for accomplishing agreed objectives (Zalezink, 2004). Bass (1990) indicates that a transactional leader's relationship with subordinates has three phases. At the first stage, the leader recognizes what subordinates want to get from their work and ensures that they get what they want based on their satisfactory performance. The second phase is concerned with how rewards and promises are exchanged for employees' effort. Thirdly, the leader endeavors to meet the employees' immediate self-interests if the work can be completed. Bass (2000), further, explains that in transactional leadership, effective leaders accommodate the interest of their subordinates by giving contingent incentives (e.g. houses and cars) to those who succeed in fulfilling the commitments of the leader or the organization.

According to Martin (2015), in a transactional leadership style, managers and employees define the terms of the work to be completed and the amount and type of compensation for finishing the work on time. Transactional leaders establish the norms and measures of employee behavior and then observe employees for any missteps and deviations. They set objectives, assign tasks, and clarify expectations so that employees can achieve the desired outcomes of the organization. Transactional leadership, however, is not sufficient with regard to creating significant changes in an organization or inspiring followers to rise to higher levels (Martin, 2015). Bass (1985) discovered that transactional leaders are concerned with how to improve and maintain performance, how to replace one goal for another, how to decrease resistance to particular actions, and how to implement decisions.

Transactional leaders focus their energies on task completion and compliance and rely on organizational rewards and punishments to influence employees' performance, with reward contingent on the ability of followers to carry out the roles and assignments defined by the leader (Bass & Avolio, 2000). According to Chowdhury (2014), the locus of the relationship is on an exchange. Each party to the exchange recognizes the value of the exchange as well as the value of the relationship, but these bargainers have no reason

to remain together after the exchange. There is nothing lasting about their relationship. That is, transactional leaders expect certain work behaviors from their subordinates who are compensated for these behaviors with both monetary and nonmonetary rewards. Therefore, the leader rewards or disciplines the employees depending on the employee's level of performance.

The leader assists the follower in understanding what precisely needs to be achieved in order to meet the organization's objectives (Bass, 1985). Leaders who display a transactional leadership style define and communicate the work that must be done by their followers, how it must be done, and the rewards their followers will receive for completing the stated objectives (Burns, 1978). The importance of transactional leadership style is that the leader is able to clarify employees' roles and responsibilities and evaluate their performance. The criticism levelled against transactional leadership is that team members can do little to improve their job satisfaction and this can stifle employees' morale, resulting in a low turnover for the organization (Zervas & David, 2013). This leadership style results in a short-term employer-employee relationship of exchange and temporary exchanges of gratification which create resentments among the participants. The study of Dele, Adegboyega, and Taiwo (2015) show a positive relationship between transactional leadership style and organizational performance. The results of Raja and Palanichamy (2015) and Anyango (2015) indicate that transactional leadership style affects employees' performance. The results of Obiwuru, Okwu, Akpa and Nwankwere (2011) show a positive effect on both employees' and organizational performance. On the contrary, the finding of Tahir (2015) suggests that transactional leadership style has a negative influence on the performance of an organization.

Transformational Leadership

Yukl (1989) defines transformational leadership (also called entrepreneurial leadership) as the process of influencing major changes in attitudes and assumptions of organizational members and building commitment for the organization's mission and objectives (Kent & Chelladurai, 2001). Transformational leaders have a comprehensive understanding of the organization's environment, develop strategic management, develop human resources, and anticipate rather than react to the need for change and development. Martin (2015) asserts that transformational leaders try to identify and understand the needs of employees in the organization; they inspire and motivate employees intellectually and galvanize them to work hard to attain optimal results. Wang and Howell (2010) indicate that transformational leadership's primary aim is to empower individuals in order to realize their full potential, improve their abilities, skills, self-efficacy and self-esteem. According to Suresh and Rajini (2013), transformational leaders are also charismatic leaders who have control over their subordinates, ergo they empower their employees to exceed their targets. They also have good organizational skills and, therefore, able to infuse their aspirations and motivations with the overall organizational vision.

Abbas and Ashgar (2010) indicate that the qualities of transformational leadership may include: ability to work as change agents, courage to take bold steps, ability to trust others, value driven characteristics, good learning abilities, strong mental judgment to work in complex situation, and a clear vision. In addition, they ensure that employees put

organizational interest above their personal interest and give off their best. Despite the merits of transformational style of leadership, it is not without criticism. It is seen as too complicated, with a high possibility for such a leader to abuse her/his position. This leadership concept also lacks conceptual clarity and the dimensions are not clearly delineated. Further, the qualities exhibited by transformational leaders are not unique and such leaders treat leadership more as a personality trait or a predisposition rather than a behavior that can be systematically taught, learned and adopted. Additionally, transformational leadership style is seen as elitist and antidemocratic and suffers from heroic leadership bias (Suresh & Rajini, 2013).The results of the studies of Tahir (2015), Dele, Adegboyega, and Taiwo (2015) Mutahar, Rasli and Ghazali (2015) show that transformational leadership has positive relationship with organizational performance. The empirical studies of Koech and Namusonge (2012) and Anyango (2015), however, demonstrate that transformational leadership influences employees' performance positively.

Autocratic Leadership
Russell and Stone (2002) are of the view that employees under autocratic leadership have little or no say in whatever the leaders say. They are also expected to work to their maximum capacity. Mullins (2002) also intimates that autocratic leaders are responsible for formulating policies, ways for achieving goals, work tasks, relationships and determining rewards or punishments. Further, they supervise subordinates closely to ensure compliance and the completion of work in the designated time. Buttressing this point, Balunywa (2000), states that autocratic leaders are dictators who only want the job to be executed but do not care about the welfare of subordinates. This puts employees at a disadvantage. Kasule (2007) thinks autocratic leaders want to adopt this leadership style because it brings results quickly, as subordinates work under pressure to meet deadlines. Nwankwo (2001), on the other hand, submits that autocratic leaders believe human beings are evil, weak, unwilling to work, unable to take their own initiatives and, therefore, the leader is the only one who can dictate what is to be done. However, this style would be most appropriate in emergency situations, and would normally be considered justified by the group – that is, where the general climate of the group is supportive and mature (Mullins, 2002).

Autocratic leaders create a situation where subordinates are forced to work when they do not want to (Mullins, 2002). Kasule's (2007) view on the effect of autocratic leadership styles on employees' productivity suggests that autocratic leaders usually emphasize 'authority' as a means of getting the work done. According to Khan, Qureshi, Ismail, Rauf, Latif and Tahir (2015), autocratic leadership style is important because the leader has control over subordinates since s/he sets rules and regulations for them to follow, resulting in discipline among the employees. They also criticize this leadership style because the leader uses threats and punishments to get things done. This makes employees antagonistic, aggressive, lethargic and less motivated (Roussel, 2006). In addition, employees' potential to excel is stifled, which subsequently contributes to low job satisfaction and mistrust in the organization (Dalluay & Jalagat, 2016). Previous empirical studies have shown that autocratic leadership style negatively affects organizational performance (Mishra, Grunewald & Kulkarni 2014).

Charismatic Leadership

Avolio, Walumbwa and Weber (2009) intimate that charismatic leadership style aims to transform and inspire subordinates to sacrifice for the organization and deliver beyond expectation. Charismatic leaders inspire creativity and innovation; they are visionaries and have the ability to motivate followers to realize their vision (Michael, 2010). Champoux (2006) asserts that charismatic leaders are associated with high levels of self-confidence, self-esteem, and self-determination and they have high credibility. Bell (2013), on the other hand, states that charismatic leaders are effective communicators, they are trustworthy, and they delegate authority. Bass (1985) also notes that charismatic leaders are intellectually stimulating, inspirational, ethical and highly considerate individuals who are capable of developing emotional attachments with their subordinates and other leaders. Therefore, de Hoogh, den Hartog & Koopman (2004) indicate that charismatic leadership concerns making employees put in more efforts to achieve organizational goals.

Charismatic leaders have been criticized because they create a vacuum when they leave the organization since replacement is very difficult (Michael, 2010). Gray (2004) also identifies the following criticisms of charismatic leadership styles. They exaggerate their personality, they project themselves to be unique as a strategy for fulfilling their stereotypes, and they attribute outcomes to external causes. The study of Fu-jin, Chich-Jen and Mei-Ling (2010) demonstrate that charismatic leadership style positively influences organizational performance. The studies of Waldman, Ramirez, House, and Puranam (2001) and Tosi, Misangyi, Fanelli, Waldman and Yammarino (2004), on the other hand, are not related to organizational performance. The study of Khuong and Hoang (2015) however indicate that charismatic leadership style positively influences employees' performance.

Visionary Leadership

Visionary leadership style is classified as a type of transformational leadership which is able to execute tasks set by the organization (Breevaart, Bakker, Hetland, Demerouti, Olsen & Espevik, 2014). Sashkin (1998) describes visionary leadership as the capacity of an individual to make and articulate a reasonable, convincing, and striking vision for an organization's future direction. Dhammika (2016) states that visionary leadership style concerns the leader's ability to create a situation as well as clarify, communicate and expect commitment from his subordinates. Jul-Chan & Colin (2004) also state that a visionary leader inspires vision and then communicates the vision to his followers for the betterment of the organization. According to Constantin (2013), visionary leaders seek the support of their subordinates by informing them of their (the leaders) responsibilities and challenges in relation to the organization's overall strategy. To this end, goals are made clear, and subordinates are encouraged to rally behind the leader.

Visionary leaders are risk-takers and given their ability to adapt to the changing environment, they are able to innovate. They also empower their subordinates and give them the needed support to enable them to deliver and achieve organizational goals, (Kirkpatrick, 2004). The study of Dhammika (2014) shows that there is a positive relationship between visionary leadership and organizational citizenship behavior of

employees of both public and private sector organizations. Visionary leadership is also found to have a positive relationship with customer and employee satisfaction (Cheema, Akram & Javed, 2015).

Based on the literature reviewed on the five leadership styles and the empirical studies above, the following hypotheses are formulated:

H1. Leadership styles of owner-managers influence employees' performance.

H1a. Leadership styles of owner-managers (transactional, transformational, autocratic, charismatic & visionary) influence employees' output.

H1b. Leadership styles of owner-managers (transactional, transformational, autocratic, charismatic & visionary) influence employees' error reduction.

H2. Age moderates the relationship between leadership styles of owner-managers and employees' performance.

H2a. Age moderates the relationship between leadership styles of owner-managers and employees' output.

H2b. Age moderates the relationship between leadership styles of owner-managers and employees' error reduction.

H3. Experience moderates the relationship between leadership styles of owner-managers and employees' performance.

H3a. Experience moderates the relationship between leadership styles of owner-managers and employees' output.

H3b. Experience moderates the relationship between leadership styles of owner-managers and employees' error reduction.

Methods
Subjects and Research Approach

The study took place at the Sokoban Wood Village (Sokoban Wood Industrial Cluster) in Kumasi. The Sokoban Wood Villlage is a cluster of wood and allied firms. The firms in the cluster add value to the rejected or waste wood products from the main timber firms in the Ashanti and Brong-Ahafo regions by processing them into products such as school and office furniture, building and construction materials and general wood products. It is the largest wood cluster in Ghana. The cluster emerged as a result of the relocation of the wood firms in Anloga to pave the way for the construction of the Oforikrom-Asokwa by-pass (Kumasi Metropolitan Assembly-KMA, 2009).The subjects were 315 employees from 63 small sawmills. The population of this study included all the 315 employees from the 63 small saw mills. Saw mills in this sense means small firms that cut and sometimes plane lumber. We first contacted the owner-managers of the firms and explained our mission to them subsequent to which they granted us permission. Afterwards, the subjects were contacted personally and a total of five weeks was used to collect the data. In order not to disrupt their work, the employees were interviewed when they were on break or early in the morning before they started work or when they had closed from work. This prolonged the data collection period. Since we used an interview schedule, all the 315 subjects were interviewed.

This study used the quantitative approach. According to Creswell (2008), a quantitative methodology enables researchers to use mathematical approaches to arrive at

objective and logical deductions. The quantitative methodology also establishes, explains, and confirms a theory or validate relationships, develops generalizations that contribute to theory, and which can be tested (Leedy & Ormrod, 2001; Leedy & Ormrod, 2010). In addition, this approach is cost effective because it saves and efforts of the researcher (Connolly, 2007). Specifically, the correlation approach was used for the study because Creswell (2008) states that it gives an opportunity to foretell results and explain the relationship among variables. Also, such an approach ensures that the research variables are not manipulated (Polit & Hungler 2013).

Data collection and Analysis

The data collection instrument was an interview schedule. This was used because all the employees have little or no education. According to Babbie (2001) and Neuman (2006), using an interview schedule will enable the researcher to get all respondents to answer the questions, clarify all issues that are not clear and above all get detailed information from them. Gray (2004) states that using an interview schedule ensures an increase in the rate of response and helps in the curation of accurate personal information. The interview schedule was divided into three parts. The first part focused on the personal information of the employees such as sex, age, education and experience. The second part dealt with questions on leadership styles, including transformational, transactional, autocratic, charismatic and visionary styles of leadership. The last part focused on questions about employees' performance measures (output and error reduction). The independent variables (leadership styles) were measured on a five point likert scale, ranging from 1 = least important, 2 = less Important, 3 = important, 4 = much important, 5 = most important. Employees' performance was also measured on a five point likert scale, ranging from 1= least satisfied, 2 = less satisfied, 3 =satisfied, 4 = more satisfied, 5 = most satisfied. According to Sumbo and Zimmerman (1993) and Hasson and Arnetz (2005), a likert scale makes items or variables to be measurable and it helps both researchers and respondents to understand the variables, thereby making coding and interpretations easier.

The independent variables were transformational, transactional, autocratic, charismatic and visionary leadership styles of owner-managers. The dependent variable was employees' performance (output and error reduction). Employees' output here means the average weekly number of lumber collected or planed by each employee. Employees' error reduction on the hand means the average weekly mistakes committed by each employee. The moderators of the relationship between leadership styles of owner-managers are age and experience of owner-managers. Age refers to how old each of the owner-managers is whilst experience refers to the number of years each of the owner-managers has run his business. Multiple linear regression was used to test hypotheses H1, H1a and H1b. Hypotheses H2, H2a, H2b, H3a and H3b were also tested using the SPSS process macro developed by Andrew Hayes.

Employees' Performance Measures

Mathis and Jackson (2009) posit that performance relates to the presence, timeliness, efficiency, effectiveness, the quality and quantity of the work executed. On

the other hand, employees' performance refers to the improvement of the knowledge, skills, and abilities needed by employees to discharge their duties to achieve organizational goals (Huselid, 1995). Deadrick and Gardner (1997) posit that employees' performance is the output of an employee that executes his job within a specific time frame. Financial performance measures concern incremental steps towards larger goals (Gautreau & Kleiner, 2001). They are generally considered to be more timely and they ensure continuous improvement (Medori & Steeple, 2000). Some of the financial performance measures are profitability, liquidity, capital structure, market share return and equity (Kaplan & Norton, 1992). Some of the criticisms levelled against financial measures are that they are not relevant to strategy (Maskell, 1991), and that they do not give leading signals for continuous improvement. They also give information about previous results, (Kaplan & Norton, 1992). Based on the above, the financial measures used for employees' performance are output and error reduction.

Presentation of Results

Table 1 shows that the sawmills are dominated by males and the youth constitutes the majority of the employees. Also, the majority of the employees have little or no education. In addition, the majority of the employees are not skilled laborers.

Table 1. Background Information of the Employees in the Sawmills

Particulars	Frequency
Sex	
Male	288
Female	23
Age	
18-30	122
31-40	115
41-60	78
Education	
Elementary/JHS	101
Secondary/Technical	90
Illiterate	124
Type of Laborer	
Saw Operator	85
Packing Boys	130
General duties	100

Table 2 illustrates the results of the multiple regressions with employees' output as the dependent variable. H1a which proposed that leadership styles of owner-managers: transactional (β = -0.040, 0.466); transformational (β = 0.126, 0.024); autocratic (β = 0.026, 0.606); charismatic (β = -0.068, 0.194) and visionary (β = 0.120, 0.022) influence employees' output is not supported. However, independent leadership styles of owner-managers (transformational and visionary) influence employees' output. Their contributions are positively significant.

Table 2. Employees' Output

Variables Std Error Coefficients
Beta T P-Value

Leadership Styles				
Transactional	0.069	-0.040	-0.730	0.466
Transformational	0.072	0.126	2.272	0.024
Autocratic	0.053	0.026	0.517	0.606
Charismatic	0.056	-0.068	-1.300	0.194
Visionary	0.054	0.120	2.297	0.022

$P < 0.05$, R Square=0.031, Adjusted R-Squared 0.018

Table 3 demonstrates employees' error reduction as the dependent variable. H1b which states that leadership styles of owner-managers (transactional ($\beta = 0.014$, 0.777); transformational ($\beta = -0.131$, 0.549); autocratic ($\beta = 0.259$, 0.000); charismatic ($\beta = -0.146$, 0.003) and visionary ($\beta = -0.206$, 0.000) influence employees' error reduction is not supported. However, independent leadership styles of owner-managers (transformational, autocratic and charismatic) influence employees' error. Autocratic leadership style of owner-managers positively influences employees' error reduction whereas charismatic and visionary leadership of owner-managers negatively influence employees' error reduction.

Table 3. Employees' Error Reduction

Variables Std Error Coefficients
Beta T P-Value

Leadership Styles				
Transactional	0.071	0.014	0.283	0.777
Transformational	0.075	- 0.131	-0.600	0.549
Autocratic	0.055	0.259	5.521	0.000
Charismatic	0.058	-0.146	-2.961	0.003
Visionary	0.056	-0.206	-4.195	0.000

$P < 0.05$, R Square=0.144, Adjusted R-Squared 0.133

Table 4 demonstrates the multiple regression with employees' performance as the dependent variable. We do not find support for H2 which predicts that leadership styles of owner-managers transactional ($\beta = -0.015$, 0.784); transformational ($\beta = 0.056$, 0.301); autocratic ($\beta = 0.193$, 0.000); charismatic ($\beta = -0.142$, 0.006) and visionary ($\beta = -0.067$, 0.194) influence employees' performance. However, autocratic and charismatic leadership styles of owner-managers positively and negatively respectively influence employees' performance.

Table 4. Employees' Performance

Variables Std Error Coefficients
Beta T P-Value

Leadership Styles				
Transactional	0.109	-0.015	-0.274	0.784
Transformational	0.144	0.056	1.036	0.301
Autocratic	0.084	0.193	3.937	0.000
Charismatic	0.089	-0.142	-2.755	0.006
Visionary	0.085	-0.067	-1.301	0.194

$P < 0.05$, R Square=0.063, Adjusted R-Squared 0.051

The predictive model in table 5 indicates that the predictors (leadership styles of owner-managers: transactional, transformational, autocratic, charismatic and visionary) and age account for 6.52% change in employees' output (R-square = 0.0652). Therefore, the model is significant (p = 0.00200: p < 0.05).

Table 5. Model Summary: Age Moderates the Relationship between Leadership Style and Employees' Output

R	R-Squared	MSE	F	df1	df2	P
0.2554	0.0652	1.0260	3.3058	7.0000	392.0000	0.0020

Table 6 demonstrates that age is a significant predictor of employees' output (Age: β = 0.2157; p = 0.005). The leadership styles of owner-managers: transactional (-0.0338; p = 0.6479), transformational (β = 0.1477; p = 0.0627), autocratic (β = 0.0022; p = 0.9695), charismatic (β = -0.0664; p = 0.3162), visionary (β = 0.1159; p=0.0594) and the interaction or moderation effect (β = -0.0791; p = 0.3162) are, however, not predictors of employees' output.

Table 6. Age Moderates the Relationship between Leadership Style and Employees' Output

Variables	Coeffi	SE	T	P	LLCI	ULCI
Constant	2.3259	0.3328	6.9881	.0000	1.6715	2.9803
Age	0.2157	0.0614	3.5101	.0005	0.0949	3365
Transactional	-0.0338	0.0740	-.4570	.6479	-0.1793	.1117
Int_1	-0.0791	0.0788	-1.0036	.3162	-0.2340	.0759
Transformational	0.1477	0.0792	1.8665	.0627	-0.0079	.3034
Autocratic	0.0022	0.0586	.0382	.9695	-0.1129	.1174
Charismatic	-0.0664	0.0662	-1.0036	.3162	-0.1966	.0637
Visionary	0.1159	0.0613	1.8907	.0594	-0.0046	.2364

Table 7 shows that age does not moderate the relationship between leadership styles of owner-managers and employees' output. (R-square increase due to interaction = 0.0030; p = 0.3162). Therefore, hypothesis H2a which indicates that age moderates the relationship between leadership styles of owner-managers and employees' output is not supported.

Table 7-R-square increase due to interaction(s): Age Moderates the Relationship between Leadership Styles of Owner-Managers and Employees' Output

	R2-Chang	F	Df1	Df2	P
Int_1	.0030	1.0072	1.0000	392.0000	.3162

The predictive model in table 8 indicates that the predictors (leadership styles of owner-managers: transactional, transformational, autocratic, charismatic and visionary) and age account for 17.34% change in employees' error reduction, R-square = 0.1734). This model is therefore significant (p = 0.000: p < 0.05).

Table 8. Model Summary Age Moderates the Relationship between Leadership Style and Employees' Error Reduction

R	R-Squared	MSE	F	df1	df2	P
0.4164	0.1734	1.1129	11.3149	7.0000	392.0000	.0000

Table 9 illustrates the contributions of the individual predictors to the change in employees' error reduction. It is clear that age ($\beta = 0.2245$; $p = 0.0008$) and the autocratic leadership style of owner-managers ($\beta = 0.2820$; $p = 0.0000$) contribute positively to the variance in employees' error reduction. Also, charismatic leadership style ($\beta = -0.1543$; $p = 0.0206$) and visionary leadership style ($\beta = -0.2354$; $p = 0.0001$) also contribute negatively to predicting the change in employees' error reduction.

**Table 9. Age Moderates the Relationship between Leadership
Styles of Owner-Managers and Employees' Error Reduction**

Variables	Coeffi	SE	T	P	LLCI	ULCI
Constant	3.3605	0.3858	8.7095	0.0000	2.6019	4.1191
Age	0.2245	0.0666	3.3688	0.0008	0.0935	0.3556
Transactional	0.0014	0.0805	0.0171	0.9864	-0.1569	0.1596
Int_1	0.0618	0.0983	0.6282	0.5302	-0.1315	0.2550
Transformational	-0.0483	0.0851	-0.5671	0.5710	-0.2156	0.1190
Autocratic	0.2820	0.0606	4.6552	0.000	0.1629	0.4011
Charismatic	-0.1543	0.0664	2.3252	0.0206	-0.2847	-0.0238
Visionary	-0.2354	0.0600	3.9248	0.0001	-0.3533	-0.1175

Table 10 shown that age does not moderate the relationship between leadership styles of owner-managers and employees' error reduction (R-square increase due to interaction = 0.0015; $p = 0.5302$). Therefore, hypothesis H2b which states that age moderates the relationship between leadership styles of owner-managers and employees' error reduction is not supported.

**Table 10. -R-square increase due to interaction(s): Age Moderates the
Relationship between Leadership Styles of Owner-Managers and Employees' Error Reduction**

	R2-Chang	F	Df1	Df2	P
Int_1	.0015	.3947	1.0000	392.0000	.5302

The model summary in table 11 indicates that the predictors (leadership styles of owner-managers: transactional, transformational, autocratic, charismatic and visionary) and age account for 11.28% change in employees' performance (r-square = 0.1128). This model is therefore significant ($p = 0.000$: $p < 0.05$).

**Table 11 Model Summary: Age Moderates the Relationship between
Owner-Managers and Employees' Performance**

R	R-Squared	MSE	F	df1	df2	P
0.3359	0. 1128	2.5474	6.0360	7.0000	392.0000	.0000

Table 12 shows the contributions of the individual predictors to the change in employees' performance. It shows that age ($\beta = 0.4402$; $p = 0.0000$) and autocratic leadership style of owner-managers ($\beta = 0.2842$; $p = 0.0033$) contribute positively to the variance in employees' performance. Charismatic leadership style of owner-managers however contributes negatively to the change in employees' performance ($\beta = -0.2207$; $p = 0.0292$).

Table 12. Age as a Moderator of Employees' Performance

Variables	Coeffi	SE	T	P	LLCI	ULCI
Constant	5.6864	.5529	10.2841	0.0000	4.5993	6.7735
Age	.4402	.1030	4.2733	0.0008	.2377	.6427
Transactional	-.0324	.1253	-.2588	.7959	-.2788	.2140
Int_1	-.0173	.1540	-.1126	.9104	-.3200	.2853
Transformational	.0995	.1313	.7575	.4492	-.1587	.3577
Autocratic	.2842	.0960	2.9605	.0033	.0955	.4730
Charismatic	-.2207	.1009	-2.1885	.0292	-.4190	-.0224
Visionary	-.1195	.0878	-1.3607	.1744	-.2922	.0532

Table 13 demonstrates that age does not moderate the relationship between leadership styles of owner-managers and employees' performance (R-square increase due to interaction = 0.0001; p = 0.9104). Therefore, hypothesis H2 which states that age moderates the relationship between leadership styles of owner-managers and employees' performance is not supported.

Table 13. R-square increase due to interaction(s): Age moderates the Relationship between Leadership styles of owner-Managers and Employee's Performance

	R2-Chang	F	Df1	Df2	P
Int_1	.0001	.0127	1.0000	392.0000	.9104

The model summary in table 14 indicates that the predictors (leadership styles of owner-managers: transactional, transformational, autocratic, charismatic and visionary) and experience account for 3.19% change in employees' output (R-square = 0.0319). This model is therefore not significant (p = 0.2091: p > 0.05).

Table 14. Model Summary: Experience Moderates the Relationship between Leadership Styles of Owner-Managers and Employees' Output

R	R-Squared	MSE	F	df1	df2	P
.1785	0.0319	1.0627	1.3873	7.0000	392.0000	.2091

Table 15 indicates that transformational and visionary leadership styles of owner-managers contribute positively ($\beta = 0.1641$; p = 0.0402) and ($\beta = 0.1246$; p = 0.0456) respectively to predicting the variance in employees' output.

Table 15. Experience Moderates the Relationship between Leadership Styles of Owner-Managers and Employees' Output

Variables	Coeffi	SE	T	P	LLCI	ULCI
Constant	2.1930	.3430	6.3940	0.0000	1.5187	2.8673
Output	.0267	.0424	.6300	5290	-.0567	.1101
Transactional	-.0543	.0756	-.7177	.4733	-.2029	.0944
Int_1	.0072	.0605	.1182	.9060	-.1118	.1261
Transformational	.1641	.0797	2.0581	.0402	.0073	.3209
Autocratic	.0292	.0616	.4745	.6354	-.0918	.1502
Charismatic	-.0705	.0684	-1.0304	.3035	-.2051	.0640
Visionary	.1246	.0621	2.0059	.0456	.0025	.2467

Table 16 shows that experience does not moderate the relationship between leadership styles of owner-managers and employees' output (R-square increase due to interaction = 0.0000; p = 0.9060). Therefore, we do not find any support for hypothesis H3a which indicates that experience moderates the relationship between leadership styles of owner-managers and employees' output.

Table 16-R-square increase due to interaction(s): Experience Moderates the Relationship between Leadership Styles of Owner-Managers and Employees' Output

	R2-Chang	F	Df1	Df2	P
Int_1	.0000	.0140	1.0000	392.0000	.9060

Table 17 shows the model summary which indicates that the predictors (leadership styles of owner-managers: transactional, transformational, autocratic, charismatic and visionary) and experience account for 16.9% change in employees' error reduction (R-square = 0.1690). This model is therefore significant (p = 0.0000: p < 0.05).

Table 17. Model Summary: Experience Moderates the Relationship between Leadership Styles of Owner-Managers and Employees' Error Reduction

R	R-Squared	MSE	F	df1	df2	P
.4111	0.1690	1.1187	11.3476	7.0000	392.0000	.0000

Table 18 illustrates the contributions of the individual predictors to the positive change in employees' error reduction. It shows that experience and autocratic leadership style of owner-managers (β = 0.1414; p = 0.0008) and (β = 0.3134; p = 0.0138: p < 0.05) respectively are significant positive predictors of employees' error reduction. On the other hand, charismatic and visionary leadership styles of owner-managers (β=-0.1618; p = 0.0138: p < 0.05) and (β = -0.2248; p = 0.0002: p < 0.05) respectively are significant negative predictors of employees' error reduction.

Table 18: Experience Moderates the Relationship between Leadership Styles of Owner-Managers and Employees' Error Reduction

Variables	Coeffi	SE	T	P	LLCI	ULCI
Constant	3.2710	.3861	8.4717	.0000	2.5119	4.0301
Error Reduction	.1414	.0417	3.3941	.0008	.0595	.2234
Transactional	.0024	.0805	.0302	.9759	-.1559	.1608
Int_1	.0076	.0519	.1461	.8839	-.0945	.1096
Transformational	-.0455	.0858	-.5300	.5964	-.2141	.1232
Autocratic	.3134	.0625	5.0171	.0000	.1906	.4362
Charismatic	-.1618	.0654	-2.4726	.0138	-.2905	-.0332
Visionary	-.2248	.0605	-3.7176	.0002	-.3436	-.1059

The results in table 19 show that experience does not moderate the relationship between leadership styles of owner-managers and employees' error reduction (R-square increase due to interaction = 0.0000; p = 0.8839: p > 0.05). To that effect, H3a which states that experience moderates the relationship between leadership styles of owner-managers and employees' error reduction is not support.

**Table 19. -R-square increase due to interaction(s): Experience Moderates
the Relationship between Leadership Styles of Owner-Managers and Employees' Error Reduction**

	R2-Chang	F	Df1	Df2	P
Int_1	.0000	.0214	1.0000	392.0000	.8839

Table 20 demonstrates the model summary which indicates that the predictors (transactional leadership styles of owner-managers: transformational, autocratic, charismatic and visionary) and experience account for 7.93% change in employees' performance (R-square = 0.0793). This model is significant (p = 0.001: p < 0.05).

**Table 20. Model Summary: Experience Moderates the Relationship between
Leadership Styles of Owner-Managers and Employees' Performance**

R	R-Squared	MSE	F	df1	df2	P
.2815	0.0793	2.6438	4.5127	7.0000	392.0000	.0001

Table 21 indicates the contributions of the individual predictive variables to the positive variance in employees' performance. It is evident that experience (β = 0.1682; p = 0.0139) and autocratic leadership style of owner-managers (β = 0.3426; p = 0.0009) contribute positively to predicting the positive variance in employees' performance. On the contrary, charismatic leadership style of owner-managers (β = -0.2323; p = 0.0268) contribute negatively to predicting the positive change in employees' performance.

**Table 21. Experience Moderates the Relationship between Leadership
Styles of Owner-Managers and Employees' Performance**

Variables	Coeffi	SE	T	P	LLCI	ULCI
Constant	5.4640	.5593	9.7700	0000	4.3645	6.5635
Experience	.1682	.0681	2.4707	.0139	.0344	.3020
Transactional	-.0518	.1303	-.3979	.6909	-.3079	.2043
Int_1	.0147	.0923	.1596	.8732	-.1667	.1962
Transformational	.1187	.1325	.8957	.3710	-.1418	.3792
Autocratic	.3426	.1020	3.3580	.0009	.1420	.5432
Charismatic	-.2323	.1045	-2.2234	.0268	-.4378	-.0269
Visionary	-.1002	.0894	-1.1208	.2630	-.2759	.0755

Table 22 exhibits that experience does not moderate the relationship between leadership styles of owner-managers and employees' performance (R-square increase due to interaction = (0.0001; p = 0.8732: p > 0.05). Hence, H3 which states that experience moderates the relationship between leadership styles of owner-managers and employees' performance is not supported.

**Table 22. -R-square increase due to interaction(s): Experience Moderates
the Relationship between Leadership Styles of Owner-Managers and Employees' Performance**

	R2-Chang	F	Df1	Df2	P
Int_1	.0001	.0255	1.0000	392.0000	.8732

Discussion and Managerial Implication

The results of this study demonstrate that transformational leadership style of owner-managers positively influences employees' output. This does not corroborate with the results of (Ozer & Tinaztepe 2014; Tahir, 2015; Dele, Adegboyega and Taiwo (2015; Mutahar, Rasli and Ghazali (2015). Also, visionary leadership style of owner-managers positively influences employees' output. This is contrary to the findings of Dhammika (2014). In addition, autocratic leadership style of owner-managers positively influences employees' error reduction. This does not concur with the studies of Ojokuku, Odeteyo and Sajuyigbe (2012) and Mishra, Grunewald and Kulkarni (2014). In the same vein, charismatic leadership style of owner-managers negatively influences employees' error reduction. This does not support the studies of Ojokuku, Odeteyo and Sajuyigbe (2012) and Khuong and Hoang (2015). Visionary leadership styles of owner-managers negatively influences employees' error reduction and this does not support the findings of Dhammika (2014). Autocratic leadership style of owner-managers positively influences employees' performance. This result does not support the study of Anyango (2015). Charismatic leadership style of owner-managers negatively influences employees' performance. This study does not concur with that of Khuong and Hoang (2015). Similarly, age does not moderate the relationship between leadership styles of owner-managers and employees' output, employees' error reduction and employees' performance. Experience of owner-manages does not also moderate the relationship between leadership styles of owner-managers and employees' output, employees' error reduction and employees' performance.

This study has drawn attention to the importance of leadership styles of owner-managers in the sawmill business. It finds that autocratic, charismatic and visionary leadership styles are the most important leadership styles employed by owner-managers at the sawmills at the Sokoban Wood Village. The autocratic leadership style seems to be the most effective tool used by the owner-managers to reduce employees' errors and to improve employees' performance in general. This is not surprising because as owners, they want recognition from employees, other businesses and the public in general. They want to have total control of their businesses with little or no input from their employees. All they want is results and employees dare not challenge them else they would incur their wrath in the form of dismissal, demotion, reprimand and humiliation. It seems the employees are used to threats and punishments associated with the autocratic leadership style.

It was also strange that employees performed abysmally by committing more errors when the charismatic leadership style was employed by owner-managers. Though the owner-managers are supposed to exhibit qualities such as being creative and good communicators, visionaries, problem solvers, innovators, and inspiring them to deliver when the charismatic leadership style is adopted, the employees committed more errors which affected their performance. It seems the traits of charismatic leadership are not exhibited by the owner-managers. This situation may have been occasioned by other factors such as fear of the owner-managers, lack of trust for the owner-managers, intimidation by the owner-managers and the general behavior of the owner-managers. Therefore, it is imperative that owner-managers take a critical look at the traits of charismatic leadership and harness them to get the best out of their employees. The effect of applying the visionary

style of leadership by the owner-managers was varied. The owner-managers are expected to be imaginative and confident about the future in order to provide the vision and direction needed for the attainment of the firm's goals. The employees seemed to have embraced this leadership style and increased their output but their overall performance took a nosedive. This is rather surprising and can, therefore, be said that there were other factors that might have increased employees' output but affected their overall performance when the visionary leadership style of owner-managers was used. Consequently, managers should find out what might have accounted for this trend.

With the visionary leadership style, owner-managers are expected to be confident, listen to their employees, humble themselves and have a high sense of maturity in dealing with the employees. Therefore, the abysmal performance of managers may be attributed to the view that employees may be used to the autocratic style of leadership and so were unsettled when other leadership styles of their owner-managers were employed. Finally, transformational leadership motivated employees to increase their output. The owner-managers seemed to have entertained new ideas, adapted to new situations and were proactive. Employees seemed to like this approach. Though transactional leadership style did not seem to have contributed to employees' performance, this may be attributed to either the owner-managers' rare usage of this leadership style or because it is similar to autocratic leadership style, making it difficult for workers to differentiate between the two approaches. Therefore, owner-managers can make a clear distinction between the two approaches or abandon them altogether. In general, none of the characteristics of owner-managers (i.e. age and experience of the owner-managers) seemed to have moderated the relationship between leadership style of owner-managers and employees' performance. This is strange but owner-managers can still use their qualities to moderate their leadership styles and performance of employees.

References

Abbas, W. & Asghar, I., (2010), *The role of leadership in organizational change: Relating the successful organizational change to visionary and innovative leadership* (Master's Thesis in Industrial Engineering and Management, University of Gavle, Gavle, Sweden). Retrieved from https://www.diva-portal.org/smash/get/diva2:326289/fulltext01

Abor, J., & Quartey, P., (2010), Issues in SMEs development in Ghana and South Africa. *International Research Journal of Finance and Economics*, 39(1), 218-228.

AL-Harthy, F.N. & Yusof, N.A., (2016), Impact of transformational leadership style on employee job performance: The mediating effect of training. *International Journal of Science and Research,* 5(6).499-503.

Anyango, A.A., (2015), *Effects of leadership styles on employee performance at Boa Kenya limited*. (Mater's Dissertation, Open University of Tanzania, Tanzania). Retrieved from http://repository.out.ac. tz/1244/1/Celestine_Anyango.pdf

Armstrong, A., (2002), *Human resource management in international context*. Chicago: St. Claire Press.

Asika, N., (2004), *Business organization management*. Makugaku and Brothers Enterprise, Lagos, Nigeria.

Aslan, S., Diken, A. & Sendogdu, A., (2011), Investigation of the effects strategic leadership strategic change and innovativeness of SMEs in a perceived environmental uncertainty. *Procedia Social and Behavioral Sciences*, 24, 627-642.

Avolio, B.J., Walumbwa, F.O., & Weber, T.J., (2009), Leadership: Current theories, research, and future directions. *Annual review of Psychology*, 60:421-49.

Barbie, E., (2001), *The practical of social research (*9th ed.). Belmont: Wadsworth.

Balunywa, W.S., (2000), *A Hand book of business management*. Kampala, Makerere University School. Binghamton, NY, Center for Leadership Studies.

Bass, B.M., (1985), *Leadership and performance beyond expectations*. New York: The Free Press.

Bass, B.M., (1990), From transactional to transformational leadership: Learning to share the vision. *Organizational Dynamics*, 8, 19-31.

Bass, B.M., (2000), The future of leadership in leaning organizations. *Journal of Leadership and Organizational Studies*, 7, (3), 18-40.

Bass, B.M. & Avolio, B.J., (2000), *MLQ Multifactor Leadership Questionnaire*. Redwood City: Mind Garden.

Bell, R.M., (2013), Charismatic leadership case study with ronald reagan as exemplar. *Emerging Leadership Journeys*, 65(1), 83-91.

Bottomley, P., Mostafa, A.M.S., Gould-Williams, J.S. & Leon-Cazares, F., (2016), The impact of transformational leadership on organizational citizenship behaviors: The contingent role of public service motivation. *British Journal of management*, 27, 390-405.

Breevaart, K., Bakker, A., Hetland, J., Demerouti, E., Olsen, O.K., & Espevik, R., (2014), Daily transactional and transformational leadership and daily employee engagement. *Journal of occupational and organizational psychology*, 87(1), 138-157.

Bushra, F., Usman, A. & Naveed, A., (2011), Effect of transformational leadership on employees' job satisfaction and organizational commitment in banking sector of Lahore (Pakistan). *International Journal of Business and Social Science*, 2(18), 261-267.

Champoux, J.E., (2006), *Organizational behaviour. 3rd Edition*. London: Thompson.

Cheema, S., Akram, A. & Javed, (2015), Employee engagement and visionary leadership: Impact on customer and employee satisfaction. *Journal of Business Studies Quarterly,* 7(2), 139-148.

Chowdhury, G.R., (2014), A study on the Impact of leadership styles on employee motivation and commitment, (doctoral dissertation, Padmashree Dr. D.Y. Patil University, Mumbai, India). Retrieved from http://www.dypatil.edu/ schools/management/wp-content/uploads/2015/11/A-study-of-the-Impact-of-Leadership-Styles-on-Employee-Motivation-and-Commitment-An-empirical-study-of-selected-organisations-in-Corporate-sector-Rima-Chowdhury.pdf

Chuang, S.F., (2013), Essential skills for leadership effectiveness in diverse workplace development. *Online Journal for Workforce Education and Development*, 6 (1). 1-23.

Connolly, P., (2007), *Qualitative data analysis in education: A critical introduction using SPSS*. London: Routledge.

Constantin, E., (2013), Different styles of leadership in organizations touristic and their benefits and disadvantages. *Journal of Knowledge Management, Economics and Information Technology*, December Special Issue, 97-111.

Creswell, J.W., (2008), *Educational research: planning, conducting, and evaluating quantitative and qualitative research* (3rd ed.). Upper Saddle River: Pearson.

Dalluay, V.S. & Jalagat, R.C., (2016), Impact of leadership style effectiveness of managers and department heads to employees' job satisfaction and performance on small-scale businesses in Cavite, Philippines. *International Journal of Recent Advance in Organization Behavior and Decision Science,* 2(2), 735-751.

Deadrick, D.L. & Gardner, D.G., (1997), Distributional ratings of performance levels and variability in a field setting. *Group & organization Management*, 22, 317-342.

De Hoogh, A.H.B., Den Hartog, D.N., Koopman, P.L., (2004), The development of the CLIO: a questionnaire for charismatic leadership in organizations. *Behavior & Organization*, 17 (5), 354-382.

Dele, A.O., Adegboyega, O.I. & Taiwo, A.K., (2015), An empirical investigation of leadership styles and their effect on organizational performance of banks in Ado Ekiti, Nigeria. *International Journal of Investment Management and Financial Innovations,* 1(2), 49-55.

De Kok, J., Vroonhof, P., Verhoeven, W., Timmermans, N., Kwaak, T., Snijders, J., & Westhof, F., (2011), Do SMEs create more and better jobs? Brussels, Germany: European Commission.

Dess, G.G., Lumpkin, G.T. & Eisner, (2010), *Strategic management creating competitive advantages*. (4th ed). New York: McGraw-Hill Irwin.

Dhammika, K.A.,S., (2014), *Visionary leadership and organizational citizenship behaviour: An assessment of impact of sectarian difference*, *proceedings of the first middle east conference on global business, economics, finance and banking,* ME14 DUBAI Conference, Dubai.

Dhammika, K.A.S., (2016), Visionary Leadership and Organizational Commitment: The Mediating Effect of Leader Member Exchange (LMX). *Wayamba Journal of Management*. 4(1), 1–10.

Eze, N.A., (1982), Psychological approach to leadership in Nigerian organization, Paper Presented. *Annual conference of the Nigerian Psychological society*. Ibadan, Nigeria.

Finkelstein, S., Hambrick, D.C. and Cannella, A.A., (2008), Strategic Leadership: Theory and Research on Executives, Top Management Teams, and Boards, New York: Oxford University Press.

Fry, L. and Kriger, M., (2009), "Towards a theory of being-centered leadership: multiple levels of being as context for effective leadership", *Human Relations,* 62 (11) 1667-1696.

Fu-jin, W., Chich-Jen, S. & Mei-Ling, T., (2010), Effect of leadership styles on organizational performance as viewed from human resource management strategy. *African Journal of Business Management*, 4(18), 3924-3936.

Gautreau, A. and Kleiner, B.H., (2001), Recent trends in performance measurement systems: The balanced scorecard approach. *Management Research News*, 24 (3), 153-156.

Gill, R., (2011), *Theory and practice of leadership* (2nd ed.). London: Sage.

Gray, D.E., (2004), *Doing Research in the Real World*. London: Sage Publications.

Gupta, N., (2014), Effects of leadership styles on organizational performance: a study of selected brick klins in Jammu Region, *International Conference on Management and Information Systems,* 4th-6th August, India.

Hartnell, C.A., & Walumbwa, F.O., (2011), Transformational leadership and organizational culture: Toward integrating a multilevel framework. In N.M. Ashkanasy,

C.P. Wilderom & M.F. Peterson (Eds.), *Handbook of organizational culture and climate*, 2:225 -248. London: Sage.

Hashim, M.K., Ahmad, S. & Zakaria, M., (2012), *A Study on Leadership Styles in SMEs, Proceedings: International Conference on Islamic on Islamic Leadership* 2, 455-485, Kuala Lumpur, Malaysia.

Hasson, D. & Arnetz, B.B., (2005), Validation and findings comparing VAS. vs likert scales for psychosocial measurements. *International Electronic Journal of Health Education*, 8, 178-192.

Herrmann, D. & Felfe, J., (2014), Effects of leadership style, creativity technique and personal initiative on employee creativity. *British Journal of Management*, 25(2), 209-227.

Hitt, M.A., Ireland, R.D., & Hoskisson, R.E., (2010), Strategic management: concepts & cases competitiveness and globalization. *Wall Street Journal (8th)*.

Horstmeier, C.A.L., Boer, D., Homan, A.C., & Voelpel, S.C., (2017), The differential effects of transformational leadership on multiple identifications at work: A meta-analytic model. *British Journal of management,* 28(2), 280-298.

Hurduzen, R.E., (2015), The impact of leadership on organizational performance. *SEA-Practical Application of Science,* 1(7), 289-294.

Igbaekemen, G.O., (2014), Impact of leadership styles on organizational performance: A strategic literature review. *Public Policy and Administration Research*, 4 (9).121-125.

Igbal, N., Anwar, S. & Haider, N., (2015), Effect of leadership style on employee performance. *Arabia Journal of Business and Management Review*, 5 (5). 1-6.

ILO., (2015), *Small and medium enterprises and decent and productive employment creation. Proceedings* from '15: The 10th Session International Labor Conference. Geneva, Switzerland: International Labour Office.

Ireland, R.D., & Hitt, M.A., (2005), Achieving and maintaining strategic competitiveness in the 21st century: the role of strategic leadership. *Strategic Leadership Management,* 19 (4), 63-77.

Jones, G.R. and George, J.M., (2000), *Essential of managing organizational behavior*. Upper Saddle River: Prentice-Hall.

Jul-Chan, C. & Colin, S., (2004), Leadership effectiveness, leadership style and employee readiness. *Leadership and Organizational Development Journal*, 26(4), 280-288.

Kaplan, R.S. & Norton, D.P., (1992), "The balanced scorecard: measures that driver performance". *Business Review*, 70(1), 71-9.

Kasule, R., (2007), *Effect of leadership styles on teachers productivity in private secondary school in Wakiso District*. Unpublished Master's Dissertation. Kampala, Makerere University.

Kent, A. & Chelladurai, P., (2001), Perceived transformational leadership, organizational commitment and citizenship behavior: a case study in intercollegiate athletics. *Journal of Sport Management*, 15(2), 135-159.

Khan, M.R., Ghouri, A.M. and Awang, M., (2013), Leadership Styles and Organisational Citizenship Behaviour in Small and Medium Scale Firms. *Researches World-Journal of Arts, Science & Commerce*. IV(2), 144-154.

Khan, M.S., Khan, I., Qureshi Q.A., Ismail, H.M., Rauf, H., Latif, A., & Tahir, M., (2015), The Styles of leadership: A critical review. *Public Policy and Administration Research*, 5(3). 87-92.

Khuong, M.N. & Hoang, D.T., (2015), The effect of leadership styles on employee motivation in auditing companies in Ho Chi Minh City, Vietnam, *International Journal of Trade, Economics and Finance,* 6 (4). 210-217.

Kirkpatrick, S.A., (2004), *Visionary leadership theory: encyclopedia of leadership.* New York: Sage publication.

Koech, P.M. & Namusonge, G.S., (2012), Effect of leadership styles on organizational performance at State Corporations in Kenya. *International Journal of Business and Commerce*, 2 (1), 01-12.

Kumasi Metropolitan Assembly, (2009), *Sokoban Wood Village -handing over report Kumasi*: Kumasi Metropolitan Assembly

Lawal, A.A., (1993), *Management in focus.* Abdul Industrial Enterprise: Lagos.

Leedy, P. & Ormrod, J., (2001), *Practical research: planning and design* (7th ed.). Upper Saddle River: Merrill Prentice Hall. Thousand Oaks: Sage.

Leedy, P.D. & Omrod, J.E., (2010), *Practical planning and design* (9th ed.). New Jersey: Perason Education Inc.

Lekhanya, L.M., (2015), Leadership and Corporate Governance of Small and Medium Enterprises (SMEs) in South Africa: Public Perceptions. *Corporate & Control,* 12(3), 215-222.

Levine, M.J, & Hogg A.M., (2012), *Contingency theory, Encyclopedia of group process and intergroup relations.* London: SAGE Publication, Inc.

Linge, T.K., Shikalieh, D. & Asiimwe, J.B., (2016), The Relationship between Laisez-Faire Leadership Style and SMEs Growth in the top 100 SMEs in Kenya. *International Journal of Innovative Research and Development* 5(7), 240-245.

Lumbasi, G.W., (2015), *The effect of leadership styles on employee performance among company of the year award senior managers in Kenya*, Unpublished Doctoral Dissertation, United States International University-Africa, Kenya.

Madanchain, M., Hussein, N., Noordin, F. & Taherdoost, H., (2017), The impact of ethical leadership effectiveness among SMEs in Malaysia. *Procedia: Manufacturing* 22, 968-974.

Martin, J., (2015), Transformational and transactional leadership: An exploration of gender, experience and institution type. *Libraries and the Academy.* 15 (2), 331-351.

Maskell, B., (1991), Performance measurement for world class manufacturing: A model for American Companies, Cambridge: Productivity Press.

Mathis, R.L and Jackson, J.H., (2009), *Human resource management.* Mason: South-Western Cengage Learning.

McGowan, L. & Miller, P., (2004), *Shared Leadership. Refraining the hows and why of leadership.* Thousand Oaks: Sage Publications.

Medori, D., Steeple, D., (2000), "A frame work for auditing and enhancing performance measurement systems". *International Journal of Operations and Production Management*, 20(5) 520-533.

Micheal, A.G., (2010), *Leadership style and organizational impact.* Retrieved from Online: http://www.ala.apa.org/newsletter.

Mihai, L., Schiopoiu, A.B. & Mihai, M., (2017), Comparison of the leadership styles practiced by Romanian and Dutch SME owners. *International Journal of Organizational Leadership,* 6(1), 4-16.

Mills, D.Q., (2005), *Leadership. how to lead, how to live.* Waltham: Mind Edge Press.

Mishra, G.P., Grunewald, D. & Kulkarni, N., (2014), Leadership styles of senior and middle level managers: A study of selected firms in Muscat, Sultanate of Oman. *International Journal of Business and Management*, 9(11), 72-79.

Mohammed, U.D., Yusuf, M.O., Sanni, I.M., Ifeyinwa, T.N., Bature, N.U. & Kazeem, A.O., (2014), The relationship between leadership styles and employees' performance in organizations (a study of selected business organization in federal capital territory, Abuja Nigeria. *European Journal of Business Management*, 6 (22), 1-11.

Montgomery, C.A., (2008), Putting leadership back in to strategy. *Harvard Business Review*, 86 (1) 54-60.

Moriano, J.A., Molero, F., Topa, G., & Margin, J.-P., (2014), The influence of transformational leadership and organizational identification on intrapreneurship. *International Entrepreneurship and Management Journal*, 10(1), 103-119.

Mostashari, E., (2009), *Impact of leadership on organizational performance*: A *study on small and medium size private companies in three cities of Tehram, Mashhad, Isfaham, Iran* (Master's thesis, the British University in Dubai, Dubai).

Mullins, J., (2002), *Management and organizational behaviour,* (6th ed). Lambarda Rotolito: Italy.

Mutahar1, A.Y., Rasli, A.M., Al-Ghazali, B.M., (2015), Relationship of Transformational Leadership, Organizational Learning and Organizational Performance. *International Journal of Economics and Financial Issues*, 5 (Special Issue), 406-411.

Neuman, W.L., (2006), *Social research methods: qualitative and quantitative approaches* (6th ed.). Boston: Pearson Education.

Nkwakwo, J., (2001), *Educational administration. theory and practice*, Vikas: Nigeria.

Obicci, P.A., (2015), Effect of ethical leadership on employee performance in Uganda, *Net Journal of Business Management*, 3(1), 1-12.

Obniwuru, T.C., Okwu, A.T., Akpa, V.O & Nwankere. A.I., (2011), Effects of leadership style on organizational performance: A survey of selected small scale enterprises in Ikosi- Ketu council development area of Lagos State, Nigeria. *Australian Journal of Business and Management Research* 1(7). 100-111.

Ogarca, R.K., (2015), An Investigation of Decision Making Styles in SMEs from South-West Oltenia Region (Romania*). Procedia Economics and Finance*, 20, 443-452.

Ojokuku, R.M., Odetayo, T.A. & Sajuyigbe, A.S., (2012), Impact of leadership style on organizational performance: A case study of Nigeria Banks. *American Journal of Business and Management*, 1(4), 202-207.

Omira, O.D.B., (2015), *The effect of leadership and organizational culture on organizational performance of the public sectorin Saudi Arabia,* (Doctoral thesis), University Utara, Malaysia.

Ozer, F. & Tinaztepe, C., (2014), Effect of strategic leadership styles on firm performance: A study in a Turkish SME. *Procedia-Social and Behavioral,* 150, 778-784.

Pattanayak, B., (2005), *Human Resource Management*, (3rd ed). New Delhi, PHI Learning Private Limited.

Peretomode, O., (2012), Situational and contingency theories of leadership: Are they the Same? *Journal of Business and Management*, 4(3), 13-17.

Polit, D.F. and Hungler, B.P., (2013), *Essentials of nursing research: Methods, appraisal, and utilization* (8th ed.). Philadelphia: Wolters Kluwer/Lippincott Williams and Wilkins.

Prawirosentono, S., (2000), *Employee performance policy*. Yogyakarta: BPFE, Gajah Mada.

Punnett, B.J., (2004), *International perspective on organizational behavior and human resource management.* New York: M.E, Sharpe.

Putterill M.S. and Rohrer T.C., (1995), 'A causal model of employee commitment in a manufacturing setting'. *International Journal of Manpower*, 16(5-6), 56-69.

Rath, T., & Conchie, B., (2009), *Strength based leadership: great leaders, teams, and why people follow*. San Francisco: Gallup Press.

Roussel, L., (2006), Management and leadership.(4th ed). USA: Jonesand Bartlett.

Russell, R.F. & Stone, G.A., (2002), A review of servant leadership attributes: Developing a practical model. *Leadership & Organization Development Journal*, 23 (3), 145-157.

Saasongu, N., (2015), Effects of leadership style on organizational performance in small and medium scale enterprises (SMEs) in Nigeria, *International Journal of Research in management and Business studies,* 2 (2).23-30.

Sabir, M.S., Iqbal., J.J., Rehman, K., Shah, K.A. & Yameen, M., (2012), Impact of corporate ethical values on ethical leadership and employee performance. *International Journal of Business and Social Science*, 3(2), 163-171.

Sashkin, M., (1998), *Becoming a visionary leader*. Amherst: HRD Press.

Schoemaker, P.J.H., Krupp, S. & Howland, S., (2013), Strategic Leadership: The essential skills. *Harvard Business review, January–February*. 131-134.

Sinha, E.S., (2001), The skills and career path of an effective project manager. *International Journal of Project Management*, 19(1), 1-7.

Sumbo, B.D. & Zimmerman, D.W., (1993), Is the selection statistical methods governed by level of measurement? *Canadian Psychology*, 34(4), 390-400.

Suresh B.K., (2012), *Strategic leadership practices and organizational effectiveness: a conceptual framework*, Paper presented at international conference on Applied and Management Sciences, 16-17 June, Bangkok.

Suresh, A & Rajini, J., (2013), Transformational leadership approach in organizations-its strengths and weaknesses. *International Journal of Social Science & Interdisciplinary Research*, 2(3), 155-160.

Tahir, H., (2015), Leadership and organizational performance: a comparative study between transformational and transactional leadership styles. *IBT Journal of Business studies,* 11(2), 257-274.

Taormina, R.J., (2008), "Interrelating leadership behaviors, organizational socialization, and organizational culture". *Leadership & Organizational Development Journal*, 29 (1), 85-102.

Tosi, H.L., Misangyi, V.F. Fanelli, A., Waldman, D.A. & Yammorino, F.J., (2004), CEO charisma, compensation, and firm performance. *The Leadership Quarterly*, 5, 405-420.

Vroom, V.H., (1979), *Work and motivation*. New York: John Wiley and Son Inc.

Waldman, D.A., Ramirez, G.G., House, R.J. & Puranam, P., (2001), Does leadership matter? CEO leadership attributes and profitability under conditions of perceived environmental uncertainty. *Academy of Management Journal*, 44 (1): 134-143.

Waldman, A.D., Siegel, D.S. & Javidan, M., (2006), Components of CEO transformational leadership and corporate social responsibility. *Journal of management studies*, 43(8), 1703–1725.

Wang, X.H. & Howell, J.M., (2010), Exploring the dual-level effects of transformational leadership on followers. *Journal of Applied Psychology*, 95(6), 1134-1144.

Warrick, D.D., (1981), Leadership styles and their consequences. *Journal of Experiential Learning and Simulation,* 3(4), 155-172.

Waters, R.D., (2013), Waters The role of stewardship in leadership Applying the contingency theory of leadership to relationship cultivation practices of public relations practitioners. *Journal of Communication Management*, 17 (4), 2013, 324-340.

Weihrich, H, Cannice, V.M & Koontz, H., (2011), *Management: A global and entrepreneurial perspective* (13th Ed). New Delhi: Tata McGrawHillEducation Private Limited.

Yildiz, S., Bosturkb, F. & Boze, I.T., (2014), The effect of leadership and innovativeness on business performance. *Procedia: Social and Behavioral Sciences,* 150, 785-793.

Yusuf, M.O., Muhammed, U.D. & Kazeem, A.O., (2014), Management of leadership style: an approach to organizational performance and effectiveness in Nigeria. *International Journal of Humanities Social Sciences and Education (IJHSSE)*, 1(2), 17-29.

Zalezink, J., (2004), *Organizational change*. International Edition. New Delhi: Tata McGraw-Hill.

Zervas, C. & David, L., (2013), *Leadership style: is there "one best", or is flexibility worth developing?* Retrieved from:http://www.leadershipadvantage.com/leadership.

THE IMPACT OF LABOR TAXATION RELAXATION ON ECONOMIC GROWTH

Iuliana Militaru[*]

Abstract

On average, fiscal policy is a relatively useful tool in market economy – respectively, for any economic strategy whose main goal is attaining/preserving economic growth. Of all components of fiscal policy, however, labor taxation (and its main tool, i.e. labor taxes*) is linked with more than one tie with economic growth mechanism, in fact being its (main) core, since* labor *is mainly what* produces *– along with capital and knowledge –, in the end, economic growth.*

Keywords: *labor taxation, economic growth, fiscal policy*

JEL Classification: E 62; J01.

Introduction

Labor taxation is a component of *fiscal policy* and must be analyzed as such – which means, first of all, that is must be analyzed – at least at times – to begin with: this is a component of fiscal policy seldom analyzed, given income (e.g. profit) and VAT, excises&c. are, or seem to be, much more in the spotlight, both for governments and public opinion.

Since labor taxation is part of fiscal policy, firstly, before analyzing it, we feel it is necessary to shed a light on fiscal policy itself. Well, to cut a long story short, it suffices to define *this* important macroeconomic policy as the sum of economic strategies, administrative procedures and specific tools – e.g. direct and indirect taxes – put to use in both short and long term by a government (administration) for the benefit of achieving following goals:

(1) Strategic management of market *and* (market) economy and
(2) Control of state budget funding mechanism.

The specific – and main – tools of fiscal policy are direct and indirect taxes; these are, in short, visible instruments with which two specific economic strategies – that is, specific to fiscal policy – are implemented, namely direct and indirect *taxation* (methods).

---

[*] Iuliana Militaru is at the Romanian American University in Bucharest. E-mail: iuliana.militaru@rau.ro

Content

Given the undeniable fact labor is the very core of economic growth – used as a production factor by (market) economy, that is –, it is transparently clear labor taxes, as tools of fiscal policy, labor *taxation*, in general, as distinct component of fiscal policy influences economic growth to a much larger extent than economic growth itself is capable of influencing labor taxation – not to mention any other component of fiscal policy.

Labor is taxed through labor taxes, which are *levied* on salaries and wages (and any other similar entities); in Romania, for this matter, labor taxation is supported by both:

1. employer and
2. employee.

Labor taxation is used, basically, for attaining two separate goals: first one, let us say, it the implicit one, namely funding (state) budget, whilst second goal is precisely sustaining economic growth (i.e. through propping up components of economic mechanism such as *stability* of market economy – first and foremost, of *labor market* –, promotion of strategic benchmarks such as full employment, etc.). Labor taxation works through this, in principle, *mainly* in microeconomic sphere of market economy, but the going is, mostly, tough.

It is so, due to the fact labor taxation is *supposed* – so in theory – to bolster economic growth, in short term but for the most part in long term, as final result of it enhancing efficiency of production process – for (almost) every firm and, in general, economic activity.

Labor taxation, as logical consequence, should be *designed* to *fit* into – and not to work *against* – following economic (and financial) dynamics:

I. labor tax is known to increase cost of **labor** firm needs and so has to *buy* – e.g. by hiring new employees –, whilst same firm must not lose sight of that venerable economic principle, according to which it must always pursue for obtaining a maximum profit with minimum expenses;

II. as consequence, at very least *its* labor demand will inexorably *tend to **decrease*** – if not initiating, or consolidating, a similar trend in the very labor market that firm is a part of;

III. final effect of labor tax is the definite tendency (if not downright positive effect) for firms to *use a smaller quantity* of labor – than before the introduction of (or increase in) labor tax.

This is only the basic picture, however; in real terms, dynamics of labor taxation *and* economic growth is more complex. For labor, as production factor, is taxed through its most easily reachable – as far as fiscal policy goes, anyway – component, namely its disbursement (since this is basically an income transfer, directed to employees), given that:

(1) taxation is a phenomenon which supplies (state) budget with (fiscal) revenues coming from not one, but two sources: on one hand, incomes of employees are taxed (i.e. salaries and wages), but, on the other hand – at least in Romania –, labor taxes are also levied on incomes of *employers*;

(2) but, since labor *offer* is characterized by relatively low levels of elasticity – viz. *geographical* mobility of employees is, on average, below any 'average' level

one might think of, and, besides, financial independence, so to speak, of same individuals is, on average again, even less developed –, from this perspective, it is probable that, given existence of labor taxes, *a fortiori* when these labor taxes' levels are *on the rise*, fiscal pressure that comes along with labor taxes will be supported by employees (and, thus, *indirectly*, by firms themselves), and not by employers.

Labor taxes being supported by employees is a state of *fact* which precludes any *substantial* salaries &c. growing trends: salaries, wages, etc. may rise, in fact, eventually, will (gradually) rise, but will relatively small increments. This effect, however, hits hard economic growth – if labor taxation *relaxation* is not set in in this process, with the very goal of stimulating economic growth.

As it is universally known, one of the sources of economic growth is consumption – which is, so to speak, carried out, in any market economy, by firms *and* ordinary taxpayers/employees. If the latter face declining living standards, with lower wages, their consumption will inevitably decline – at least because all these people will be very busy doing their level best in making up, or expanding, their *savings*. So, on this basis, economic growth will slow down, at best – if not (and at worst) grind to a complete halt.

Labor taxes are important – or, to put it in another perspective, potentially dangerous – to economic growth because they are levied, at least *in the(ir) design*, on a production factor; arguably, on the most important production factor known to exist in a market economy (and in *any* economy, in general). And, given economic growth is final result of the use of economic factors, in the long run, if firms are compelled to use less (and less) labor, they will grow less (and less – again).

Of course, negative effect of a rise in labor taxes needs not be permanent – this is one of the reasons we analyze here impact of labor taxation *relaxation* on economic growth. On the other side, if this sort of fiscal downplay really happens, it will not boost economic growth with a too large of an increment – and, certainly, not for too many economic periods (e.g. years).

Because, if using labor (force) is becoming cheaper and cheaper, a market economy will grow, with simultaneous effect of reducing unemployment amplitude, but, anyway, an economy cannot grow on cheap labor force *only*, so this effect will *not* be felt in long term, nor will it boost sensibly economic growth.

These economic relationships, influences and dynamics are best described in a graphic manner – in this paper, by following figure (where t stands for labor taxes, L for quantity of labor employed, S&W for salaries and wages, Q for output, C for consumption and ε^{γ} for economic growth):

IMPACT OF LABOR TAXATION ON ECONOMIC GROWH
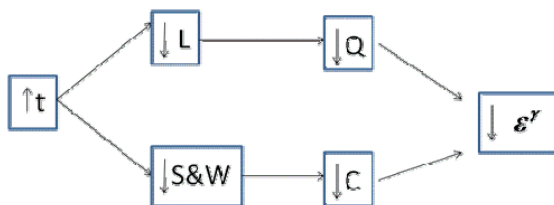
Conclusions

The impact of tax base dynamics on fiscal policy is as important as it is, in the same time, difficult to make it out with high quantitative precision; however, there are some conclusions that can definitely be drawn – viz. out of this analysis – as to the impact of labor taxation relaxation on economic growth.

Maybe most important conclusion is the *fact* labor fiscal relaxation is most surely *not* a cure-all macroeconomic (*hic*, fiscal) tool, ready to be used for insuring economic growth is and will be recorded, for protracted periods, and while nothing or almost nothing changes in the economy. Main reason for this is basic fact firms in general cannot *buy* – and, therefore, use – labor indefinitely, in ever-larger increments.

Also, it is important to take notice that low(er) labor taxes help economic growth, *if* they cause salaries and wages to rise, since this will certainly boost consumption, although to a lesser degree, due to fact phenomena such as *savings* have also to be considered.

Finally, reducing labor taxes is always all right if (state) budget can put up with it; in economies whose efficiency is borderline of sorts – such as Romania's –, budgetary policy would have to be designed into becoming really shrewd in order to cope with this, especially in long term. On the other hand, however, it is, in principle, sound to plan for economic growth whilst simultaneously coping with – or, as in *exempli gratia* U.S.A.'s economy, even *planning* for – a (growing) budget deficit.

References

Carey, D., Rabesona, J., (2002), *Tax Ratios on Labour and Capital Income and on Consumption – OECD Economic Studies No. 35*.

Roger, A.A., (2014), *Economics (11th edition)*, South-Western Cengage Learning, U.S.A.

Schiller, B.R., (2003), *The Economy Today (9th edition)*, The McGraw-Hill Companies, Inc., New York.

Vintilă, G., Călin, M., Vintilă, N., (2001), *Fiscalitate*, Editura Economică, Bucureşti.