



Social Sciences

Volume 4



E-ISSN: 2744-2454

mapub.org/mapss



Social Sciences



JOURNAL

MAP Social Sciences

Volume 4

ISSN (online): **2744 – 2454**

DOI: doi.org/10.53880/2744-2454.2024.4

PUBLISHER

MAP – Multidisciplinary Academic Publishing

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ABSTRACTING AND INDEXING SERVICES

The journal is currently indexed by: ERIH PLUS – European Reference Index for the Humanities, EBSCO, MLA International Bibliography, ASI – Advanced Science Index, DOI, Research Gate, CrossRef, DRJI, Google Scholar, J Gate



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E-ISSN: 2744-2454

CONTENTS

- 1 **ODRŽIVI RAZVOJ I DRUŠTVENO ODGOVORNO POSLOVANJE U HOTELIJERSTVU**
Željko Kukurin
- 8 **GAMBLING ADDICTION, GAMBLING INTENTION AND FINANCIAL WELLBEING IN BOSNIA AND HERZEGOVINA**
Ivan Sučić, Ensar Mekić and Malcolm Duerod
- 15 **THE INCORPORATION OF FINTECHS INTO THE BANKING SECTOR: THE FINTECH N26 AS A CASE STUDY**
Bojana Vukovljak
- 31 **GENDER DIFFERENCES IN ATTITUDES TOWARD ETHICS IN DIGITAL BUSINESS. EVIDENCE FROM CROATIA**
Ivana Benjak, Doroteja Mandarić and Anica Hunjet
- 43 **LOCAL POLITICAL PARTIES IN AUSTRIA DURING THE COVID-19 ERA: A COMPARATIVE CASE ANALYSIS**
Robert F. J. Pinzoliths
- 53 **FORMS OF KNOWLEDGE TRANSFER IN IT PROJECT MANAGEMENT**
Rita Stampfl, Julian Fischer and Silke Palkovits-Rauter
- 67 **ETHICAL ISSUES IN THE APPLICATION OF NEUROMARKETING RESEARCH**
Dijana Vuković
- 82 **EFFECTS OF PERCEIVED GENDER ROLES ON FEMALE POVERTY, THE CASE OF BOSNIA AND HERZEGOVINA**
Sumka Bučan and Lejla Ramić-Mesihović
- 98 **STRATEGIC INTEGRATION AND GEOPOLITICAL REPOSITIONING: BOSNIA AND HERZEGOVINA'S PATH TOWARDS THE EUROPEAN UNION**
Josip Ivanković-Lijanović
- 109 **HOW DOES MEDIA COVERAGE AFFECT THE OUTCOMES OF THE ELECTIONS?**
Hana Smajlović and Faris Čolakhodžić
- 124 **EUROPEAN UNION ENLARGEMENT POLICY WITH SPECIAL REFERENCE TO BOSNIA AND HERZEGOVINA – PREFERENCES AND DOWNSIDES**
Selma Delalić and Dževad Delalić
- 137 **BOSNIA AND HERZEGOVINA IN THE EUROPEAN UNION INTEGRATION PROCESS: SYSTEMIC LIMITATIONS TO PROGRESS IN THE RULE OF LAW**
Anesa Čakal and Lejla Ramić Mesihović
- 149 **IS A PHD AN ENTRANCE TICKET FOR AN EXECUTIVE BOARD POSITION?**
Lukas Rendl and Robert Michael Just

REVIEW PAPER

ODRŽIVI RAZVOJ I DRUŠTVENO ODGOVORNO POSLOVANJE U HOTELIJERSTVU

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ABSTRACT

Turizam je multidimenzionalni, složeni fenomen sa snažnim utjecajem na društvo. Također, turizam povezuje niz različitih dionika na određenom području, pa samim time tema društveno odgovornog poslovanja u turizmu postaje kompleksnija. Hotelijerska poduzeća tu imaju veliku odgovornost jer su u pravilu glavni kreatori razvoja turističkog proizvoda, značajan poslodavac te partner lokalnim poduzećima i obrtnicima, zbog čega svojim poslovanjem mogu značajno utjecati na to hoće li se i na koji način u nekoj destinaciji strateški promišljati, planirati i implementirati načela održivog turizma, odnosno hoće li turistička destinacija njegovati održivi turizam.

Briga o okolišu, prostoru, zaposlenicima, resursima, lokalnim zajednicama i općenito društvu postaju više nego ikada važni čimbenici poslovanja hotelijerskih poduzeća. Žele li dugoročno biti uspješnima, hotelijerska poduzeća moraju uključiti elemente društveno odgovornog poslovanja u strateško i operativno poslovanje. To je važno za ekonomski uspjeh, ali i za procjenu isplativosti budućih ulaganja u hotele i ljetovališta (i greenfield i brownfield investicije). U pravilu se radi o dugoročnim ulaganjima u turističku imovinu na određenom prostoru, pa je izuzetno važno da se investicijama upravlja na društveno odgovoran način kako bi se sačuvala atraktivnost turističke destinacije i unaprijedio život lokalnog stanovništva. Također, prilikom ulaganja u izgradnju i rekonstrukciju hotela i ljetovališta morase voditi načelima održivog razvoja i brinuti o korištenju prostora, izgledu objekta, implementaciji sustava za efikasno upravljanje energijom, vodom i otpadom, te općenito voditi računa o trendovima održivog razvoja u turizmu. U tom smislu, važno je razumjeti koristi i isplativost društveno odgovornog poslovanja u hotelijerstvu, kao i važnost uključenja čimbenika održivosti u ulaganja u hotelijerstvo.

Keywords: društveno odgovorno poslovanje, hotelijerstvo, održivi razvoj, isplativost ulaganja

**MAP SOCIAL SCIENCES**

Volume 4

ISSN: 2744-2454/ © The Authors.
Published by MAP – Multidisciplinary Academic Publishing.

Article Submitted: 10 June 2023
Article Accepted: 30 June 2023
Article Published: 03 July 2023



Publisher's Note: MAP stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.

<https://doi.org/10.53880/2744-2454.2023.4.1>**HOW TO CITE THIS ARTICLE**

Kukurin Ž. (2023). **Održivi razvoj i društveno odgovorno poslovanje u hotelijerstvu**. MAP Social Sciences, 4, 1–7. doi: <https://doi.org/10.53880/2744-2454.2023.4.1>



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UVOD

Prema Houdré, H. (2008.) mnoga su poduzeća, posebno u hotelijerstvu i turizmu uključila načela društveno odgovornog i održivog poslovanja u svoje razvojne strategije. Poduzećima i ulagačima je na raspolaganju niz analitičkih alata i „certifikatora“ koji ocjenjuju uspješnost društvenoodgovornog poslovanja putem procjene ekoloških, društvenih i upravljačkih čimbenika (eng. ESG – Environmental, Social, and Governance). Analizom „ESG“ područja dolazi se do procjene razine uspješnosti poduzeća u provođenju društveno odgovornog poslovanja (DOP) unutar definiranih temeljnih područja DOP-a. Usporedbom s okruženjem i referentnim intervalima određenim od strane tijela ovlaštenih za certificiranje DOP-a izrađuju se analize i izračunava se konačna ocjena uspješnosti društveno odgovornog poslovanja poduzeća. Visoka razina uspješnosti u društveno odgovornom poslovanju sve je važnija za investitore, banke, djelatnike i goste, odnosno indirektno značajno utječe na financijsko poslovanje i ekonomsku uspješnost poduzeća.

Pristup istraživanju za bolje razumijevanje ulaganja u hotelijerstvo i društvenoodgovorno poslovanje prvenstveno je bio osloniti se na međunarodne knjige, znanstvene radove, publikacije i članke iz stručne prakse. Cilj rada je dati uvid u utjecaje na isplativost ulaganja, pojasniti važnost društveno odgovornog poslovanja u hotelijerstvu, kao i utjecaj na isplativost ulaganja.

U pregledu literature stavlja se naglasak na postojeća istraživanja u područjima ulaganja u hotelijerstvo i isplativosti ulaganja u društveno odgovorno hotelijerstvo. Nakon toga daje se pojašnjenje pojmova društveno odgovornog poslovanja i strateške etike u hotelijerstvu, te finalno zaključna razmatranja.

PREGLED LITERATURE

HVS je jedna od vodećih globalnih konzultantskih kuća za ulaganja u hotelijerstvo. Godine 2002., Steve Rushmore, osnivač HVS-a, izdao je Hotel Investment Handbook. Radi se o svojevrsnom vodiču za ulaganja u hotelijerstvo koji opisuje sve procese koje je važno razumjeti prilikom planiranja i izvršenja ulaganja u hotelijerstvo. Publikacija uz teoretski dio daje i praktične savjete nužne za razumijevanje isplativosti ulaganja u hotelijerstvo. Rushmore je opisao sve relevantne procese i aktivnosti koje je nužno razumjeti i provesti prilikom ulaganja u hotelijerstvo: analizu stanja (ponu-

da, potražnja, tržište, proizvod, izbor lokacije, tržišni udio, prosječne cijene, zauzetost i ostalo), procjena poslovanja (prihodi, troškovi, vrijednost imovine i ostalo), investicijske strategije, vlasništvo, izvori ulaganja i financiranje, upravljački modeli, razvoj projekta i izgradnja, specifičnosti tržišta i proizvoda. Publikacija HVS-a ilustrira svu složenost procesa ulaganja u hotelijerstvo. Gream i Seabrook (2006) istražuju ulaganja u hotelijerstvo Australije kako bi utvrdili najvažnije faktore od utjecaja na odlučivanje o ulaganjima u hotelijerstvo, te zaključuju kako su među 30 mogućih čimbenika najvažniji financijski razlozi (dostupnost i trošak financiranja), lokacijski faktor (izbor destinacije), koje slijede ekonomski razlozi (isplativost ulaganja), te diverzifikacija ulaganja i odnosi s partnerima. Autori su također utvrdili da postoje različiti motivi ulaganja kod financijskih investitora i vlasnika, odnosno operatera.

Assaf, Knežević i Cvelbar (2010) istražili su efikasnost hotela u Sloveniji i došli do zaključka da godina izgradnje, kategorizacija i veličina hotela pozitivno utječu na učinkovitost poslovanja. Generalno se može zaključiti kako hoteli više kategorije, odnosno oni s većim brojem soba koji se redovno održavaju ili je u njih tek investirano imaju veću efikasnost, pa samim time i isplativost od prosječnih hotela. To ukazuje na moguću uspješnost *brown-field* ulaganja kojima se poboljšava proizvod i povećava učinkovitost poslovanja. Collier i Gregory (1995) analizirali su modele vrednovanja hotelskih poduzeća u Velikoj Britaniji i izračune isplativosti ulaganja. Nalazi istraživanja su pokazali da pristupi izračunu isplativosti ulaganja i vrednovanju turističke imovine variraju od onih kompleksnijih baziranih na diskontiranju novčanih tokova do vrlo jednostavnih analiza povrata na ulaganja. Različiti pristupi nisu bili u zavisnosti s veličinom poduzeća niti veličinom ulaganja, ali ponekad su bili povezani s oblikom vlasništva. Istraživanje ukazuje na neujednačenost metoda izračuna isplativosti ulaganja u hotelijerstvu i neunificiranom pristupu vrednovanju imovine, koji često ovise o vrsti, obliku i strategiji ulagača. Dogru (2016) je proučio kako razina ulagačkih mogućnosti utječe na vrijednost poduzeća, odnosno „pre investiraju“ li se poduzeća s manjim ograničenjem kapitala pa tako umanjuje svoju ukupnu vrijednost. S druge strane, istražio je imaju li poduzeća koja su limitirana kapitalom i bolje korporativno upravljanje, optimiziraju li maksimalno ulaganja te povećaju li u konačnici svoju vrijednost. Istraživanje je pokazalo da ulagači koji imaju kvalitetnije upravljanje i kontrolu ulaganja bolje optimiziraju investicije, ostvaruju više povrate i tako značajnije povećavaju vrijednost poduzeća. To

ukazuje na važnost pravilnog izračuna isplativosti i kontrole razine ulaganja u hotelijerstvo.

Aissa i Goaid (2016) projicirali su poslovanje 27 hotela u Tunisu kako bi analizirali profitabilnost ulaganja u hotele s posebnim fokusom na utjecaj menadžmenta na profitabilnost. Autori su došli do rezultata da menadžerska efikasnost utječe na profitabilnost hotela, pa tako hoteli koji su povezani s internacionalnim hotelskim sustavima, oni koji imaju ugovor o menadžmentu te oni koji nemaju *all-inclusive* uslugu ostvaruju veću profitabilnost. Istraživanje je također pokazalo da bolja edukacija i sposobnost menadžera može utjecati na efikasnost hotela te da hotelima nakon određenog broja godina počinje padati profitabilnost, što znači da treba produljiti životni ciklus hotela putem *brown-field* ulaganja i repozicioniranja. Ndivo i Manyara (2016) analizirali su ulogu javnog sektora u kreiranju konkurentnosti za ulaganja u turističku industriju Kenije. Studija je pokazala da ulaganje u turističku infrastrukturu i destinacijski menadžment, pravna država i regulatorna funkcija predstavljaju najvažnije uloge javnog sektora u kreiranju poticajnog investicijskog okruženja za turistički sektor. Autori prikazuju rezultate istraživanja vodećih direktora iz hotelskog sektora koji iznose stav da u turizmu postoji niz tema kao što su izgradnja infrastrukture, promocija i organizacija turističke destinacije, ekologija te održivi razvoj turizma kojima jedino može upravljati javni sektor. Osim toga, autori su sugerirali da tema koju je još potrebno dodatno istražiti i koja može značajno utjecati na motivaciju ulaganja u turizam je fiskalni okvir koji je povezan s razinom isplativosti ulaganja. Od države se ne očekuje da aktivno upravlja ulaganjima u hotele, ali javni sektor se mora baviti upravljanjem turističke destinacije i kreiranjem konkurentnog i dugoročno održivog okvira za ulaganja u turizam. Baranova i Bogatyreva (2017) istražili su metodologije izračuna financijske stabilnosti i investicijske atraktivnosti ulaganja u hotele. Autori su došli do zaključka da postoje razlike u izračunu isplativosti i stabilnosti ulaganja. Ipak, održivost vrijednosti imovine ima značajan utjecaj na izvore financiranja, stabilnost i atraktivnost ulaganja. Postoje različite strategije, vlasništva i model ulaganja u hotelijerstvo. Ono što je svima zajedničko je da je hotelijersko poslovanje uvijek poslovanje s turističkom imovinom. Dugoročna održivost vrijednosti turističke imovine ima ključni utjecaj na isplativost ulaganja. Kim i Jang (2018) tvrde da vlasništvo hotelijerskih poduzeća značajno utječe na uspješnost ulaganja. Autori su empirijski dokazali vezu između vrste

vlasništva i uspješnosti ulaganja u hotelijerstvo i tvrde da institucionalni investitori sve češće gledaju na investiranje u hotelijerstvo kao na dugoročno stabilna ulaganja. Prema njima, najbolje rezultate ostvaruju poduzeća u kojima su menadžeri s institucionalnim investitorima istovremeno i vlasnici poduzeća, ali do 17,34% jer više od toga menadžersko vlasništvo može kreirati probleme u upravljanju. Prema Golja, T., Škare (2012.) poduzeća moraju voditi brigu o okolišu, poštivati društvo u kojemu posluju te voditi brigu o ekonomskoj održivosti poslovanja. U provedenom istraživanju na najuspješnijim globalnim kompanijama dokazano je da društveno odgovorno poslovanje u konačnici pozitivno utječe na financijsku uspješnost poslovanja. Studija je pokazala da društveno odgovorno poslovanje nije samo aktivnost održivog poslovanja i pomoći zajednici, već i „snažan alat“ za povećanje profitabilnosti.

Poduzeća se danas sve više vrednuju ne samo kroz prizmu sagledavanja njihovih financijskih rezultata, već i usklađenosti njihova poslovanja s društvenim i etičkim normama, pa društvenoodgovorno poslovanje postaje jedan od strateških ciljeva koje postavlja strateška razina menadžera u poduzećima (Singal, 2012). Sve veći interes javnosti i raznih interesnih dionika za društvenom odgovornošću poduzeća utječe na intenzitet transparentnog komuniciranja poduzeća s interesnim dionicima iz svojeg unutarnjeg i vanjskog okruženja. Navedeno je potvrđeno u istraživanju Hamrouni et al. (2019), a ne čudi ni činjenica da društveno odgovorno poslovanje postaje integralni element korporativne strategije (Choi et al., 2010), kao i da društveno-odgovorno poslovanje postaje važan instrument kojim se povećava učinkovitost poslovanja hotelijerskih poduzeća. Društveno odgovorno poslovanje omogućava hotelskim poduzećima da, uvažavajući socio-kulturne vrijednosti zajednice i brinući o okolišu, ostvare svoje poslovne ciljeve. Argumenti koji podupiru navedeno navode se u tekstu koji slijedi.

DRUŠTVENO ODGOVORNO POSLOVANJE I STRATEŠKA ETIKA U HOTELIJERSTVU

Smještajna industrija jedan je od segmenta turističke industrije. Ninemeier, J. D. i Hayes K.H.¹ (2004.) dijele turističku industriju na hotelijerstvo i ugostiteljstvo, prodaju (turoperator, agencije), usluge prijevoza i destinaciju (aktivnosti). Hotelijerska poduzeća i turoperator imaju važnu ulogu u definiranju i kreiranju turističkog proizvoda. Desti-

¹ Hayes, K., D., Ninemeier D., J., 2004. Upravljanje hotelskim poslovanjem, M Plus, Zagreb, str. 4.

nacije su prvenstveno pod utjecajem komparativnih prednosti, dok su hotelijerska poduzeća i turoperatori ti koji kreiraju konkurentske prednosti turističke destinacije.² Samim time i odgovornost hotelijerskih poduzeća da posluju društveno odgovorno je puno veća od njih samih jer značajno utječe na održivost turističke destinacije. Odgovornim poslovanjem hotelijerska poduzeća značajnu utječu na održivi razvoj i konkurentnost destinacije.

Koncept društvene odgovornosti puno je jednostavnije organizirati u hotelijerskim poduzećima putem paradigme strateške etike kao što to predlaže McClendon³. Postoji nekoliko razloga za prihvaćanje tako prezentirane paradigme. Prvo, vrlo je važno da etički ciljevi i strategije budu dio opće misije, ciljeva i strategije poduzeća jer je onda njihova primjena puno snažnija. Drugo, strateška etika puno je općenitiji pojam od društvene odgovornosti pa je puno jednostavnije postaviti teoretski model te organizirati poslovnu funkciju pod takvim „kišobranom“. Naime, često je slučaj da se u poduzećima društveno odgovornim poslovanjem bave svi i nitko. Kako bi etičko poslovanje postalo dijelom korporativne kulture poduzeća, ono mora biti vertikalno i horizontalno integrirano u organizaciju poduzeća gdje za provedbu krajnju odgovornost snose visoki menadžment i vlasnici/dioničari, dok etički standardi postaju standardi organizacijskog ponašanja. U nastavku, strateška etika proizlazi iz želje da se čini dobro („normativni slučaj“) i društveno odgovorno poslovanja koje se provodi radi vlastitog interesa („poslovni slučaj“). Razlozi poduzeća da se ponaša etički uvijek predstavlja kombinaciju tih motivacija. Stoga, kako se iza aktivnosti društvene odgovornosti, očuvanja i brige za okoliš, brige za zaposlenike, razvoja i suradnje s lokalnom zajednicom, utjecaja na politiku i sl. konstantno isprepliću ekonomske i altruističke motivacije, teško ih je u teoriji i praksi odvajati tako da jedna grupa aktivnosti ima ekonomsku motivaciju, dok druga grupa ima društvenu motivaciju. Konačno, strateška etika kao koncept omogućava primjenu puno šireg modela mjerenja i preciznije evaluacije primjene društvene odgovornosti i etike koja je vrlo važna radi daljnje promocije i kontrole etičkog ponašanja poduzeća. Ipak, u hrvatskoj praksi ne bi trebalo mijenjati u komunikaciji pojam DOP-a jer je opće prepoznatljivo, ali bi trebalo koristiti stratešku etiku kao koncept.

Globalizacija i internacionalizacija poslovanja poduzeća dodatno je usložilo njegovu ulogu i

povećalo društvenu odgovornost. Velike tvrtke kao što su Apple, Google, Microsoft, Tesla, Volkswagen, Amazon, Marriott, Starbucks, Procter & Gamble, Enron i sl. globalizacijom su postale odgovorne za utjecaj na sveukupan svjetski razvoj. Oni nisu više samo odgovorni za društva u kojima imaju sjedište, već i za ukupno društvo koje se zove Svijet, jer njihovo poslovanje utječe na život većine stanovnika Zemlje. Ključno je pitanjeima li menadžment tih poduzeća ovlasti, znanja i ekonomske mogućnosti nositi se s takvom ulogom. S obzirom na činjenicu da su emitivna tržišta u Hrvatskoj uglavnom inozemna, hotelijerska poduzeća na ovom području su internacionalizirana. Usljed toga, uloga DOP-a je nešto složenija nego kod poduzeća koja posluju isključivo na domaćem tržištu. Hotelijerska poduzeća moraju obratiti pažnju na očekivanja gostiju koja dolaze iz drugih država koja su često značajnije osjetljiva na ekologiju, ljudska prava, energetska učinkovitost, očuvanje kulturne baštine i ostala područja kojima se bavi DOP. Svjetsko vijeće za putovanja i turizam (World Travel Tourism Council – WTTC, 2023.) je raspisalo preporuku za implementaciju seta od 12 kriterija važnih za društveno odgovorno i održivo poslovanje koji su primjenjivi za sve hotele. Kriteriji uključuju mjerenje i smanjenje potrošnje energije, vode, otpada i emisije ugljika; zamjenu predmeta poput plastičnih bočica za vodu i malih bočica za kozmetiku; korištenje ekoloških proizvoda za čišćenje; ponudu vegetarijanske hrane; te korist za lokalnu zajednicu.

Strateška etika (DOP) imat će sve značajniju ulogu u poslovanju poduzeća. U nemogućnosti upravljanja razvojem društva u svijetu, države i institucije će tražiti veću odgovornost od poduzeća. Kako bi poduzeća provodila etičko poslovanje, moraju biti motivirana tržištem i regulatorima. Naime, osnovna uloga i misija poduzeća je ostvarenje profitabilnog poslovanja. Kako bi etičko poslovanje bilo i rentabilno, ono mora biti s jedne strane prepoznato od tržišta gdje će potrošači biti voljni platiti dodatnu cijenu, a s druge strane motivirano regulatorom i stimulacijama države i institucija. Države i poduzeća morat će zajednički kreirati model etičkog upravljanja poduzećima kako bi se omogućio održivi rast poslovanja u budućnosti.

Bez obzira na različite pristupe, definicije i nazive DOP-a, postoji široki konsenzus oko ključnih obilježja takvog poslovanja⁴:

- Ekonomsko – da se ostvari dobit,

² Golja T., Krstinić-Nižić, M., op.cit. str. 111.

³ McClendon, N.M., op. cit., str. 20.

⁴ Golja T., Krstinić-Nižić, M., op.cit. str. 112.

- Društveno – osjetljivost i poštivanje društvenih i kulturnih normi, usvajanje društveno prihvatljivih vrijednosti,
- Briga za okoliš – poštivanje okoliša i stalna briga za poboljšanje stanja okruženja.

Hotelska poduzeća kod uvođenja društveno odgovornog poslovanja moraju stalno imati u vidu gore navedena različita područja odgovornosti. Osim toga, opće je prihvaćeno da je u provedbu DOP-a potrebno uključiti što više dionika turizma u pojedinoj turističkoj destinaciji, kao i razviti adekvatne komunikacijske mehanizme.

ZAKLJUČNA RAZMATRANJA

Danas je vrlo važno da hotelijerska poduzeća provode načela društveno odgovornog poslovanja i vode brigu o održivom razvoju hotela i ljetovališta. Društveno odgovorno poslovanje hotelijerskih poduzeća i održivi razvoj smještajnih objekata značajno utječu na kvalitetu života i atraktivnost turističkih destinacija. Samim time stupanj društveno odgovornog poslovanja i održivog razvoja hotelijerskih poduzeća potiče održivi razvoj turističke destinacije i zdravi razvoj turističkog ekosustava.

Briga o okolišu – zbrinjavanje otpada, briga o zagađenju voda, očuvanje mora, obale i prirode, optimizacija energetskih sustava i racionalno korištenje energije, fokus na lokalnu nabavu proizvoda i usluga, briga o djelatnicima, utjecaj i suradnja s lokalnim zajednicama na podizanje kvalitete života u destinacijama postaju važan element strategije hotelijerskih poduzeća, a time i njihovih planova ulaganja. Hotelijerska poduzeća još uvijek nisu dovoljno prilagodila svoje poslovanje u skladu s načelima DOP-a, posebice jer održivi razvoj i društveno odgovorno poslovanje često nisu sastavni dio službenih strategija hotelijerskih poduzeća. Ulaganje u hotelijerstvo, koje je u pravilu dugoročno investiranje, dvadeset i više godina, mora uključivati elemente društveno odgovornog poslovanja i održivog razvoja kod procjene i provedbe ulaganja.

Bez obzira na različite pristupe, definicije i nazive društveno odgovornog poslovanja, hotelijerska poduzeća moraju imati u vidu da su važan faktor u turističkim destinacijama i lokalnim zajednicama te poslovati odgovorno u odnosu na društvo. Ključna obilježja održivog poslovanja trebala bi obuhvatiti ekonomsko – da se ostvari dobit; društveno – osjetljivost i poštivanje društvenih i kulturnih normi, usvajanje društveno prihvatljivih vrijednosti; briga za okoliš

– stalna briga za poboljšanje stanja okruženja. Pri tome, poduzeća moraju voditi brigu da uključe što veći broj dionika turizma, te da u konačnici ostvare dobit za svoje vlasnike i dioničare, ali na održivi način, odnosno da to bude društveno i ekonomski prihvatljivo svima koji žive u turističkim destinacijama.

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ORIGINAL RESEARCH PAPER

GAMBLING ADDICTION, GAMBLING INTENTION AND FINANCIAL WELLBEING IN BOSNIA AND HERZEGOVINA

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ABSTRACT

The goal of this study is to raise awareness about the various risks associated with gambling. It will focus on the effects of gambling addiction on gambling intention and its implications for financial wellbeing. It is known from previous research that gambling influences the family's functioning, as well as the work-related aspects of the individual's life. The negative effects gambling has on the workplace are more severe, such as decreased work efficiency and theft. We were curious about these effects in Bosnia and Herzegovina as a country with many customers of gambling services. The rise of Internet and social media platforms has led to an increase in the number of people gambling. Our findings indicated that gambling addiction has statistically significant positive effects on gambling intention which consequentially has statistically significant, but negative effects on financial wellbeing of individuals. Considering this empirical evidence, we can recommend to related governmental and non-governmental institutions of Bosnia and Herzegovina to put this issue on their agenda and raise the awareness of society on negative effects of gambling addiction and gambling intention. On the other hand, we recommend future researchers to focus more on this important research problem and in that way provide foundations for solving the related social problem.

Keywords: Gambling Addiction, Gambling Intention, Financial Wellbeing, Bosnia and Herzegovina



MAP SOCIAL SCIENCES

Volume 4

ISSN: 2744-2454/ © The Authors.
Published by MAP - Multidisciplinary Academic Publishing.

Article Submitted: 12 June 2023
Article Accepted: 04 July 2023
Article Published: 09 July 2023



Publisher's Note: MAP stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.

<https://doi.org/10.53880/2744-2454.2023.4.8>



HOW TO CITE THIS ARTICLE

Sučić I., Mekić E., Duerod M. (2023). **Gambling Addiction, Gambling Intention and Financial Wellbeing in Bosnia and Herzegovina**. MAP Social Sciences, 4, 8-14.
doi: <https://doi.org/10.53880/2744-2454.2023.4.8>



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1. INTRODUCTION

The one can hear from society that people gamble because they are bored, lonely, or just want to meet new people. Some people find comfort and peace in betting shops, and some people gamble as an escape from their problems at home, work or school. Reasons could be summarized into economic, personal, recruitment, environmental and social (Tse, et al., 2012).

On the global scale, the gambling industry is one of the fastest growing in the world, and a Bosnia and Herzegovina appear to be no exception to this. Having gambling services readily available, especially in online form, citizens of Bosnia and Herzegovina are more exposed to the adoption of gambling intention. Anida Dudić-Sijamija and Lamija Silajdžić (2021) are two researchers from Bosnia and Herzegovina who focused on this issue and reported that there are sports betting shops near most high schools which is a threat for increase in gambling intention among young population. The results indicated that more than 70% of young people have played some form of gambling at least once. They also found that the most popular form of gambling among young people in Bosnia and Herzegovina is sports betting followed by lottery and online games (Dudić-Sijamija & Silajdžić, 2021).

According to Akta (2021), the taxation office of Federation of BiH has evaluated 58, and 55 bet shops are closed due to working without approval of Federal Ministry of Finance (Akta, 2021). Akta (2022) also reported based on official records of taxation office of Federation of BiH that in only 8 months period, the gambling industry in Federation of Bosnia and Herzegovina earned over 1 billion BAM (over half billion EUR) (Akta, 2022). If we look into another part of Bosnia and Herzegovina, during a 10-year period, in entity Republika Srpska, 373 new bet shops have been established and started doing business (Akta, 2022).

The one may conclude that while on one hand there are numerous possibilities to gamble, especially thanks to digitalization of businesses, on the other hand there is very little effort to prevent gambling addiction using prevention programs.

Bearing on mind previously mentioned facts and trends, we will use this study to respond to this social problem in Bosnia and Herzegovina. The main goals of this study are:

- To measure the gambling addiction, gambling intention and financial wellbeing level in Bosnia and Herzegovina.

- To investigate the impact of gambling addiction on gambling intention.
- To investigate the impact of gambling intention on financial wellbeing.
- To propose recommendations to government, NGO sector and future researchers.

In the upcoming section of this study, a review of literature used in this study will be presented. After that, the section researcher methodology will provide information on instrument, data collection, sampling, statistical analysis methods used in the study. Finally, results will be presented, discussed, and concluded.

2. LITERATURE REVIEW

In this section, we will provide a brief review of studies which are found to be important for consideration while doing research on gambling. Each study provided significant evidence, and more details are provided in the subsequent paragraphs.

Observing gamblers may lead to the conclusion that they like not gambling itself, but the procedures and forms of gambling. Accordingly, someone may say that he/she is gambling because he/she likes sports. Considering fact that people experience variety of gambling-related problems and tend to gamble in multiple forms, it is still unclear whether problems identified amongst sports bettors are due to sports betting itself. According to findings of Russell, Hing & Browne (2019) there are various demographic, behavioral and psychological risk factors for gambling. Their findings indicated that the main predictors for gambling were motivations such as money, gambling urges and erroneous cognitions, alcohol issues and lower self-control, but not sports betting behavior (Russell, Hing, & Browne, 2019).

Pisarska & Ostaszewski (2020) focused on factors associated with gambling of youth. Their longitudinal study revealed that even 50% of students were engaged in some type of gambling at least once. Lottery games, scratch cards, card games as well as participation in sports betting seems to be prevalent gambling types. The key result of this study is that prevention interventions such as positive parent-child relation building could be effective in counteracting gambling behavior of young people (Pisarska & Ostaszewski, 2020).

Dudić-Sijamija & Silajdžić (2021) focused on habits of young people gambling in the society of Bosnia and Herzegovina. Their results reveal that 70% of youth have played some form of gambling at least once in their lifetime. The young people

are present as customers in all types of gambling such are sports betting, lottery, games of chance, and many of them do gambling activities on their smartphones. It is very worrying that young people do not see gambling behavior as problematic, neither they believe that they need professional help. Such a results are alarming for all responsible governmental and non-governmental institutions to do what is necessary to slow the existing trend of gambling growth among young people (Dudić-Sijamija & Silajdžić, 2021).

Draganović & Kulanić (2020) focused more deeply on one ethnic group in Bosnia and Herzegovina and provided evidence on socio-demographic aspects of their gambling. They were investigating gambling behavior of Bosniaks and found that different types of gambling are influenced by socio-demographic variables such are gender, geography (urban vs. rural), education level, age group and monthly income. Authors emphasized negative effects that compulsive gambling may produce such are seriously disrupted physical, emotional, mental and material state of the individual, but also on their families and friends (Kulanić & Draganović, 2020).

In 2020, Rebecca Cassidy published a book entitled, *Vicious Games: Capitalism and Gambling*, about the people who produce, consume, and profit from gambling. She explains how it evolved from criminal activity to a respectable business. Her book reveals how the industry extracts wealth from some of our poorest communities and examines the health effects on those fighting gambling addiction. By taking readers behind the scenes of commercial gambling industry, Rebecca Cassidy (2020) offers a new insight into this social problem. The profitability of this industry made it very influential on government policies (Cassidy, 2020).

Loo, Shi and Poo (2016) focused on relationships among gambling, drinking and quality of life in Macao and Australia. Authors attempted to bridge gap in the literature by investigating impact of gambling on quality of life. Their findings show that pathological gamblers as compared with non-gamblers reported significantly lower quality of life, and this pattern exists in all domains of quality of life such are physical health, psychological well-being, social relationships, and environment (Loo, Shi, & Pu, 2016).

Wee and Kang (2021) examined the relationship between Addiction Problems, Aggression, and Quality of Life in People with Different Occupations in South Korea. They conclude that behavior-

al addiction is a serious problem related to mental health and quality of life. Moreover, excessive gambling can induce a broad range of physical, social, and economic problems at the individual and family level. Finally, there is a need for better gambling problem management through cooperation between institutions in South Korea (Wee & Kang, 2021).

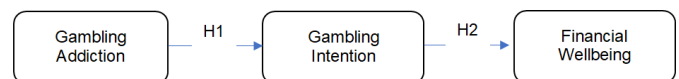
Based on research reviewed, we propose two hypotheses for this study:

H1: Gambling Addiction affects Gambling Intention of people in Bosnia and Herzegovina

H2: Gambling Intention affects Financial Wellbeing of people in Bosnia and Herzegovina

The hypothesized relationships are presented in visual form using figure 1 below.

Figure 1.
Research Model



3. METHODOLOGY

3.1 Research Design

In this study, mixed research methods were used. Precisely, qualitative approach was used to come up with the proposed research model, but quantitative approach was applied to test the proposed model on real data from Bosnia and Herzegovina. Variables Gambling Addiction, Gambling Intention and Financial Wellbeing were measured using appropriate psychometric scales. Finally, multiple statistical procedures were applied to check validity and reliability of measurement instrument, but also to test the proposed hypotheses. More details on instrument preparation, data collection procedures, statistical analysis, population, and sample are available in the following paragraphs.

3.1.1 Instrument Preparation

The survey's first section asks inquiries about the sociodemographic details of its respondents such as: gender, education level, age, social class, and income level. The second section contains scales for measuring gambling addiction, gambling intention and financial wellbeing. All mentioned variables are measured using the 5-point

Likert scale described as follows:

- 1- I strongly disagree,
- 2- I disagree,
- 3- I am neutral,
- 4- I agree and
- 5- I strongly agree.

To measure the three latent variables from the model, namely "Gambling Addiction", "Gambling Intention" and "Financial Wellbeing" we have relied on scales developed and validated by other researchers. For measuring variable Gambling Addiction, we have slightly adjusted scale for measuring "Compulsive Buying" originally prepared by D'Astous, Maltais and Roberge (1990) and composed of 11 items. The scale was adjusted, and all 11 items were used to measure "Gambling Addiction" variable.

If someone observes gambling intention as buying services of gambling providers, then one may conclude that a scale to measure "Purchase Intention" with small adjustments could be very beneficial to measure "Gambling Intention". Accordingly, we have relied on the work of Rodgers (2004) who proposed a scale to measure "Purchase Intention". In addition to original items in the scale, we have added two more "In the next 2 weeks I intend to play poker machines" and "In the next 2 weeks I intend to buy lottery ticket". After the adjustment process of scale "Purchase Intention", version of Rodgers (2004), we decided to use five items to measure "Gambling Intention" variable. The third variable Financial Wellbeing was measured using a financial wellbeing scale developed by Consumer Financial Protection Bureau (2015). All eight items are selected as appropriate to measure Financial Wellbeing of respondents in our study.

3.1.2 Data Collection Procedures

An online survey was implemented in this study to collect data and investigate the relevant variables. The questionnaire was delivered in Bosnian language after being translated from English. Respondents were on one hand randomly selected and contacted directly, while on the other hand they were self-selected since we have published the survey link on several social networks whose users were voluntarily participating in the study. A total of 217 responses was sufficient sample size to proceed with the data analysis.

3.1.3 Statistics and Methods Applied

The data was statistically analyzed using SPSS Statistics software package. The required sta-

tistical procedures have been carried out to assess the reliability and validity of the scales employed in the survey. Once the validity and reliability were confirmed, we proceeded with the descriptive statistics and regression analysis which resulted in many useful conclusions.

3.1.4 Population and Sample

Population of this research are residents of Bosnia and Herzegovina. Two sampling techniques were applied in this study, a random sampling and self-selection sampling. We have directly contacted randomly selected respondents in such a way that each person in the vast population had the same chance of getting chosen. On other hand, to improve response rate, we also used self-selection sampling by publishing survey links on social networks and letting their users decide whether they will participate. In addition to that, people who participated in the survey were asked to forward the link to their friends, relatives or colleagues who might be interested in taking part in the study. In fact, the previous two sampling techniques were backed up with snowball sampling.

Table 1.
Sample Characteristics

Variable	Demographics	Number	Valid Percentage
Gender	Male	91	41.9%
	Female	126	58.1%
Education	High School	97	44.7%
	Bachelor Degree	90	41.5%
	Master Degree	26	12.0%
	PhD Degree	4	1.8%
Age	15 - 19 years	8	3.7%
	20 - 30 years	87	40.1%
	31 - 40 years	60	27.6%
	41 - 50 years	44	20.3%
	51 + years	1	.5%
Social Class	Low Social Class	13	6.0%
	Medium Social Class	187	86.2%
	High Social Class	17	7.8%
Monthly Income	500 - 999 BAM	55	25.3%
	1000 - 1500 BAM	72	33.2%
	1501 - 2999 BAM	66	30.4%
	3000 BAM +	24	11.1%

The study involved 217 respondents in total. In terms of demographics, female gender prevailed while most of respondents were having high school or bachelor's degree. When it comes to educational level, the majority were having only a high school while bachelor's degree was following most frequent category. People from 20-30 years of age appear to be most dominant in our sample. Most of respondents (even 86.2%) belong to medium social class, while in terms of income, they mostly earn 1000 – 1500 BAM (33.2%) monthly.

4. RESULTS & DISCUSSION

Data collected from 217 respondents provided many useful insights into the gambling topic and offered a good foundation to implement the goals of this study. We will firstly present evidence of validity and reliability for measuring variables in our model. After that, the empirical results will be reviewed, and hypothesized effects will be discussed.

4.1 Evidence of Validity and Reliability

Exploratory Factor Analysis and Cronbach's Alpha are utilized to assess the validity and reliability of the scales employed for this study investigation before moving to the hypotheses testing phase. Results of mentioned procedures are presented in table below.

Table 2.
Validity and Reliability of Scales

Variable / Item	Factor loadings			Cronbach's Alpha
	Gambling Addiction	Gambling Intention	Financial Wellbeing	
GA1	.711			.915
GA2	.769			
GA3	.702			
GA4	.810			
GA5	.838			
GA6	.602			
GA7	.616			
GA8	.864			
GA9	.852			
GA10	.761			
GA11	.825			

GI1		.851		.852
GI2		.795		
GI3		.866		
GI4		.749		
GI5		.755		
FW2			.649	.788
FW3			.667	
FW4			.845	
FW5			.626	
FW6			.738	
FW8			.685	

**Note: FW1 and FW7 are removed due to weak loadings.*

The Cronbach's alpha for variables is satisfactory when 0.70 or higher (Cronbach, L. J., 1951). The results of factor analysis and reliability tests' results presented in table above indicate that scales used to measure variables in the model are both valid and reliable.

4.2 Results of Hypotheses Testing

The results of regression analysis are presented in the table below. All hypotheses are supported, and the effects are statistically significant at confidence level of 95%.

Table 3.
Empirical Findings

Hypothesis	Effects	Results	Hypothesis Status
H1	GA → GI	p < 0.000** t = 17.222 β = 0.761	Supported
H2	GI → FW	p < 0.029* t = -2.193 β = -0.148	Supported
*Significant at 95% confidence level.			
*Significant at 99% confidence level.			

The hypothesis one has been supported with a p value of 0.000 which is below 0.01 (on 99% confidence level). This means that Gambling Addiction has statistically significant direct effects

on Gambling Intention. Both beta coefficient (0.761) and t statistics (17.222) indicate that the influence is positive. If Gambling Addiction increases by 1 unit (100%), the Gambling Intention increases for even 0.761 (76.1%).

The second hypothesis has been supported with a p value of 0.029 which is below 0.05 (on 95% confidence level) revealing that that Gambling Intention has statistically significant direct negative effects on Financial Wellbeing. Both beta coefficient (-0.148) and t statistics (-2.193) indicate that the influence is negative. If Gambling Intention increases by 1 unit (100%), the Financial Wellbeing decreases for 0.148 (14.8%).

CONCLUSION

The main purpose of this study was to raise awareness about the various risks associated with gambling. It focuses on the effects of gambling addiction on gambling intention and its implications for financial wellbeing of individuals in Bosnia and Herzegovina. Lessons learned from previous research that gambling influences the family's functioning, as well as the work-related aspects of the individual's life. The negative effects gambling has on the workplace are more severe, such as decreased work efficiency and theft. We were curious to investigate these effects in Bosnia and Herzegovina as an example of country with many customers of gambling services.

Global digitalization processes led to an increase in the number of people gambling. Our findings indicated that gambling addiction has statistically significant positive effects on gambling intention which consequentially has statistically significant, but negative effects on financial wellbeing of individuals. Considering this empirical evidence, we can recommend to related governmental institutions of Bosnia and Herzegovina to put this issue on their agenda and raise the awareness of society on negative effects of gambling addiction and gambling intention.

It is also recommended to non-governmental sector in Bosnia and Herzegovina to focus on development of gambling prevention programs and try to get support from relevant international organizations. Raising awareness of society, especially focusing on young population, about negative effects of gambling addiction and gambling intention through different NGO projects, public events, free seminars, workshops, and other forms shall be on top of their agenda.

The main limitation of this study is a small sample size, and it would be recommended to replicate this study in future at larger sample size. Moreover, there are many issues to be addressed by researchers in future such as comparing gambling addiction of individuals in Bosnia and Herzegovina across different administrative units of this state. This would enable responsible governmental and non-governmental institutions to be aware of how critical different regions of our country (entities, cantons, municipalities) are, and to adjust their goals in treating this problem with prevention programs accordingly.

Another important aspect to be considered by future researchers is investigating mediators in a relationship between gambling addiction and gambling intention, investigating mediators in a relationship between gambling intention and financial wellbeing, repeating studies done already on gambling in Bosnia and Herzegovina but on larger sample size, focusing on implications of gambling intention and gambling behavior for other variables such as quality of life, productivity etc.

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REVIEW PAPER

THE INCORPORATION OF FINTECHS INTO THE BANKING SECTOR: THE FINTECH N26 AS A CASE STUDY

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ABSTRACT

Using breakthrough technology, fintech companies have created new business models in the financial industry. This has a profound effect on the standard operating procedures, services, and products of the banking area, as well as on the incumbent institutions themselves. This rapidly growing business sector forces the whole banking industry to reconsider its previous business models. It also has implications for cost structure, efficiency, and future service delivery. Furthermore, these fintech startups appeal to the younger, more technologically sophisticated population. This underlines the crucial importance of dealing with fintechs in regard to their position and competitiveness. This article aims to provide insight into the evolution of fintechs in the banking sector. Furthermore, these companies' success attributes should be emphasised, as well as the differences to an established bank. For this purpose, a descriptive and comparative literature review was conducted. In addition, a case study of the N26 business model was performed and analysed. According to the findings, there is a substantial knowledge about fintech startups and their business strategies. In addition, these companies have the potential to continue to establish themselves in the banking sector. The banking industry is still in need of significant development, which is why fintechs should be considered.

Keywords: fintech, banking industry, business models, innovation, N26

**MAP SOCIAL SCIENCES**

Volume 4

ISSN: 2744-2454/ © The Authors.
Published by MAP - Multidisciplinary
Academic Publishing.

Article Submitted: 23 February 2023
Article Accepted: 24 July 2023
Article Published: 25 July 2023



Publisher's Note: MAP stays neutral with
regard to jurisdictional claims in published
maps and institutional affiliations.

<https://doi.org/10.53880/2744-2454.2023.4.15>

**HOW TO CITE THIS ARTICLE**

Vukovljak B. (2023). **The incorporation of fintechs into the banking sector: The fintech N26 as a case study**. MAP Social Sciences, 4, 15–30.
doi: <https://doi.org/10.53880/2744-2454.2023.4.15>



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Introduction

The contemporary banking market is undergoing significant changes and facing numerous challenges. One cause for this is the advent of new competitors in the banking industry, who are attempting to acquire a part of the market through more innovative business models. These are financial technology companies, more precisely known as fintechs (Fintechs auf der Überholspur, n.d.; Arge ITA-AIT Parliament, 2020, p. 1). The aftermath of the 2008 financial crisis, the period of historically low interest rates, further regulatory requirements and new revolutionary technologies, such as blockchain, have all contributed to this progress (Bhappkar et al.; 2021; European Banking Trend Radar, n.d.; Die Zukunft des europäischen Banken-Ökosystems 2035, n.d.). All of these factors, as well as others, have decreased and facilitated entry into the formerly conservative and partially monopolistic banking industry (Riikinen & Pihlajamaa, 2022, p. 461; Tapscott D., & Tapscott A., 2016, p. 85). Furthermore, it should be noted that the generational shift in the customer sector, and, thus, the change in consumer needs, had a strong impact on this development (KPMG, 2018, pp. 17, 31; Fakten, Trends und Strategien 2023, n.d., p. 16). Not only retail clients, but also entrepreneurs increasingly desire unique and individualized services to facilitate their daily operations. Other studies, such as Ernst & Young's "EY Global Consumer Banking" Study 2021 on consumer financial relationships, support this view. According to one of the conclusions, emerging neobanks and fintechs are gaining substantial traction and may trigger a transformation in the banking industry. Long-standing customer relationships continue to constitute an advantage in the area of confidence regarding established banks, but the need for individualized and creative financial services is growing (Bellens, 2022). The pressure on the traditional banking environment is increasing and the urgency of expanding alternative financial solutions is growing. Importantly, the increasing rate of adaptation to new circumstances has added to the modern financial environment's unpredictability. This poses a significant issue for established institutions in particular, because of the complexity in projecting certain patterns in light of this rapid evolution (Die Zukunft des europäischen Banken-Ökosystems 2035, n.d.).

Fintechs, in turn, have significant advantages. To put it simply, it is a new form of business model that makes use of a range of various technological breakthroughs which are currently available on the market. Not only may these innovations revolutionise a tiny portion of the financial sector, as the ATM

did in the past, but they also influence the whole banking sector. These changes range from the services supplied to the treatment of existing business processes, to the questioning of the requirement for a centralised banking system, as is now frequently the case in conventional banks. Currently, it is necessary to highlight blockchain technology, which plays a significant part in this entire financial industry upheaval and is a development that encourages and potentially promotes a decentralised banking system. This can result in several cost, time, transparency, and security benefits (Martino, 2021, pp. 1-4). Apart from that, fintechs have a different cost composition than traditional banks. Especially given that they focus more on app-based solutions, thereby minimizing the costs of a typical bank with a physical branch network, while yet being able to satisfy the needs of potential customer (Kostenreduktion im Banking – eine transformative Agenda, n.d.; IBM Institute for Business Value, n.d., p. 4). Furthermore, these new market participants have realised their product and service performance potential (Paulet & Mavoori 2020, p. 20). They have identified the gaps in the traditional banking environment and provide modernised solutions for a vast array of bank-specific products (Omarini, 2018, pp. 23-24; Hendershott et al., 2021, p.1). This involves expansion into new markets in which current banks have been unable to profitably offer banking services due to the greater costs of maintaining physical branches (Ji & Tia, 2022, pp. 2656-2657; Flötotto et al., 2022, p. 11). According to Deloitte, it is crucial to understand the impact of new innovations in the banking sector, as well as the competitive issues in the banking business. As signs of progress are already visible, it is vital to determine the nature of these changes. The idea here is to be proactive and responsive to change and establish successful transformation processes (FSI Strategy Insights, n.d.). Due to the fast speed and rapid evolution, it is difficult to identify a clear scenario for the future development of the traditional banking sector in particular. In addition, there are other obstacles, such as the war in Ukraine, inflationary climbs and greater price fluctuations, to which a financially strong corporation must be resilient. Thus, increased cost management is a benefit in this context, necessitating the introduction of new technology. It should be noted that these difficulties might have an impact on both business models (Der Banken- & Kapitalmarktausblick 2023, n.d.). According to the Handelsblatt banking summit, the fintech industry will continue to show strength, but a stronger focus on its own profitability would be beneficial, since the altered financial environment has already claimed the existence of several fintechs. Nuri, a cryptocurrency startup, is one of these (Schwarz, 2022).

However, successful finance startups such as N26 exist as positive example (Holzki & Maisch, 2021), particularly because the current geopolitical and economic scenario pose a challenge to many industries. A well-thought-out change and response strategy is quite important. As a result, not only may competitive activity be detected between these institutions, but more and more cooperation is visible to the benefit of both kinds of organisations (Schneider, 2020).

This article is to provide an overview of the current banking industry and new market entries, such as fintechs. The case study “Business Model of N26” and the existing literature will be used to demonstrate the departures from traditional banking models. Particular emphasis will be placed on the success characteristics and strategic operations of fintechs. The purpose of this paper is to draw attention to the importance of this challenge and to stimulate discussion, especially in the financial field. For this reason, the research question “How do fintech companies differ from traditional banks, and what characteristics do they have that make them competitive?” forms the foundation of this analysis. This paper contains the following subsections:

- The first chapter includes a literature review. This section provides a more extensive description of the fintech and banking sectors, as well as the contributing reasons of this transformation and development.
- The business model of N26 is described in chapter two. This includes a comprehensive overview of the company from its inception to the present. Consideration was given to both positive and negative aspects. In addition, the examination of this company model was conducted to highlight its special characteristics.
- The remaining chapters offer the results and a discussion considering limitations and suggestions for further investigation. Finally, a conclusion is provided.

I. Literature review

Change in the banking business is nothing new, and it is not the first time it has occurred. This industry has always been aware of digital advancements and innovations. Specifically, the advent of the internet has altered the service, offerings, and procedures of banks. However, in recent years, the banking industry has been challenged by advances that have the potential to transform the

broader market. These advancements have been a challenge since they have the potential to reinvent the banking sector, in particular, with new market entrants known as “fintech” companies, who not only provide new services, but also construct new business models by utilizing a number of different technological advancements in the financial industry (Martino, 2021, pp.1-2). Consequently, they provide new obstacles for the conventional banking sector (Riikinen & Pihlajamaa, 2022, p. 462), as well as necessitate the adoption of new standards (Dombret, 2016). Nevertheless, this evolution is further advanced by the understanding that innovations are essential to economic prosperity, especially as it can have a favourable effect on productivity and, consequently, many economic stakeholders (Europäische Zentralbank, Eurosystem, 2017). According to the German Federal Financial Supervisory Authority Bafin (n.d.), many companies will require innovative technologies to retain and enhance their market position in the future. At the moment, digitisation is an important part of the financial industry’s efforts to maintain stability, honesty, and competitiveness (Bafin Federal Financial Supervisory Authority, n.d.). In addition, societal expectations, technology requirements, and those of the regulatory system have changed substantially (Die Zukunft des europäischen Banken-Ökosystems 2035, n.d.). Furthermore, the European Commission recognises the significance for future technological progress. By implementing new approaches, the EU is providing recent market participants, such as fintech companies, with a boost and is facilitating their entrance into the European financial system. Certain efforts are being taken to enable the financial sector to adopt technologies such as blockchain, artificial intelligence, cloud solutions etc., in order to make the sector more future-oriented and competitive (Europäische Kommission, 2018). There are measures for digitalisation and payment transactions in 2020, as well as the treatment of cryptocurrencies and related issues. Notably, though, the EU has not yet established a consistent framework for breakthrough technology (Kunschke & Yerlikaya, 2022, pp. 3-4).

According to the Austrian Financial Market Authority, the terms “fintech” or “financial technology” lack a uniform definition. Even amongst regulators, there are apparently divergent opinions (FMA, n.d.). The German Financial Supervisory Authority Bafin cites the Financial Stability Board’s FSB definition (Bafin, n.d.).

The FSB defines fintechs as technologically enabled innovation in financial services that could result in new business models, applications, pro-

cesses or products with an associated material effect on financial markets and institutions and the provision of financial services (FSB, 2022).

This statement indicates that the term encompasses a vast array of technology and the definition often depends on the specific financial service sector in which the technology is applied (Bafin, n.d.). The term fintechs refers to young enterprises that specifically provide financial services using new technologies (Bafin, 2020). The Austrian FMA, also categorises existing financial institutions with an innovative business model as fintechs (FMA, n.d.). Furthermore, experts and organisations agree that there is no unique national legislation governing this matter (FMA, n.d.; Bafin, n.d.; Deutsche Bundesbank Eurosystem, n.d.; Kunschke & Yerlikaya, 2022, p. 3).

Additionally, it should be highlighted that fintech companies can offer their financial services in the financial sector with or without a license (University of Bath, (n.d.)), because not all businesses are subject to regulatory obligations, particularly those done outside the area of transactions requiring a license (Deutsche Bundesbank Eurosystem, n.d.). As with the grey capital market, this industry frequently utilises a typical grey area because there is no need for licensing (Bafin, 2020). Conventional banks, in contrast, are subject to regulatory action and authorities' monitoring (FMA, n.d.). These obligations have been increased by new measures enacted by regulators in response to this industry's development. Risk provisioning, the equity ratio, and investor protection are given considerable consideration. These trends provide the existing banking industry with more formidable challenges and need future alignment concerns (Deloitte, n.d.). It should be noted that bank concessions are frequently fairly costly, which sometimes discourages fintechs from making this move (Breit, 2018, p. 2).

As a result of innovation's elevated standing in the economy, regulatory agencies provide support in this regard. For instance, the Austrian Financial Market Authority's Fintech Sandbox (Wirtschaftsagentur Wien, 2022, section 2, para. 3) is meant to offer entrepreneurs the opportunity to receive help for their innovative business model or collaboration projects. It serves as a sort of test environment and is intended to facilitate companies' transition into the normal regulatory setting (FMA-Sandbox, n.d.). This permissive regulatory environment and their young, creative corporate structure provide fintechs with considerable market opportunities and the capacity to deliver newly developed technology concepts to the market

(Fintech: Strategic advantages and initial costs for entry into banking, n.d.). Thus, it may be claimed that legislative reforms and growing technological developments have made it simpler for new rivals to enter the banking market, with the benefit of not needing to comply with the whole legal framework throughout the development period (Riikkinen & Pihlajamaa, 2022, p. 462). However, there are already examples on the market of effective licensing by regulatory authorities. Finabro, a young company in the asset management industry (Breit, 2018, p.18), was the recipient of the first license issued by the Austrian financial regulator. Similarly, the FMA has given Bitpanda a concession as a payment institution (Wiener Bitpanda erhält Konzession als Zahlungsinstitut, 2019). In addition, they have received a complete authorisation for custody and proprietary trading of crypto assets from the German financial authority Bafin (Bitpanda, 2022). In 2016, Bafin gave a complete banking license to the startup N26 (Berliner Fintech-Unternehmen Number26 erhält Banklizenz, 2016).

Established competitors struggle to adjust to this rapid evolution, which was intensified by the Covid-19 crisis. According to Deloitte, it is challenging for traditional players to commit to a certain future development model, due to the difficulty in identifying the sector's important tendencies and their precise effects within this area (European Banking Trend Radar, n.d.). Nevertheless, Fintech companies have swiftly identified vulnerabilities in the current banking environment to exploit and, thereby, boost the company's profit. In order to increase productivity, they have focused their attention on the customer and individual requirements (Omarini, 2018, p. 23). For this purpose conventional banks have usually prioritised product developments (Paulet & Mavoori 2020, p. 20), which is contradictory to the emphasis on service and requires rethinking. This focus on service has enabled fintechs to customise their services to users' individual demands. Ordinary banking operations as well as unique products are included (Riikkinen & Pihlajamaa, 2022, p. 462). By utilizing modern technology, they may provide more cost-effective and innovative services, as well as products. This allows them to attract and win over younger users, who are interested in this way of digital banking (Vives, 2017, pp. 97, 100).

These customers are known as digital natives (Eisl et al., 2022, p. 1) in both the private and commercial sectors (Breit, 2018, p. 3). Experts agree that these consumers were not born before 1980 and have a natural affinity for technology. Their proficiency and comfort with digital applications

is their most noticeable characteristic. In addition, they have a more advanced understanding of digital tools than previous generations (Akçayır et al., 2016, p. 435). This is one of the reasons why conventional banks no longer hold a privileged position in financial transactions for the current generation (KPMG, 2018, p. 31). The fact that most young clients are now conducting their financial transactions solely through internet channels emphasizes this point even more. It is possible to conclude that the use of fintech solutions is spreading (Eisl et al., 2022, p. 4; Onken, 2022) and access to items outside the realm of conventional financial products and across international borders are significant factors (Fakten, Trends und Strategien 2023, n.d., pp. 54–55). Ernst & Young performed research on retail banking and found that customers' expectations mirror these realities of the modern banking business (Bellens, 2022). In particular, fintechs achieve this through their purely digital solutions, so-called Super Apps or a created platform ecosystem (Bellens, 2022; The World Bank, 2022, p. 17). Physical branch networks or locations are increasingly avoided (The World Bank, 2022, p. 19) and succeeded by digital locations, where the customer may find and access numerous items, ranging from financial services to vacation promotions. This digital network makes it simpler for fintechs to access and connect with third-party solutions, so they do not need to provide everything themselves, which ultimately generates a superior database and enables improved cross-selling opportunities (Bellens, 2022; The World Bank, 2022, p. 17).

Additionally, it promotes decentralised alternatives (Wang et al., 2021, pp. 1–2), such as those provided by technologies like blockchain. This has a favourable effect on business productivity and frees up resources (How blockchain can change banking: Banking on a public platform, n.d.). Using innovative solutions, fintechs are able to develop advanced products, greater customer transparency and traceability, and a consistent information base for contracting (The World Bank, 2022, p. 10). These not only pertain to existing financial services, but also permit their expansion and, in the same way, the creation of entirely new services. This is precisely the strength and driving force of fintech's business sector, as they satisfy the needs of various parties (Flötotto et al., 2022, p. 6). In turn, most well-established banks provide both traditional bank branches and an internet banking option to their customers, whereby the services available online are comparable to those offered in physical locations (Bellens, 2022). According to KPMG, banks must adapt to new multibanking models, since the new generation of clients has a different perspec-

tive on modern finance (KPMG, 2018, p. 31). This is particularly relevant now that modern technology has allowed people to access various services online. Physical points of interaction with banks are consequently becoming obsolete. Standardised offerings and inefficient methods will not satisfy the expectations of future customers (Basdekis et al., 2022, p. 160). Partner at KPMG Tim Weckmüller argues that adopting a few digital features will not be enough. The overarching concepts of the bank must be questioned and evaluated. Consideration must be given to the company's culture, future goals, IT, and employees. In particular IT will be a difficult topic. Some banks' transition to the use of new technology has been incomplete due to the lack of full implementation (KPMG, 2021). They were able to do so because of their previous monopoly position in this business. There was no more investment than required to maintain profitability (Tapscott & Tapscott, 2016, pp. 84–85).

Fintechs facilitate the expansion of financial services into new markets, which is a significant benefit. They have made financial services available to people, who previously had no or extremely restricted access (Flötotto et al., 2022, p. 11). For example, in Sub-Saharan Africa, mobile payment methods have expanded rapidly, according to World Bank figures (The World Bank, 2022, p. 11). This competitive edge is achieved, according to McKinsey, by the companies' rapid pace of technological innovation development and implementation (Flötotto et al., 2022, p. 12). Furthermore, fintechs and their services are widespread throughout the whole financial sector, with a greater number of options per provider than in the past (Bafin Federal Financial Supervisory Authority, 2020). They provide services ranging from standard banking to completely new ones (Eisl et al., 2022, p. 2). Fintechs are actively operating in the fields of new payment instruments, cryptoassets and blockchain applications, investment and trading, crowdfunding and -investing, insurance, technical, and interface services, according to the FMA (Was ist FinTech?, n.d.). Additionally, they provide digital solutions for general lending businesses and comparison platforms within the financial industry (Breit, 2018, pp. 5–6). This generates new revenue streams that have the potential to diversify and stabilise the current banking sector. Moreover, these innovators can be seen as motivators and pioneers across the market segment to facilitate future investment decisions (Flötotto et al., 2022, p. 12), particularly if one examines the offered alternatives more closely. Modern online payment options and mobile payment possibilities have improved the payment transactions sector. The use of blockchain, which established the payment meth-

od with cryptocurrencies, is another innovation in this regard. Thus, it involves considerably more than just an inventive method. It enables financial services to be provided without intermediaries. This technological advancement is applicable not just to payment transactions, but also to the securities and insurance area (Arge ITA-AIT Parliament, 2020, pp. 2-3). Another payment innovation is the e-wallet, a development in the field of non-cash payments.

The securities business is another area that has received attention, because it is a less expensive alternative to human labour (Vives, 2017, p. 100). It is about the possibility to invest in various securities and manage them via smartphone, for example, by using investment apps. These applications are intended to provide a vast array of investment services for private and institutional clients (Knewton & Rosenbaum, 2020, p. 1056). In addition, it features a lower minimum investment requirement and lower costs (Wang et al., 2021, p. 2). Besides, it enables ordinary investors to invest in asset types that are often exclusively available to institutions (Pulse of Fintech H2 2020 – Wealthtech, n.d.). Automated investment advice is a method that has gained prominence in wealth management. It is made feasible by robo-advisor platform technology. Here recommendations are generated solely by algorithms, devoid of any human input (Barroso & Laborda, 2022, pp. 3-5). It involves an investor classification and the suitable investment approach. These digitised platforms are designed to simplify the financial planning process for users (Dorfleitner, 2020, pp. 38-39). The customer benefits from not needing extensive expertise of the financial field. Investment proposals are made based on the risk appetite and liquidity requirements provided by customers (Deloitte, 2016, p. 2). This type of investing advice meets the expectations of today's clientele. This sort of investment is intriguing owing to its unrestricted accessibility, highly innovative methodology, and extremely low expenses. However, the algorithms and investing methods employed by the products on the market vary (Robo Advisory – Wie Algorithmen eine Branche umkrempeln, n.d.).

The credit industry incorporates digital development as well. This eliminates limitations and creates new opportunities inside the financial industry. Access to financial resources may be exploited through alternate forms, allowing for the creation of new types of funding. For example, it enables entrepreneurs of emerging companies to raise capital (Bollaert et al., 2021, pp. 1-2), or excludes consumer segments for which the traditional loan procedure lacked sufficient data (The World Bank, 2022,

p. 26). Through the use of innovative analytics, they are able to adopt a new creditworthiness foundation for satisfying credit standards, so enabling the provision of this form of funding (Abbasi et al., 2021, p. 1). Peer-to-peer lending and crowdfunding on platform-based services are two well-known forms that have simplified this procedure and approach. These are efficient methods of connecting capital suppliers with capital borrowers, as well as harmonising the availability of information data (Bollaert et al., 2021, pp. 2). Crowdfunding is meant to fill a previously existing credit market deficit. These platforms act as a digital broker. This aids in meeting the financial objectives of certain initiatives and acquiring the necessary assets. This satisfies a market niche requirement, like helping to cover the micro-credit market (Knewton & Rosenbaum, 2020, pp. 1055-1056). In conclusion, these digital platforms provide low-cost borrowing and have opened the door to small business loans, hence expanding access to capital (Barroso & Laborda, 2022, p. 3).

As a result of rapid technological development, financial institutions will evolve into a wide variety of new types (Basdekis et al., 2022, p. 160). A global survey conducted by Deloitte on the maturity of digitalisation in banks demonstrates that innovative financial institutions are definitely favoured. Particularly, their user-optimised solutions assist them. Following market criteria, the development of established banks should not stagnate. This might reduce their competitiveness, while creating new chances for other market participants (Digital Banking Maturity Studie, 2022, n.d.). In order to respond to the requirements of the financial market, PWC argues that an appropriate course of action must be pursued, especially to maintain growth and positioning (Fintechs: Digitalisierung und branchenfremde Angreifer beschäftigen Finanzdienstleister. Sie müssen sich fragen: Was brauchen meine Kundinnen und Kunden?, n.d.; Bellens, 2022). Banks with prior successful business models are no exception, according to Kunschke et al.. Simply focusing on streamlining traditional banking operations is not a long-term strategy that can ensure the success of financial institutions (Kunschke & Yerlikaya, 2022, pp. 93-94).

II. Case study

i. Business model of N26

N26, with its headquarter in Berlin, is a modern, innovative, and internationally successful online bank, established in 2013 by Maximilian Tayenthal and Valentin Stalf. Initially known as "Number 26," it was not yet a regular bank. It had the objec-

tive of dominating and revolutionising the global banking business with a smartphone-based financial solution (Über uns: Wir bauen die erste weltweit digitale Bank auf, n.d.) without providing consumers with actual interaction points and, thereby, aiming to modernise banking practices to meet 21st century expectations (N26, 2018).

The initial step was to have a partner act as a regulatory cover while focusing on creating the company concept, thus they cooperated with Wirecard Bank AG to provide banking services (KPMG Law, 2016). The strategic decision to utilise a partner's regulatory framework and back office allowed the two founders to concentrate on the progress of their firm (Elsner, 2015). The company was already growing after a few months of collaboration and development of the first product launch in 2015 (Jovicevic, 2017). Obtaining a complete banking license for a fledgling fintech start-up was an essential and unique milestone in this process (Perlaki, 2016). N26 gained its independence and joined the banking industry with the granting of this license in 2016. Thanks to their effort and positive reception by customers, they have become one of the first fintech businesses to receive this chance (KPMG Law, 2016). The cost structure, participation of relevant major partners, and emphasis on consumer demands all played important roles in facilitating its growth potential and raising its visibility (Gründer Plattform, n.d.). In particular, the satisfaction of customer needs and their expectations has contributed to the strengthening of their business model, as has the involvement of key partners to expand the range of their services.

2015 marked the introduction of an app-based account and credit card an alternative free of charge. New revenue streams, such as commission income from card payments, make this possible. Additionally, the company has increased the variety of accounts and launched premium packages. With the ability to serve as a bank beginning in 2016, the services and product offerings were customised and extended according to individual preferences. It was feasible to develop into asset investing, financing, and insurance, among other fields. Financing in the area of instalment payments of 20€, as well as consumer loans are paperless and done in minutes (Perlaki, 2016). Bicycle, home contents, and pet insurance, as well as electronics insurance, are available in the insurance area.

To satisfy further existing client demands, the cooperation with key partners was crucial. To compensate for the lack of a branch network or ATMs, retailers, for example, were leveraged to of-

fer cash withdrawals. N26's product offerings have been made possible by collaborations with other fintechs. The basic banking system is provided by the fintech firm Mambu (Schwär & Hufner, 2021). Bitpanda's white label solution facilitates crypto trading (Bitpanda, 2022). Customers may transfer money in 36 different currencies through the TransferWise partnership (N26, 2020). By partnering with travel platforms such as booking.com, N26 enables discounted travel bookings (N26, 2023), as well as benefits for non-customers, such as the Digital Tip, to help the staff of restaurant businesses (N26, 2021).

With this banking license and brand recognition came some initial challenges (PWC, 2020). In the following years, they were quickly confronted with the tougher regulatory obligations of a regulated bank (Mey, 2019). The Bafin issued a penalty of 4.25 million euros and a new customer limit of 50,000 after it became apparent, that anti-money-laundering measures were inadequate. There were account terminations and account freezes. In addition, the corporation is subject to particular oversight (Bafin, 2021). New investments and public comments were made by the corporation in an effort to quell these criticisms and restore its reputation (N26, 2021; Osman, 2019). Previously, there was an issue with security vulnerability that was discovered by an IT expert in 2016. That N26 has re-developed in the same year (Atzler, 2016). Yet, high costs and struggles did not stop the firm from gaining customers and investors (Kröner, 2022; Statista, 2022; Holzki & Maisch, 2021).

Their conviction and initiative to build a purely digital bank has led to the result that they are currently in 2022, expanding in 24 countries with 10 locations and have gained about 8 million customers (Statista, 2022; Über uns: Wir bauen die erste weltweit digitale Bank auf, n.d.). In the beginning, growth to the United Kingdom and the United States followed. In 2020, the business was ceased in the United Kingdom, and in 2021, in the United States with the intention to target the European market. Current locations include Amsterdam, Berlin, Barcelona, Belgrade, Madrid, Milan, Paris, Vienna, New York, and Sao Paulo. In several of these areas, N26 is establishing TechHubs as part of its effort to develop further innovative banking products (N26, 2019). In addition, they were keen to have an international team available (Grasel, 2022). They are attempting to attract people, who have previously worked for companies such as Google and Zalando (N26, 2019). Currently, 1,500 employees from 80 nationalities work at these locations (Über uns: Wir bauen die erste weltweit digitale Bank auf, n.d.). To be able

to continue to grow the team internally, they focus on places that seem appealing to foreign staff (Grasel, 2022).

By being able to quickly adapt and respond to changing conditions, the fledgling bank has established a new universe for the banking sector and various consumer categories. Between 2013 and 2022, the firm, which was first unremarkable and not taken seriously by many, produced a noteworthy result. They have illustrated the power of digitalisation in banking and established themselves in the financial industry (PWC, 2020). So, they get to be trailblazers in the banking industry, which has historically been dominated by a few large banks and characterised by a conservative attitude. Moreover, with a worldwide goal of offering enhanced and accessible financial services to all, the use of cutting-edge technologies has made N26 desirable to investors. In 2019, they secured a total of \$470 million in investments, elevating their company's worth to \$3.5 billion. It was one of the largest investment deals in Germany and Europe for a German startup. They became the most valued startup in Germany (N26 steigt zu einem der wertvollsten FinTechs weltweit auf, 2018). Well-known British fintech firm Revolut Ltd., by contrast, was only worth \$1.7 billion at that time. N26 raised \$900 million in its most recent investment round, leading to a \$9 billion corporate valuation by 2022 (Über uns: Wir bauen die erste weltweit digitale Bank auf, n.d.). The firm is now in the preparation process for a public offering. The firm views this as a crucial milestone in their further development and realisation of their mission (N26 applies for Financial Holding license as next step towards IPO-readiness, 2021; Browne, 2022).

ii. Analysis of the case study

N26 has succeeded in establishing itself in the banking industry with its innovative and agile business model, culminating in the achievement of a full banking license. Initially, the company was a modest fintech start-up with a goal of creating a smartphone-based online bank. The company has gained its independence by obtaining a license and is now preparing for an IPO. As Tapscott and Tapscott (2016, p. 84) mentioned, the banking business until now was dominated by a few giants, who are conservative and have to contend with old technology, and technological advancement was only partially utilised. According to PWC (2020), established banks did not take N26 seriously in the beginning. The understanding of the EU's government and regulators was crucial in encouraging such new business models. Understanding that innovation supports economic growth and competitiveness is essential for these business areas. This

has lowered entrance barriers, while offering a testing environment outside the regulatory framework.

The financial technology sector has expanded rapidly in recent years, which poses serious problems for established banking business models and, by extension, for the whole banking system (Fintechs auf der Überholspur, n.d.). Utilisation of innovations plays a crucial role given that innovations that have the potential to revolutionise the banking industry, as opposed to merely altering some aspects of the industry, as was previously the case. The cost, efficiency, access and execution of banking services are being transformed with the use of advanced technology (Fintechs auf der Überholspur, n.d.). Furthermore, the generational change is a further key element for the shift in the financial environment from baby boomer customers to digital natives. Customers today have grown up with technology and prefer online banking services. Combining many services in a single area is given preference. No urge exists to visit a real branch. Benefits of services provided to the customer in the focus. Change in the banking sector is driven by all of these individual factors. Many of these elements may be found at N26. The strategic choice to collaborate with Wirecard facilitated their entry into the financial area and made it possible to concentrate on establishing and implementing its own business strategy without the need for regulatory interventions. It has provided them with the opportunity and resources to practice the concept via consumer and investor interest, as well as to work on early product releases without having to shoulder the entire regulatory burden on their own. In particular, they were successful in implementing their vision of a smartphone-based banking system that includes additional individual features, both within and outside the traditional banking offers. High funding rounds and consistent client growth demonstrate the company's desirability in the banking industry. According to PWC (2020), N26 is an excellent illustration of the disparity between fintechs, digitalisation, and conventional banks.

Examining the management and the employees of N26, more contemporary approaches can be observed, as it consists of a comparatively younger group with a global perspective and tremendous variety. The two founders are part of the target audience that these new banking concepts are meant to serve. N26 now employs 1,500 people from 80 nationalities, having started with only a few in 2013. To recruit outstanding talent across the world, managers place a high value on diversity. These employees are spread over locations in several countries and do not focus on one location. In terms of the company's financial history, multi-

ple successful funding rounds have been executed in the past, which lead to a final \$9 billion corporate valuation. Their expertise and clear goal have made them Germany's most valued startup as of 2019 with a fundraising round of \$470 million. At the time, it was one of the largest investments in Germany and Europe. So far, the business has not achieved profitability even though according to the company, sales and operating profit margins are increasing. The unrealised profitability is partly attributable to expenditures in growth and regulatory obligations. Additionally, new employees have been hired.

As the case study demonstrates, N26 has encountered difficulties. The first issue in 2016 that produced unfavourable challenges and publicity were security flaws discovered by an IT specialist. This created potential for manipulation. Another key concern was the insufficient implementation of money laundering preventive measures in 2021. As a consequence, N26 was fined 4.25 million euros and the breach was made public on the Bafin website (Bafin, 2021). In addition, actions like account cancellations and freezes were taken, as well as further adaption investments. Furthermore, there was a limit on new client acceptances, as well as additional surveillance by Bafin (2021). Moreover, the expansion into the United Kingdom and the United States and rapid withdrawal from this market region were subject to discussion. This hindered global vision and generated a negative reputation (Smartphone-Bank N26 zieht sich aus den USA zurück, 2021).

Nevertheless, N26 has numerous strengths. The responsiveness and adaptability of the system is a crucial characteristic. Through this, they expeditiously overcame some first obstacles. As seen by the investment and client numbers, their business concept has continued to gain acceptance. They have the benefits of a typical start-up. In contrast, traditional banks are much more sluggish in their implementation and take much longer to introduce new approaches. This agility is confirmed by a McKinsey study on the growth potential of fintechs. For instance, they require a maximum of six months for new product introductions. Traditional banks, meanwhile, require 12 to 24 months (McKinsey & Company, 2022). Their communication style should be mentioned as well. They comment on all main topics published in newspapers on their homepage with an emphasis on recognising mistakes and attempting to correct them, along with openness and sincerity. The trust in N26 appears to be intact. This is shown in their key indicators and the company's continued growth.

In response to the vulnerability, a bug bounty program was implemented. They promote participation in the discovery of security vulnerabilities on their homepage. The objective is to inspire hacker experts around the world to support N26, in return for a premium payment (Das N26 Bug Bounty Program – Eine Schatzsuche für Hacker, n.d.). This approach and flexibility are absent in conventional institutions. This may be owed to the fact that their IT infrastructure is based on legacy technology and does not permit such agility. Regarding the issue of money laundering, prompt action to resolve the issue was also required. The corporation has doubled its expenditures in this area.

In addition, the company has decided to focus on the European market for the time being. No significant losses in customer confidence were detected. New customer acquisition continues to be noticeable. Customers appear to prefer their business model and unique offers. This fact can be justified by a lack of new offer concepts and a loss of confidence in current banks, as a result of the financial crisis. A further aspect that sets the management of N26 apart is the acknowledgment that it was unsuccessful in a certain market. The decision to depart from the United States can be deemed prudent. The absence of a physical branch network and their use of modern technologies enables them to execute such decisions more quickly. These opportunities are primarily the result of their business model. Further, the swift market entry of fintechs like N26 cannot be compared to that of a traditional bank. Fintechs offer advantages due to their innovative skills, cost structure, adaptability, and, most notably, their capacity to satisfy contemporary customer demands. The absence of physical touch points for clients alone affords them enormous benefits and makes it simple to pursue their own ambitions.

The fact that N26 has succeeded in putting the consumer first is a defining characteristic that sets it apart from conventional banks. Traditional banks have been preoccupied with product development instead of focusing on customer needs. N26 has stepped into the gaps left by traditional financial institutions. The company's offerings are designed with the customer in mind. Relevant factors such as cost-effectiveness, innovation, smartphone accessibility, simplicity, transparency, and broad platform accessibility were considered. All of this is reflected in the company's brand identity and its services. These focus on simple responsive design with simple access to financial services and other features with the capacity to deliver a large number of services by utilising key partners, but

without requiring a significant investment or development effort on their own part.

Finally, N26 demonstrated that access to the banking market is achievable through the application of new technologies. They have been able to grow their business by filling existing market gaps, which have been mentioned and examined in the research for any years. It is incredible how rapidly N26 was able to implement its vision and strategy, despite some challenges. Cost and regulatory issues have not discouraged this enterprise, since they were able to operate more cost-effectively by utilising various developments. Due to the fact that their business concept is innovative in the banking industry and resonates with the times, their initial hurdles have not hindered their progress. Nevertheless, it should be noted that cooperation with existing institutions may be advantageous, especially to obtain their extensive knowledge of regulations and to utilise their database. This could prevent some negative publicity and protect the company from regulatory weaknesses. Traditional banks offer extensive expertise in a variety of fields. Moreover, this type of cooperation can boost the market and inspire individuals not to rest on their achievements. On the market, cooperation in this direction is already apparent. In a similar manner, institutions such as IBM or Deloitte and others encourage not viewing each other as competitors but rather as cooperation partners to achieve success.

III. Methodology

This article discusses the relevant characteristics of a fintech bank that permit its development in the banking sector. Moreover, the purpose of this analysis is to show the significance of current market trends for the traditional banking sector. This was made available via a literature review using the descriptive, as well as the comparative method. Based on this, the qualitative case study technique was described and examined. The combination of literature research and a case study was meant to bring theory and practice together. These findings are meant to inspire additional research in the field of finance, especially given the recent nature of the changes and the absence of a precise scenario for their future direction. Further, the article is designed to give decision-makers in the banking industry a better understanding and guidance for strategic considerations. To the best of authors' knowledge, the relevant literature on fintechs, traditional banking, contemporary innovations, and generational shift, particularly in the financial business, was researched in the first step. Diverse sources were consulted in order to gather insight

from various perspectives. Consequently, publications by scientific experts, renowned accounting companies, government organisations, financial institutions, and multimedia platforms for startups, the digital economy, and innovation were analysed. For the literature review, international research was performed in order to acquire a broader global perspective. The sources for the case study are confined to Europe, in particular to German-speaking countries.

The primary focus was to examine the term fintech from the perspectives of experts and financial industry authorities. The focus then shifted to fintechs, their business models, and advancements in the banking industry. Furthermore, the evolutions of the traditional banking industry, as well as client change, were considered. Subsequently, the case study "the N26 business model" was examined in detail. The goal was to create awareness and attract attention to this issue within banking. This research was based on Deloitte's statement that the banking sector is changing, but it is unclear what effects this change will have.

IV. Results and Discussion

This paper explored the research question of how fintech companies differ from traditional banks, and what characteristics they have that make them competitive. Using the descriptive and comparative method, the available literature was reviewed. In addition, a case study of the N26's business model was created, as well as analysed. The combination of these two methods has provided a great overview of the theory and current practice. Using this approach, it was possible to answer the research question and create a solid information base, which can be used for further research purposes. In general, the literature offers a wealth of insights that are reflected in N26's business model. There are noticeable distinctions between traditional banks and fintech banks, beginning with technology use, product offering, customer-centricity, development, management, and staff deployment. Notably, these results were generated from the available literature and the practical example of a fintech firm. A thorough examination of other fintechs in the banking industry would be helpful to support the results.

It is obvious that the usage of new technologies such as cloud, artificial intelligence, blockchain, and others may affect the success and growth of new business models, as well as the traditional banking industry. The remark by Deloitte that the

question is no more, if a change in the banking sector is coming, but how it will come (FSI Strategy Insights, n.d.), may be supported. N26, as a previously young fintech start up, has demonstrated this through their online-only bank model and with the achievement of a banking license. It has gained entry into the banking sector, through innovation and satisfying current customer expectations. According to a McKinsey research titled “Europe’s fintech opportunity”, fintechs address trends and new technology considerably earlier than banks. Furthermore, it was stated that such enterprises with sufficient investments and a promising business concept will survive and possibly transform different industries. The international comparison demonstrates that European fintechs have a significant amount of potential and have attained the status of a serious economic factor (McKinsey & Company, 2022). The fact that emerging technologies and fintechs have potential and provide assistance for establishment in the European market was stated in news release by the European Commission in 2018. A remark by Jyrki Katainen, Vice President of the European Commission, was included, in which he stated that new technologies are reshaping the banking industry (Europäische Kommission, 2018).

The emergence of new alternatives has altered the requirements and expectations of the younger client base. Using N26 as an example, it is plausible to assume that clients prefer this banking alternative. This conclusion is supported by the fact that the number of clients has risen to 8 million in only a few years. Furthermore, despite some unfavourable media coverage, the number of new clients has not decreased. This is confirmed by an Ernst & Young examination of the private customer business. It is emphasised that newer market entrants are more likely to meet these expectations than existing financial institutions. The tides of the market are turning in favour of fintech banks, and it is becoming increasingly apparent that clients have become increasingly demanding of innovative financial solutions. KPMG underlines in a 2021 publication, that the standard offering in financial services will no longer be adequate to satisfy clients (KPMG, 2021). Another KPMG research, “Banking 2030 Austria,” highlights that conventional banks’ unique role in banking services has been eroded. Customers value solutions that are suited to their specific requirements (KPMG, 2018, p. 31). A 2022 analysis by Deloitte indicates that fintech banks have a head start in fulfilling client expectations (Deloitte. Digital, 2022, slide 9).

Another consideration is the agility and adaptability of fintechs, as well as their rapid devel-

opment. N26’s expansion strategy is an excellent illustration of this, as the entry, but also the relatively easy exit from markets illustrates. A relevant aspect is the usage of technology that enables these companies to expand without physical infrastructure, but with a more cost-effective business model. A survey by Ernst & Young shows that fintechs are penetrating markets where previously the offer of financial services was almost non-existent. Likewise, acceptance is prevalent in emerging markets (EY Global, 2017). The World Bank’s study reveals a similar scenario. A World Bank report demonstrates that the entry hurdle for fintech businesses has decreased. Specifically, the non-physical infrastructure is regarded as one of the most crucial factors that promote market entry. That the barrier to entry for fintech companies has been lowered is shown by a World Bank report. It reflects the entry of fintechs into regions, where payment service usage was historically low (The World Bank, 2022, pp. 11–13, 19).

Another factor that contributes to the success of fintechs is their workforce. It is conceivable that their employees’ attitudes reflect innovation and progress, especially since they consciously decide to enter into such a corporate culture from the very beginning. According to N26, diversity among their employees is very important to them. Further, they are trying to hire qualified professionals for their further development. According to KPMG, established banks will have to provide further training for their staff, in order to increase motivation for the change in their industry. Young leaders who will stand behind this transformation will be required. For a realignment, the know-how of the employees regarding new developments will be one of the decisive competences (KPMG, 2018, pp. 26, 32). Employees that are adaptable flexible and comfortable with frequent change are required (KPMG, 2021). Hendershott et al. (2021) report that just a small fraction of those employed by conventional banks are open to embracing such shifts.

A final aspect to mention is the product offers. These vary in particular, because fintechs provide significantly more innovative product lines than traditional banks. N26 has demonstrated that they offer a wide range of services, primarily through selected key partners. Fintechs mainly focus on the customer rather than the product (KPMG, 2021; KPMG, 2015; Paulet & Mavoori 2020, p. 20; Bellens, 2022). According to KPMG (2021), it is important not only to digitise banking systems, but to implement customer interfaces that are focused on customer needs. E&Y emphasises that only modernising the IT infrastructure is not enough. It is about the whole

package, so that existing disadvantages are eliminated. Financial services platform-based solutions or Super Apps are given preference (Bellens, 2022). It is necessary to provide offerings within and beyond the standardised financial services (EY Global, 2017).

This article focused mainly on fintechs in banking and how they differ from traditional banks. It does not cover fintechs outside of this industry. Furthermore, no further research or adjustments to regulatory requirements were performed. The individual innovations, such as cloud, AI or blockchain, were not taken into account. These topics constitute valuable input for future research endeavours. Also, more accurate literature on the future evolution of the financial industry, would be desirable. Four possibilities have been suggested by Deloitte for future development. This, in turn, generates uncertainty and slowness in conventional banks' future efforts (Die Zukunft des europäischen Banken-Ökosystems 2035, n.d.).

V. Conclusion

Fintechs are new market entrants who have succeeded in establishing themselves in the banking business and are competing with existing banks. By using novel technologies and very agile business models, they have managed to introduce new standards for financial services. They set themselves apart by fulfilling today's customer expectations and providing what was previously unavailable. They have persuaded governments and regulators that technological advances are among the most important success criteria necessary for a market's continuing economic development, as well as its competitiveness. Moreover, the previously monopolistically conservative banking market has been disrupted and forced into a phase of change. Fintechs are doing pioneering work and are inspiring future technological progress in this field.

Indications of the role these new entrants are provided, as well as the availability of literature for the fintech and banking industries. Since just one fintech was used for closer analysis, the findings presented here can only provide a rough idea. They can serve as a point of reference, but more study is required, especially since these firms and their technology are expected to stay and are already being employed in a variety of fields.

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ORIGINAL RESEARCH PAPER

GENDER DIFFERENCES IN ATTITUDES TOWARD ETHICS IN DIGITAL BUSINESS. EVIDENCE FROM CROATIA

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ABSTRACT

As organizations grapple with the transformative implications of business digitization, the intricate interplay between technological progress, sustainable development, and ethical responsibilities becomes increasingly apparent. This article explores the influence of gender diversity on business ethics within the digital environment. An elevated perspective, infused with an ethical approach embracing gender diversity, leads to a deeper and more holistic understanding of these multifaceted dynamics, poised to inform, and guide decisions over the long term.

Research investigating the ethical inclinations of men and women in the business and digital realm reveals a noteworthy trend: women attribute higher importance to ethical standards in digital business compared to men. Women tend to exhibit a stronger moral inclination and are more attuned to unethical practices, particularly in the context of the challenges and complexities accompanying digital transition. The study uncovers that women display a lower tolerance for unethical behavior, including negotiation strategies, underscoring their more pronounced ethical stance. This discrepancy is attributed to women's deeper integration of morality into their self-identities, fostering heightened sensitivity to interpersonal dynamics and emotions, while men lean towards an independent and less reliant self-perception. Such gender-based disparities have the potential to significantly impact organizational leadership dynamics. However, it is crucial to refrain from overgeneralizing and assuming that male employees engage in unethical conduct more frequently than their female counterparts, particularly in contexts that prioritize moral leadership principles. Moreover, it is noteworthy that financial incentives possess the capacity to compromise the ethical compass of individuals, irrespective of gender. Still, gender plays a pivotal role in shaping ethical decisions, irrespective of whether they are made within a personal or corporate setting.

Keywords: business ethical behavior, business ethics, ethical standards, gender differences



MAP SOCIAL SCIENCES

Volume 4

ISSN: 2744-2454/ © The Authors.
Published by MAP - Multidisciplinary Academic Publishing.

Article Submitted: 11 August 2023
Article Accepted: 04 September 2023
Article Published: 05 September 2023



Publisher's Note: MAP stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.

<https://doi.org/10.53880/2744-2454.2023.4.31>



HOW TO CITE THIS ARTICLE

Benjak I., Mandarić D., Hunjet A. (2023). Gender differences in attitudes toward ethics in digital business. Evidence from Croatia. MAP Social Sciences, 4, 31-42.

doi: <https://doi.org/10.53880/2744-2454.2023.4.31>



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1. INTRODUCTION

The ongoing digitization of business presents new challenges and opportunities for companies worldwide, requiring effective strategies and employee involvement in implementing technological processes to stay competitive. A critical aspect is the ethical dimension, and understanding how gender influences ethical attitudes in the digital environment is essential. Gender's role in ethical decision-making has gained attention, with men and women conforming to gender-specific norms learned through socialization (Bendell et al., 2020). Despite the potential of digitalization, women are underrepresented in the digital business domain (European Institute for Gender Equality, Gender Equality Index 2020 CROATIA, 2020). This research investigates whether gender influences ethical decision-making in digital business, exploring women's interest and importance in ethics compared to men. The study aims to establish correlations and differences between male and female attitudes. Recognizing the role of gender in ethical decision-making can inform strategies for promoting gender equality and fostering an inclusive, ethical, and prosperous digital economy. Empowering women in digital business will contribute to a more diverse and innovative business environment for all, not only in a European country like Croatia but also internationally. This study focuses on investigating whether gender ultimately influences ethical decision-making in digital business. The study aims to address questions related to gender and ethical attitudes in digital business. Do women exhibit more interest in ethics in digital business than men? Do women assign greater importance to adherence to ethical standards in digital business compared to men? Do women perceive digital business as less ethical and less compliant with legal frameworks compared to men?

2. LITERATURE REVIEW

Today's information society and the digitization of business dictate the adoption of effective strategies and clear goals to remain competitive in the market and keep pace with modern business trends. This process involves the active participation of employees, aiming to implement technological processes successfully, as technology and digitalization have become integral aspects of modern business practices. A crucial aspect of examining the impact of digitization and digital transformation at the company level is considering the ethical context where ethical issues may vary depending on the

various types of moral dilemmas (Carrera & Van der Kolk, 2021). Over the past decades, the role of ethics in business, particularly in digital business, has increased in significance (Paoloni et al., 2023), alongside numerous studies on how to foster strong ethical climates by making ethical decisions (Glover et al., 2002). Research and discussions primarily focus on protecting personal data, emphasizing the fundamental importance of ethics in companies. Nevertheless, the incorporation of females in caring professions and roles should be of interest, showcasing an appreciation for women, confirming the importance of gender diversity, and enhancing a company's societal position in the modern digital environment (Fredricks et al., 2014). Research and discussions related to ethics and digital business ethical issues (McCabe et al., 2006) primarily focus on protecting personal data, emphasizing the fundamental importance of ethics in companies. In modern business conditions, a company's reputation and values are just as significant as its products and services (Carlsson & Rönnblom, 2022).

2.1. Digital Gender Reality

Sex is biologically determined, while gender is socially constructed over an individual's lifetime. Through socialization, both men and women learn gender-specific cultural and business norms, incorporating them into their business practices to avoid potential negative consequences arising from unethical actions. Although there may not be substantial differences in the fundamental nature of men and women, their adherence to gender roles and expectations can lead to distinct behaviors in social and business contexts (Bendell et al., 2020). Digital business is not gender-neutral, and gender norms and socially accepted stereotypes pose real obstacles for women to fully exploit the numerous opportunities and realize their professional potential in the digital environment and digital business. Generally, women tend to confront more obstacles than men (Magrizos, 2020) and are underrepresented in the digital business environment compared to men. However, with the accelerated digital transition of society and the economy, digital business can become a key factor in empowering women in the corporate world. On the other hand, digital business offers innovative and highly profitable employment opportunities, particularly for women, providing them with greater work flexibility and a better balance between private and professional life. Women can participate more actively in the labor market and expand their businesses as entrepreneurs, entering global value chains. Implementing supportive policies for

women in digital business contributes to a more satisfied and empowered female workforce, while also considering the needs of the male population (European Institute for Gender Equality, Gender Equality Index 2020 CROATIA, 2020). To build a modern, prosperous, and inclusive digital economy that guarantees sustainable growth, it is essential to empower both women and men to contribute to the advancement of society and the economy. Although gender discussions are a complex and multilevel topic (McCabe et al., 2006), gender equality is recognized as a fundamental human right, and bridging the digital gender divide is crucial to achieving this goal (OECD, Bridging the Digital Gender Divide, 2018). The digitization of business and the digital transformation of society present challenges and opportunities that demand ethical consideration. Although numerous studies have found that men are more likely than women to engage in unethical behavior (Gammie & Gammie, 2009), understanding the role of gender in ethical decision-making within the digital business environment is essential to foster an inclusive, ethical, and prosperous digital economy. By recognizing the impact of gender on ethical attitudes, policymakers, and businesses can develop strategies that promote gender equality and harness the potential of all individuals to contribute to a better future. Through targeted support and measures, women can seize the opportunities offered by digital businesses and play a significant role in shaping the digital landscape of tomorrow. In the real world with frequently accepted explanations (Pimentel et al., 2010), the outcomes of most decisions are often unpredictable, impacting business owners significantly (Bendell et al., 2020). This unpredictability is mirrored in the digital world and digital business environment. Gender is increasingly recognized as a significant factor influencing various organizational and business outcomes, especially when making ethical business decisions, particularly in digital business. To establish the foundations of a rational and ethically oriented society and business, rooted in democratically founded and responsible companies (Shaw & Shaw, 2010), it is essential to prioritize gender diversity and encourage greater representation of women in digital business while emphasizing the development of ethical awareness in individuals. Gender diversity in the era of digitalization is crucial for eliminating gender-related conscious and unconscious biases, leading to a more balanced workforce and ethical decision-makers (Cerit et al., 2020).

Croatia has made progress toward gender equality since 2010 (European Institute for Gender

Equality, Gender Equality Index 2020 CROATIA, 2020). However, the country is still in the process of fully embracing the digital economy and the development of digital businesses (McKinsey & Company, Croatia – Emerging Digital Challenger, 2018) and the advantages they provide, as well as the implementation and further refinement of ethical standards. The lower participation of women compared to men in the digital environment and business in Croatia has multifaceted causes. The primary barriers include gender and sociocultural background, which discourage women from pursuing careers in technology and digital business.

2.2. Digital Business Ethical Awareness

Although there has been a long history of research on business (corporate) ethics, there has been an intensification of activity in this field by the beginning of the century (Loo, 2003), as well as in the field of business ethical awareness. In the corporate world, ethics, especially business ethics has long been a major issue (Chen, 2014), new digital resources have evolved as a result of technological advancement, generating new standards for human conduct (Gonçalves et al., 2022) and ethical awareness, hence technology has a large impact not only on the corporate world but also on all aspects of society (Frennert, 2023). Business ethics, which has a lot of different definitions, refers to a body of guidelines, non-breakable ethical rules (Gammie & Gammie, 2009), and procedures that businesses use to help them make decisions about their finances, how to negotiate and conduct business, how to behave in public, among other things. A business may break the law, experience financial difficulties, and face moral quandaries without a strong code of ethics, ethical temptations could be present between employees in situations where they are tempted to put their interests ahead of ethics (in particular business ethics) that ought to direct their behavior in the given situation (Drolet et al., 2023). The importance of the ethical dimension, of business ethics, and all those transformations are subject to increased research to determine the full impact on companies and society (Dent & Randall, 2021), especially in a digital environment. However, companies that adopt and implement ethical standards in their business program and practice strong business ethics can reassure stakeholders such as clients, users, employees, and other parties that they are in compliance with all legal requirements, but also maximize their business performance and decrease the various unethical practices (Dhandra & Park, 2018). A better understanding of business ethics is crucial (Du & Xie, 2021), as well as managing socio-technical

difficulties inside a company (Sadeghi et al., 2023) for sound financial planning and successful business operations. Contrary to previous popular belief, ethics and successfully implemented ethical standards (Du & Xie, 2021) plus ethical training courses (Meng et al., 2022) have a significantly bigger impact on daily business interactions, especially digital ones. Companies should abide by a set of ethical principles if they want to avoid violating any laws that apply to them, which of course has internal and external implications (Foncubierta-Rodríguez, 2022), the implications that are unquestionable for the companies. Ethics, as the set of standards followed by companies (Goel & Ramanathan, 2014), or the practice of making principled choices between right and wrong, plays a pivotal role in guiding individual behavior and addressing significant challenges at the individual level. The first step in the ethical decision-making process is moral awareness, forming the foundation for subsequent intentions and actions (Carrera & Van Der Kolk, 2021). In addition to considering the presence or absence of ethical awareness, it is crucial to explore variations in business ethics and ethicality among individuals, encompassing external affiliations, groups, cultures, and regions, especially in the context of the digital environment. The significance and influence of developing digital technology on all facets of business have rapidly increased (Roša, 2021), accentuating the role of ethical principles, corporate governance, and their implementation (Goel & Ramanathan, 2014) within the realm of digital business. This transformation is further highlighted by the disparities in ethical orientation and the assessment of ethical behavior between women and men. Understanding how gender relates to moral awareness and the perception of ethics in the digital environment is essential for comprehensive research (Carrera & Van Der Kolk, 2021), although the consideration and awareness of gender diversity in the digital business extend into a complex and intricate process (Mindel, 2022).

2.3. The Influence of Gender Differences on Digital Business Ethical Efficacy

The contemporary work environment demands high-quality interactions between employees and their respective companies (Velasco Vizcaíno et al., 2023). Motivating a culturally diverse workforce (Isotalus & Kakkuri-Knuuttila, 2018) to uphold ethical standards is crucial for companies to align with their ethical principles, corporate policies, and moral compass within the workplace. Equally important is the establishment of comprehensive guidelines for business ethics

programs, integrating classical ethical theories with moral reasoning, virtues, human rights, and codes of conduct (Saurabh et al., 2022). Additionally, the utilization of virtual reality-based learning media enhances individuals' ethical efficacy by bolstering their self-efficacy (Sholihin et al., 2020). Women have shown more concern with commitment and ethical objectives (Dhandra & Park, 2018), a lower tolerance for unethical behavior, a stronger sensitivity to unethical negotiation tactics, and a greater preference for ethical conduct. They are more likely to experience interpersonal dynamics and a sense of interdependence with others, exhibiting a greater tendency to adopt beliefs that promote the well-being of others. Consequently, gender becomes a crucial factor influencing ethical decision-making in the digital business environment (Bansal et al., 2021), but with individual awareness development the cognitive processes for making ethical decisions become more complex (Haines & Leonard, 2007) and lead to the recognition a lot of ethical issues (Kumar & Choudhury, 2023), especially in the digital environment. However, the relationship between gender and ethics should not be oversimplified. Human behavior is inherently variable, and workplace or cultural norms alone often fail to adequately explain the occasionally contradictory outcomes seen in the intersection of gender and ethics (Chen, 2014) as well as employee performance trends (Tursunbayeva et al., 2022). The precise causes of gender differences in ethical reasoning—what triggers them, when they manifest, and why—remain incompletely understood (Kennedy et al., 2017). These nuances consequently impact ethical efficacy within the digital business domain. Heightened awareness of oneself, others, and the surrounding environment contributes to the underlying dynamics between gender and ethical decision-making (Dhandra & Park, 2018). The growing transfer of technology and knowledge (Zekos, 2003), alongside the cultivated business ethical efficacy through gender diversity, significantly fortifies companies' competitive advantages in the digital environment. In the digital realm, how can both women and men enhance digital business ethics and ethical efficacy to foster trust within their organizations? Positioned as an interdisciplinary field (Ibircu & Van Der Made, 2020) and a continuing area of significant research (Valentine et al., 2009), digital business ethics functions as a vital skill, nurturing trust and facilitating open dialogue (Isotalus & Kakkuri-Knuuttila, 2018). This extends not only to the company's reputation but also to the behavior of its employees, playing a pivotal role in business negotiations—an integral aspect of corporate life (Westbrook et al., 2011). While steadfast beliefs

contribute to shaping individuals and companies (Ibircu & Van Der Made, 2020), developing a personal moral compass, fostering business acumen, and embracing ethical principles are equally crucial. This process ensures the achievement and sustenance of motivation, grounded not in greed or financial gain, but in assisting others. The delineation of acceptable behavior, along with navigating uncertain and challenging situations, is necessary to uphold the reputation of both the individual and the company. Moreover, the support and encouragement of women on their professional journey significantly contribute to the cultivation of an ethical environment. Substantial efforts by companies and governments are focused on fostering an inclusive culture (Gill, 2010). Recent scientific literature underscores the role of ethics in digital transformation and its interplay with gender-based decision-making, shaping the future of the digital business environment. This emphasis seeks to enhance comprehension of the opportunities and challenges that enterprises encounter within the dynamic and ever-evolving digital business landscape.

3. METHODOLOGY

For this research, an online questionnaire was developed using the Google Forms platform and conducted during the months of March and April 2022. The primary data for the study were collected through the survey questionnaire, and the analysis based on this data has led to the conclusions presented later. The initial section of the questionnaire collected socio-demographic information about the participants. The remaining closed-ended questions explored the respondents' attitudes toward the importance of ethics in digital business. To measure their attitudes, respondents utilized a 5-point Likert scale, which was chosen due to its familiarity and widespread use in attitude measurement. A total of 207 respondents completed the anonymous questionnaire online via Google Forms.

The research questions of this study aim to explore the attitudes and perceptions of respondents regarding ethics in digital business, with a particular focus on gender differences and potential correlations between different attitudes. The research questions in this study are as follows:

Is there a difference in interest in ethics in digital business between women and men?

Is there a difference in the importance placed on adhering to ethical standards in digital business between women and men?

Is there a correlation between the level of interest in ethics in digital business and the level of importance placed on adhering to ethical standards in digital business?

Are there statistically significant differences in attitudes towards ethics in digital business between male and female respondents?

The study formulated three hypotheses to examine the relationship between the perception of the importance of ethics in digital business according to gender. These hypotheses are based on the review of available academic literature and are as follows:

H1. There is a significant positive correlation between the variable Interest in ethics in digital business and the variable Importance placed on adhering to ethical standards in digital business.

H2. Women exhibit a higher interest in ethics in digital business compared to men.

H3. Women place greater importance on adhering to ethical standards in digital business than men.

To identify any statistically significant differences between the groups of male and female respondents, the collected data were analyzed using T-test, and the correlation was determined using Pearson's coefficient.

A total of 207 participants participated in this study during March and April 2022. The participants, drawn from various sectors and backgrounds, contributed to a diverse sample. Among the respondents, there were both men and women, spanning various age groups from the first group of ages 18-25 to the last group of ages 51 and above. These individuals held diverse educational levels, including lower vocational education, high school education, bachelor's degrees, master's degrees, M.Sc., and PhDs, and were affiliated with various employment statuses such as Pupil or Student, Employed, Unemployed, and Pensioner (Retiree).

An online questionnaire was the principal instrument utilized for data collection, designed, and administered through the Google Forms platform. The survey was conducted over the course of two months. Commencing with an initial segment collecting socio-demographic information, the questionnaire subsequently presented closed-ended questions that explored the participants'

attitudes concerning the importance of ethics within the domain of digital business. To gauge these attitudes, respondents employed a 5-point Likert scale, chosen due to its established use and familiarity in measuring attitudes. The questionnaire was distributed anonymously to participants through the Google Forms platform, using the snowball method. The survey was designed to collect quantitative data on respondents' attitudes towards ethics in digital business, as well as their potential gender differences. The collected data underwent a quantitative approach for analysis. First, quantitative data from the closed-ended questions, measured on the Likert scale, were subject to descriptive statistical analysis. This entailed calculating means and standard deviations to ascertain the participants' overall attitudes regarding ethics in digital business. The findings of the quantitative analysis were integrated to provide a comprehensive view of respondent attitudes. In particular, to discern statistically significant disparities between male and female respondents, the data was subjected to T-test analysis. Furthermore, correlations between different variables were assessed using Pearson's coefficient, unveiling potential relationships between attitudes towards ethics in digital business and gender.

Incorporating the provided content, this comprehensive description emphasizes the diligent approach undertaken in participant selection, data collection, and subsequent data analysis, ensuring the validity and reliability of the study's outcomes.

4. RESULTS

In the socio-demographic section of the questionnaire, the first question allowed respondents to choose their gender as either female or male, with an additional option "I don't want to answer." There were 128 female respondents and 79 male respondents, while not one person chose to not answer the question. Furthermore, the question used to test the hypothesis related to the respondents' interest in ethics in digital business. The second question to test the hypothesis was: "It is important to adhere to ethical standards in digital business." The Likert scale provided five response levels: 1 (strongly disagree), 2 (somewhat disagree), 3 (neither agree nor disagree), 4 (somewhat agree), and 5 (strongly agree). Two of the hypotheses were evaluated using T-test to determine whether there were differences between the education-level groups and the third hypothesis was tested using Pearson's coefficient.

The descriptive data presented in Table 1. reveals the following: the mean values of both examined variables across gender groups fall within the range of 3,81 to 4,70. Notably, women exhibit higher mean values than men for both variables.

A Pearson correlation coefficient was calculated to evaluate the connection between "Interest in ethics in digital business" and the "Importance of adhering to ethical standards in digital business.", with the results presented in Table 2. The analysis indicated a significant positive correlation between these variables ($R=0,411$, $N=207$, $p=0,00$). The findings reveal a statistically significant, moderately positive correlation, thereby confirming the validity of the first hypothesis. As a result, H1 is accepted.

Table 1.

Descriptive results for the variables Interest in ethics in digital business and The importance of adhering to ethical standards in digital business according to Gender

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min	Max
						Lower Bound	Upper Bound		
Interest in ethics in digital business	F	128	4,22	0,709	0,063	4,09	4,34	2	5
	M	79	3,81	0,833	0,094	3,62	4,00	1	5
	Total	207	4,06	0,783	0,054	3,96	4,17	1	5
The importance of adhering to ethical standards in digital business	F	128	4,70	0,523	0,046	4,61	4,79	3	5
	M	79	4,24	0,772	0,087	4,07	4,41	2	5
	Total	207	4,53	0,667	0,046	4,44	4,62	2	5

Table 2.
Correlation using Pearson's coefficient between the variables Interest in ethics in digital business and the Importance of adhering to ethical standards in digital business

		Interest in ethics in digital business	The importance of adhering to ethical standards in digital business
Interest in ethics in digital business	Pearson Correlation	1	,411**
	Sig. (2-tailed)		0,000
	N	207	207
Importance of adhering to ethical standards in digital business	Pearson Correlation	,411**	1
	Sig. (2-tailed)	0,000	
	N	207	207

Note. ** Correlation is significant at the 0.01 level (2-tailed).

An independent-sample t-test was conducted to compare the levels of Interest in ethics in digital business between Male and Female gender. The analysis presented in Table 3. revealed a statistically significant distinction in the scores for female (M=4,22, SD=0,709) and male (M=3,81, SD=0,833) gender; $t(205)=3,746$, $p=0,000$.

A second independent-sample t-test was conducted to compare the levels of "Importance of adhering to ethical standards in digital business" between the male and female genders. The analysis visible in Table 4. revealed a statistically significant difference in the scores for female (M=4,70, SD=0,523) and male (M=4,24, SD=0,772) gender; $t(205)=3,746$, $p<0,001$.

These results provide support for H2 and H3, leading to the acceptance of both hypotheses. A noteworthy difference exists in the attitudes towards both variables between genders. Females exhibit higher mean values (M=4,22) for "Interest in ethics in digital business" compared to males (M=3,81). Similarly, for the variable "Importance of adhering to ethical standards in digital business," females also demonstrate higher means (M=4,70) than male respondents (M=4,24). These disparities are statistically significant, as indicated above, thus confirming the validity of both hypotheses.

Table 3.
T-test for variable Interest in ethics in digital business according to Gender

		Levene's Test for Equality of Variances		t-test for Equality of Means							
		F	Sig.	t	df	Significance		Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
						One-Sided p	Two-Sided p			Lower	Upper
Interest in ethics in digital business	Equal variances assumed	0,683	0,410	3,764	205	0,000	0,000	0,409	0,109	0,195	0,623
	Equal variances not assumed			3,623	145,482	0,000	0,000	0,409	0,113	0,186	0,632

Table 4.

T-test for variable the Importance of adhering to ethical standards in digital business according to Gender

		Levene's Test for Equality of Variances		t-test for Equality of Means							
		F	Sig.	t	df	Significance		Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
						One- Sided p	Two- Sided p			Lower	Upper
Importance of adhering to ethical standards in digital business	Equal variances assumed	11,959	0,001	5,139	205	0,000	0,000	0,463	0,090	0,285	0,640
	Equal variances not assumed			4,704	122,442	0,000	0,000	0,463	0,098	0,268	0,657

5. DISCUSSION

The results are in line with previous research findings and shed light on the intricate relationship between gender and ethical attitudes within the realm of digital business. The socio-demographic analysis revealed a balanced distribution of respondents, with 128 females and 79 males participating in the study. The study's hypotheses were carefully tested using appropriate statistical methods. The Likert scale responses provided insightful data on participants' interest in ethics in digital business and the perceived importance of adhering to ethical standards in this context. Notably, female participants consistently exhibited higher mean values than their male counterparts, underscoring potential gender-based distinctions in ethical perceptions. The investigation into the relationship between "Interest in ethics in digital business" and the "Importance of adhering to ethical standards in digital business" yielded a moderate Pearson correlation coefficient, which provides empirical support for the first hypothesis, confirming that individuals who demonstrate greater interest in ethics also assign higher importance to ethical standards in the digital business domain. As a result, H1 is accepted, affirming the interrelation of ethical interest and ethical importance. Furthermore, the t-test analyses performed to compare gender-based differences in "Interest in ethics in digital business" and the "Importance of adhering to

ethical standards in digital business" bore insightful outcomes. The significant distinction observed in both variables underscores the impact of gender on these ethical attitudes. Females demonstrated higher mean values in both categories. These findings collectively support H2 and H3, validating the hypotheses and affirming that gender plays a significant role in shaping attitudes toward ethics in the digital business landscape.

The implications of these results extend beyond statistical significance. The study underscores the need to consider gender diversity when addressing ethical considerations in digital business. The observed gender-based differences in ethical attitudes emphasize the importance of fostering an inclusive and equitable digital business environment. Females, as demonstrated by their higher ethical interest and value attributed to ethical standards, exhibit the potential for playing a pivotal role in shaping ethical decision-making processes within the digital realm. To inspire women, it is crucial to integrate knowledge and promote ethical awareness of gender bias in all relevant sectors, including initial and ongoing training. Addressing structural barriers, such as working conditions and cultural norms that hinder women's entry into male-dominated fields, is essential. Additionally, enhancing the visibility of digital business models

and ethical standards is vital (Vrdoljak Raguž, 2019). Significant steps are still required (European Commission, Digital Economy and Society Index (DESI) 2021 Croatia, n.d.) to increase the proportion of women, facilitate visibility, and encourage participation in Croatian digital businesses. Such efforts have the potential to drive the country's economic growth and contribute to broader social progress.

In conclusion, this study provides valuable insights into the nuanced relationship between gender and ethical attitudes in the context of digital business. The findings support the acceptance of hypotheses related to the significance of gender diversity in influencing ethical perceptions in business. As society continues its digital transformation, understanding these gender-based nuances will contribute to the development of ethical frameworks and practices that promote inclusivity, transparency, and sustainable growth within the evolving digital business landscape. By acknowledging and leveraging the insights gained from this study, policymakers and businesses can develop strategies that promote gender equality, transparency, and ethical excellence. Ultimately, this study contributes to a deeper understanding of the multifaceted relationship between gender and ethical perceptions in the evolving digital business landscape, providing a foundation for creating a more ethical, inclusive, and prosperous digital economy.

5.1. Limitations and suggestions for further research

Additionally, it is crucial to acknowledge the limitations of this research. The sample size is relatively small, displaying noticeable gender disparities. Additionally, respondents might display social desirability bias, potentially resulting in cautious responses regarding ethical behavior, despite the survey's anonymity. Moreover, due to the online questionnaire format, researchers could not control the conditions under which respondents completed the survey. These factors must be considered when interpreting the study's findings. Furthermore, the study's limitations encompass the possible influence of extraneous and confounding variables, which could have impacted the observed outcomes. These variables may have altered the genuinerelationshipbetweenthevariables of interest, potentially leading to incorrect conclusions.

When it comes to expanding upon this research and building on the findings and insights from the current study, several avenues for further

exploration in the realm of digital ethics concerning gender can be considered. Longitudinal studies could be conducted to track changes in ethical attitudes and behaviors over time within the digital business environment. This could provide insights into whether the observed gender-related differences remain consistent or evolve as the digital landscape continues to develop. Furthermore, employing qualitative research methods, such as interviews or focus groups, could offer a deeper understanding of the underlying reasons behind gender-based differences in ethical attitudes. Investigating specific ethical dilemmas posed by emerging technologies, such as artificial intelligence, blockchain, and biotechnology, and analyzing how gender-based differences impact ethical judgments and decision-making in these areas could offer valuable insights. Additionally, examining the relationship between gender diversity in leadership roles and the establishment of an ethical organizational culture within digital businesses could shed light on how gender-balanced leadership teams influence ethical behavior throughout the organization.

By pursuing these research directions, both scholars and practitioners can enhance their understanding of the intricate interplay between gender, ethics, and the digital business environment. This knowledge will contribute to fostering a more inclusive, equitable, and ethically sound digital landscape.

6. CONCLUSION

In the dynamic landscape of today's information society, characterized by the rapid digitization of business practices, the role of gender diversity in shaping ethical attitudes within the realm of digital business is a subject of significant importance. This study aimed to explore the relationship between gender and ethical perceptions in the context of digital business. In summary, the study's results illuminate the influence of gender diversity on ethical attitudes in the context of digital business. The acceptance of the hypotheses underscores the importance of recognizing and embracing gender diversity when formulating ethical frameworks and practices in the digital age. The study emphasizes that females, who demonstrated higher ethical interest and value attributed to ethical standards, hold the potential to play a pivotal role in shaping ethical decision-making processes within the digital business environment. This study contributes to the existing body of knowledge by shedding light on the nuanced relationship between gender diversity and ethical

attitudes in the context of digital business. Through empirical research and statistical analyses, the study establishes a significant and positive correlation between individuals' interest in ethics and the importance they place on adhering to ethical standards in the digital business landscape. Moreover, the study uncovers substantial gender-based differences in ethical attitudes, with female participants consistently exhibiting higher values in these areas. By highlighting the role of gender in ethical decision-making processes, the research underscores the need for a more inclusive and equitable digital business environment. The findings of this study have practical implications for various stakeholders in the digital business ecosystem, including businesses, policymakers, and educators. The study's results offer a valuable tool for businesses seeking to enhance their ethical frameworks and practices. By recognizing the greater ethical interest and value attributed to ethical standards among female participants, businesses can develop targeted initiatives to promote ethical conduct and transparency. Likewise, policymakers can leverage the study's insights to formulate regulations and guidelines that promote gender equality and ethical conduct within the digital business landscape. In conclusion, this study's contribution lies in its revelation of the intricate relationship between gender diversity and ethical attitudes in the digital business context. The practical usefulness of these findings extends to informed decision-making for businesses, policy formulation, and educational initiatives, ultimately fostering a more ethical, equitable, and prosperous digital business environment.

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ORIGINAL RESEARCH PAPER

LOCAL POLITICAL PARTIES IN AUSTRIA DURING THE COVID-19 ERA: A COMPARATIVE CASE ANALYSIS

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ABSTRACT

This article examines local political party organization of the SPÖ and its handling of the COVID-19 pandemic. The practices and initiatives adopted by local political, social, and democratic party groups in two Austrian regions, a rural town in Styria and an urban district in Vienna, during the COVID-19 pandemic were examined. Using Problem-centered interviews (PCI) and group discussions as instruments for data collection, it was investigated how these parties adapted their activities to maintain engagement and support from the population in the face of unprecedented challenges. The results showed that both parties transitioned to online formats for meetings and events. Measures such as telephone assistance for emotional support, projects to support local businesses, and social measures for those in financial need were introduced to meet the urgent needs of people in the communities. Despite some challenges such as fluctuating motivation, difficulties in maintaining online engagement, ICT competencies, and dealing with personal overload, local parties demonstrated resilience and adaptability during the crisis.

Keywords: COVID-19, local politics, ICT competency, political participation, communication

**MAP SOCIAL SCIENCES**

Volume 4

ISSN: 2744-2454/ © The Authors.
Published by MAP - Multidisciplinary
Academic Publishing.

Article Submitted: 10 August 2023
Article Accepted: 05 September 2023
Article Published: 06 September 2023



Publisher's Note: MAP stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.

<https://doi.org/10.53880/2744-2454.2023.4.43>**HOW TO CITE THIS ARTICLE**

Pinzolit R. (2023). **Local Political Parties in Austria during the COVID-19 Era: A Comparative Case Analysis**. MAP Social Sciences, 4, 43-52.
doi: <https://doi.org/10.53880/2744-2454.2023.4.43>



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Introduction

Political parties are important components of democratic societies, operating at different levels, from federal to local communities. At the local communal level, proximity to voters is a defining feature, with parties relying on citizens' voluntary contributions and expertise. This study examines the experiences of two predominantly volunteer-driven local communal party organizations (SPs) as they navigated the challenges and opportunities presented by the Covid-19 pandemic, particularly in the areas of organizational and communication practices. Effective communication and adaptability became crucial when the pandemic disrupted operations. Therefore, this study focuses on the adaptation strategies of local political parties in the contrasting settings of Styria (rural) and Vienna (urban) during the pandemic. These adaptations range from the use of information and communication technologies (ICT) to innovative canvassing methods, virtual events, and the deployment of social media tools. What makes this particularly intriguing is the reliance on volunteers who may not necessarily have prior expertise but need to quickly acquire skills to address emerging challenges. Furthermore, the research highlights not just outward-facing communications to voters but also internal dynamics, underscoring the importance of internal communications in these party structures. Using a qualitative, collective case study approach, this research gathered data from problem-centered interviews and group discussions involving sixteen individuals over a period of 1 1/2 years. This study provides new insights into the adaptability foundations of local party organizations during times of crisis. By shedding light on the nuanced adaptations made by political entities at the local-municipal level during an unprecedented crisis, this study contributes significantly to the literature on small- and micro-party research. The results not only demonstrate the resilience and adaptive capacity of local political party organizations but also present in this particular setting the various challenges faced by small party organizations at the local level as *loosely coupled systems*. This study contributes scientifically to small-party research. The results can also be a practical contribution to the party organization of the SPÖ. They could also be involved in reviewing and developing aspects, such as ICT skills and various aspects of internal training against the background of volunteers.

Literature Review

Party organizations in the local arena

This section outlines the functions and structures of local party organizations that the author considers essential to politics in general. First, local political party organizations can be classified according to organizational theory. Research contributions in the areas of organizational management and communication, spanning from leadership to diversity management, offer valuable insights. In particular, Harris and Sherblom (2002) provide a systems theory perspective on diverse group structures, while Katzenbach and Smith (1992) stress the importance of team potential and individual development in enhancing performance. Given the shift towards digital platforms and the consequent changes in organizational demands, Appelo's (2010) Management 3.0 provides a useful lens to explore the agility and complexity of modern organizations. This notion of evolving organizational structures can also be applied to community political groups, especially with Niemeier's (2016) focus on agency within such entities. Unlike large organizations, the team composition of local parties is dependent on the availability of volunteers, with their ICT skills playing a crucial role in achieving organizational objectives. In the author's view, these organizations do not fit Weber's (1921) bureaucracy model but align more with the description of *loosely coupled systems* or *organized anarchies* (Ingersoll, 1993; Lösche, 1993). Therefore, the decision to categorize local parties as groups or teams poses a challenge. This study proposes a hybrid perspective, viewing local parties as a blend of self-managing work teams (SMWT) and loosely coupled systems or *groups as subcultures* (Harris, 2002).

Medialization and Mediatization in Political Communication

To secure the public endorsement of their positions, political parties utilize online media as part of their communication strategies (Borucki, 2019; Rahat & Kenig, 2018). An actor-theoretic consideration of political communication classifies actors into three broad groups: parties and politicians, media and journalists, and citizens (McNair, 2018; Perloff, 2013; Reinemann, 2010). For political actors to succeed, their ability to mediate and represent is imperative (Delle Donne, 2019; Kamps, 2013). According to Dolata and Schrape (2014), it is important to recognize political organizations as *corporate actors* with formalized processes and differentiated capabilities for decision-making (Ahrne & Brunsson, 2011) when understanding the implications of medialization on them. Because local par-

ties are typically made up of small organizational structures, it is difficult to draw a clear distinction between collective and corporate actors, which requires a consensus decision-making process within each group. Regardless of their type, all actors are affected by medialisation's influence, as political parties continue to rely on the media for public communication, which can influence their decision-making processes and actions (Marcinkowski, 2015; Strömbäck & Van Aelst, 2013). In light of the demands of medialization, the professionalization of party apparatuses has been viewed as a response (Krouwel, 2012), involving strategies such as communication management, media training, and specialist involvement. To achieve these goals, an organizational structure must be developed that centralizes communication as a key task and integrates it directly into political action (Jun, 2009, 2022). However, there is a double edge to the medialization of political communication (Korte & Fröhlich, 2009). While it facilitates the dissemination of information, it can also oversimplify and sensationalize political messages, leading to a turn towards 'politainment' (Brants, 1998; Dörner, 2004). In the digital age, representational politics have gained importance over decision-making politics, significantly affecting the everyday communication of political actors (Korte & Richter, 2022). To communicate effectively in politics, political actors must adapt to the changing prerequisites and resources required (Kamps, 2013). Failure to adapt can weaken an actor's resonance with citizens, thus reducing their influence (Korte, 2019). Due to the increasing speed of social media communication, the quality of discourse may be reduced, making it necessary for political actors to manage their communication to maintain their power base (Korte, 2012). This study examines how these factors influenced the political communication of local SP community organizations and their predominantly volunteer actors during Covid-19.

Media Transition and Professionalization Challenges in Local Party Organizations

Scholars across disciplines have long studied the rapid transformation of media, including the rise of the Internet and social media platforms as political communication platforms (Schulz, 2004). Because of these digital platforms, politicians have been able to reach out, interact, and participate in real-time communication with a wider audience (Franck, 2016; Heinze, 2012). However, as a result of these changes, local party organizations face several new challenges. It has become more difficult for parties to communicate effectively, both internally and externally, necessitating adjustments

to both internal and external communication strategies (Borucki, 2022). Norms, rules, institutionalization, resources, and actor constellations contribute to shaping communication avenues and impacting decision-making processes (Kamps, 2013; Sarcinelli, 2013). Political communication behavior has become increasingly professionalized because of its ability to mediate and represent (Delle Donne, 2019; Kamps, 2013; Korte, 2006). Consequently, traditional communication strategies must be supplemented by new, egalitarian, and direct formats, both online and offline. Local party organizations tend to act independently, with actors able to establish direct interpersonal relationships with their environments (Carty & Eagles, 2005; Le Galès, 2021; Reeves, 2013; Songer, 1984; Wien & Franzke, 2014). As part of this trend, campaign management tasks have been outsourced to specialized agencies, where external consultants supplement internal party resources in areas such as public relations and media planning (Negrine et al., 2007). The local level, however, has traditionally been conducted by so-called party soldiers or volunteers who provide time and resources (Negrine et al., 2007; Schulz, 2011). There is often a lack of experience among these volunteers in political marketing and advertising. Although technical resources may be limited, personal contributions may be required to position political offerings at a local level. Campaigns on social networks have become a central feature of contemporary democracy, with research by Bright et al. (2020) suggesting that Twitter-based campaigning can influence vote outcomes. However, evidence of the effectiveness of these campaigns remains limited.

Methodology and Research Question

In this study, Covid-19's impact on the performance of social democratic parties in the local communal arena within Austria was examined using a qualitative collective case study approach (Stake, 1995, 2010). The research question central to this study is: "How did the Covid-19 pandemic affect the party work of social democratic organizations on in the local arena?" The methodology facilitates an in-depth understanding of complex issues in real-world settings and captures the intricate dynamics of the party organizations under consideration.

Data Collection and Instruments

The data material comes from the author's dissertation study and was collected between February 2021 and December 2022, and has not been exploited so far. Thus, this article is based on research material collected during the Covid-19 cri-

sis. Data were collected through problem-centered interviews (Witzel, 2000; Witzel & Reiter, 2012) and group discussions (Lamnek & Krell, 2010) with 16 key actors from local communal case organizations, providing a rich pool of first-hand observations. As a result of these interviews, the central issues contributing to the Covid-19 crisis were revealed and understood, while group discussions gave the participants a platform to share and discuss their diverse views and experiences over a time interval of 1 year (Case 1) and 1 1/2 years (Case 2).

Data Analysis

Structured qualitative content analysis (QDA) was used to process the data collected following the methodology of Kuckartz (2018). This methodology was chosen for its effectiveness in identifying and exploring patterns and themes within the material.

Table 1.
Overview of selected cases

Key Dimensions	C1	C2
Federal location	Party Activists in Urban Vienna	Local Party in rural Styria
Population	~76.000 Inhabitants (district)	7,500 to 15,000 (city)
Typology	urban	rural
Special Characteristic	A loose association of party activists, 25 members, 10–12 individuals at the core; most of the respondents hold academic titles.	A classic social democratic party organization; 265 members ranging in age from 26 to 98 years
Gender ratio	The interviewees had a gender ratio of 4 (male) to 3 (female).	The actors interviewed had a gender ratio of 5 (male) to 4 (female).
Age range (participants)	27 to 50	28 to 71
Majority/minority of mandates	No mandates.	Majority
Mayoral Office	–	Mayor
Online Presence	Social Media	Website, Social Media

Data analysis was structured around three main categories: (1) Adaptation to Digital Communication and Experience; (2) Impact, Challenges, and Limitations of Digital Communication; and

(3) Community Engagement and Support Initiatives. By exploring these categories, a comprehensive understanding of the crisis phenomenon was achieved in two different local communal party organizations. This led to a Cross-Case Report that provided an analysis of these phenomena. The following section presents and discusses the results derived from the coded segments of the interviews based on these categories.

Table 1 lists some of the key characteristics of the cases.

Findings

The following statements relate to the research question posed to the actors interviewed in both cases. This anonymized study summarizes the actors and labels them with an abbreviation, where C1 represents Case 1, and the subsequent P + number represents the person interviewed.

Case 1

The actors interviewed from the local party activist group shared their experiences and perspectives on how the pandemic affected their activities and interactions in a loosely coupled system. C1P1 explained that due to Covid-19 related restrictions on indoor meetings, their group tried to resort to outdoor activities such as street campaigns and pop-up stands to maintain their presence and engagement with the public. They mainly moved to online meetings, which were deemed adequate but not a complete substitute for physical gatherings. C1P1 acknowledged that online meetings worked for their group because many members were used to them and were able to work from home, but pointed out that the social aspect of physical meetings could not be replicated virtually. C1P2 shared a similar sentiment, stating that the closure of the group's favorite meeting places, such as local pubs, made it difficult for them to hold regular meetings. They resorted to using online platforms such as *Zoom* or *WhatsApp* but noted that not all members participated in these digital gatherings equally. C1P2 also expressed a preference for in-person meetings, citing the limitations of online communication in expressing ideas and ensuring that messages were accurately conveyed. According to social media and advertising, C1P1 stated that they used advertising only for a couple of events. C1P2 also pointed out that not all members were tech-savvy, even in their constellations consisting of younger and educated actors, so online communication was not always an ideal option for the group. C1P3 mentioned that physical meetings became difficult, and they

were forced to move their activities to the internet, which led to a reduction in the frequency of meetings by about a third or even half of the usual number. C1P4 also mentioned that they had to rely more on digital events, which had become less frequent. They also discussed the difficulties in planning anything specifically, except for online events, and how online events were not as good a replacement for social interaction as physical meetings. They also mentioned that online events tended to be less efficient in terms of discussions and interactions, and lost their usual spontaneity. Despite the challenges posed by the pandemic, C1P4 expressed hope that they would soon be able to resume their usual activities, such as meeting in person at cafés and parks, and having discussions in a more relaxed and social setting. Overall, both C1P3 and C1P4 showed that the pandemic had a significant impact on their organizational work, and they had to adapt to new circumstances. Despite these challenges, they remained optimistic and continued to work towards their goals. As a follow-up to the PCIs, Case 1 stakeholders had a group discussion to address the impact of the COVID-19 pandemic on their ability to organize and engage in their communities. C1P3 noted that while the digital events were successful, they still missed the social aspect provided by the in-person events. C1P4 added that it was more difficult to attract new people to online events and missed the lower-barrier events they would typically organize, such as outdoor picnics or public booths in parks. C1P2 suggested that when they could meet again in person, they could organize walks or excursions to strengthen group dynamics. The actor also noted that online events could lead to less commitment and lower motivation for participants, but it was easier for people to join because they did not have to travel. C1P5 highlighted a successful project that they carried out during the pandemic, which involved making videos with local restaurants and bars to show support during lockdowns. When asked about whether they would keep any successful formats or approaches after the pandemic, C1P2 suggested recording talks by speakers and posting them on their YouTube channel to expand their reach.

Case 2

C2P2 mentioned that activities were limited and that virtual meetings replaced face-to-face meetings. The actor had missed face-to-face contact and social aspects of in-person meetings. C2P6 mentioned that the pandemic had affected the operation of their political organization in general, especially in terms of meetings and events. Despite the fact that the actors involved were mostly older

than 50 years and had to adapt to online communication because of the pandemic, this had worked well. In general, the organization was able to adapt well to the challenges of the pandemic. In the group discussions that had been conducted more than a year after PCI, C2P4 reported that the COVID-19 pandemic had been very challenging for all organizations, including their political party organizations, as many people had not been easily reached due to restrictions and security concerns. As a result, there were fewer events and gatherings, and people had been more withdrawn and more afraid due to feared health risks. However, C2P4 also saw the pandemic as an opportunity to demonstrate the importance of having a trusted and reliable institution or party to turn to in times of crisis. As the majority party in the community, the SP had a good reputation and was seen as a constant that people could rely on. Despite this advantage, the party faced challenges in organizing events and meetings and had to rely on videoconferencing and other technologies and continue its work in this way. C2P6 mentioned that the pandemic also resulted in personal disengagement from organizing work. C2P6 also noted that the use of videoconferencing tools made it easier for members to participate in meetings and other activities. For C2P6, this option was convenient and well suited for all active actors in the local organization. However, the actor acknowledged that there were also differences, especially in technical skills related to age. C2P6 noted that it was more difficult for older members and those not involved in daily operations to adapt to changes caused by the pandemic. C2P6 also mentioned that there had been much peer support from other stakeholders in the community, which had contributed to a smoother transition. However, with the support and assistance of other volunteers, all participants were able to participate in these activities. The study author and interviewer asked if there were individuals who had used the pandemic as an excuse to distance themselves from the organization. C2P8 responded that he had not observed any “submarines” or individuals who had stayed away from the online meetings. However, C2P8 also expressed his dislike for online meetings and felt that face-to-face contact was essential in local political work. He also acknowledged that the pandemic made it more difficult to reach out to the community. C2P9 explained that in the early stages of the pandemic, the citizens of the municipality had been overwhelmed by Covid-19-related restrictions. However, as an organization, they adapt relatively quickly to the changing situation by helping people as much as possible and supporting them with informational resources. They used various means to accomplish this, including WhatsApp and social

media. The team in the case had used WhatsApp to share information internally. They also relayed public information from the community administration to these channels. C2P4 noted that the Covid-19 pandemic severely affected their ability to connect with people and maintain personal contact. C2P8 reported that he had not made any home visits during the pandemic, mainly due to possible negative reactions from people who had been very concerned about social distancing. Moreover, it was feared that other political competitors would easily exploit this criticism. The interviewee mentioned incidents where people had become angry when others in the pharmacy or grocery store did not strictly adhere to the distance rules. According to C2P8, they would only go to someone's home if nothing else was available and if it was absolutely necessary. C2P4 stated that during the pandemic, all political parties, with the exception of the communist party (KP), had deviated from party politics and worked together to ensure the safety and well-being of all parties. C2P8 had stated that digital formats for thematic or political offerings had hardly been used during this COVID period; however, certain events, such as the city festival, had been organized differently to adapt to the situation. These adaptations were well received by the public, and C2P8 noted that they had been a positive change. C2P8 responded that there were not many changes beyond the modified events but that these changes were effective. C2P2 reported that during the Covid-19 pandemic, she worked as a counselor at a counseling center, similar to a telephone counseling center. She also sought out people in person when needed. C2P4 commented that she had not given her personal phone number, but C2P2 had given out her number and had still been receiving calls after the counseling center had closed. C2P2 noted that this service had been a party's tool to keep in direct contact with people during the pandemic, and C2P4 added that it would be developed even further in the future. The author of the study and the interviewer asked the participants if there had been special initiatives or activities to contact young people during the pandemic. However, participants could not recall the special activities that targeted this age group. However, the participants noted that it had been a difficult time, especially for younger people in the community.

Discussion

The Covid-19 pandemic presented unique challenges for political engagement at the local level, as shown by the experiences of political actors in both cases. This discussion explores the main findings and highlights the challenges, adaptations,

and implications for future political engagement.

The adaptability of these organizations in the face of a global crisis and their strategies for engagement in two disparate settings – a rural town in Styria and an urban district in Vienna – provides detailed insight into the operations of social democratic parties during this period. The pandemic had a significant impact on local party organizations in Austria.

The qualitative findings reveal a spectrum of ICT capabilities within these organizations. While some members transitioned seamlessly to digital platforms, indicating pre-existing familiarity with digital tools, others, particularly older members, had difficulty transitioning. This variance underscores the inherent diversity of ICT capabilities and their impact on operational continuity during unexpected crises. According to Gao et al. (2020), the inherent diversity of ICT capabilities can pose challenges to operational continuity. Organizations with a wide range of ICT capabilities may face compatibility issues and difficulties in integrating different systems and technologies. This can lead to disruptions in communication, collaboration and access to critical resources. Additionally, organizations with limited ICT capabilities may struggle to provide the necessary infrastructure and support for remote work, leading to decreased productivity and operational disruptions.

However, during the pandemic, organizations had to find new ways of communicating and organizing due to social distancing, digitalization, and remote working, which was also reported by Arregi et al. (2022). In light of the present study, both cases shifted to online meetings in times of crisis, thus underlining the importance of digital engagement. Consequently, several challenges are associated with this transition. Case 1 illustrates that online meetings are an imperfect substitute for in-person interactions, and that certain intrinsic values, especially the social aspect, are irreplaceable. As in Case 2, online platforms provided continuity, but could not replicate the richness of face-to-face interactions. Even in relatively educated groups, there is a digital divide that persists among participants in these digital gatherings. As shown in Case 2, older demographics are hesitant to participate in online meetings, highlighting a challenge faced by many organizations: the friction between rapid technological change and entrenched habits that was already covered by Levinthal (1998). Collaborative ICT support has emerged as a defining theme. The element of collegial support, which was particularly emphasized in the second case study (Styria), illustrates the collaborative nature of ICT learning.

To the extent that some members demonstrated their skills, they became important advisors to their less-technically savvy colleagues. This underscores the importance of fostering collaborative ICT skills in organizations as well as the social dimensions of technology adaptation. However, training opportunities from higher-level organizational units of the party were not associated with Covid-19 needs. This suggests that social democratic organizations at the district or state level did not see or could not serve this need (Ackermann et al., 2023). Efforts to maintain connections with the community, whether through videos with local institutions or the dissemination of information via WhatsApp, sporadically suggest a higher level of ICT literacy in these areas. Here, technology was not just a communication tool, but was used strategically for broader organizational outreach. However, this discussion clarifies the importance of ongoing ICT training. The observed disparities in ICT skills and the resulting challenges faced by some members underscore the urgency of regular training, especially in organizations characterized by diverse demographics. Creating an environment that fosters continuous learning is essential for sustained, inclusive engagement.

Despite these challenges, both groups exhibited adaptability, particularly in their attempts to remain visible and engaged within their communities. The various initiatives, ranging from street campaigns between the Covid-related lockdowns in Case 1 to support videos for local businesses, speak to the parties' innovative strategies to remain present and useful during trying times. The emphasis on community, both in the sharing of public information and the provision of emotional support, paints a picture of local parties striving to remain socially relevant amidst an unprecedented health crisis. The collaboration noted among political parties, as highlighted in Case 2, further signifies the commitment to community well-being over political divide during such periods. Newer scientific contributions show that a local government's perceived quality mediates the effects of the pandemic on political trust (Bottasso et al., 2022).

However, as the data indicate, the two local party organizations under study face a number of challenges. During the digital shift, maintaining the frequency of engagement, ensuring a broad spectrum of participation, and dealing with *digital fatigue* were challenges. The difficulty in reaching out to young people in the community, as mentioned in the latter part of Case 2, suggests that this is an area that could benefit from improvement and focus in the post-pandemic era. In addition to the adapta-

tion of events, such as the *city festival* (Case 2), it is important to note that the post-pandemic period may see a blend of traditional and modified forms of engagement. This underscores the need for local parties to have a dual approach in their operational strategies – one that allows them to rapidly pivot to digital platforms when needed and another that ensures they remain deeply rooted in their communities, recognizing the irreplaceable value of face-to-face interaction. As we move ahead, these organizations might also need to bolster their strategies to engage younger demographics, ensuring a multi-generational representation and participation in their activities.

Conclusions

The Covid-19 pandemic has had a significant impact on the functioning and organization of local political activist groups and their engagement strategies. This study, conducted with representatives from two cases, provides insights into the challenges and adjustments made by these groups during unprecedented times.

The data show that, in Case 1, the pandemic posed substantial challenges to the customary activities and interactions of the local party activist group. The restrictions imposed by the pandemic forced the group to adopt digital tools for meetings and communications. Although online platforms provide a solution for maintaining continuity in activities, they are unable to replicate the social essence of physical meetings. This sentiment was shared unanimously across all actors interviewed in Case 1. The closure of their customary meeting places, such as local pubs, further disrupted their regular engagement. Moreover, the technological barrier surfaced, with not all members being equally technology-savvy, leading to disparities in participation.

Case 2's insights revealed that, as in Case 1, moving to virtual meetings was imperative. Despite the older demographics, the transition to online platforms was relatively smooth. However, the challenge was to retain the richness and depth of face-to-face interactions. The pandemic's impact was not only limited to logistical challenges, but also extended to psychological dimensions, with citizens feeling overwhelmed due to the restrictions. Despite this, there was a commendable collaborative spirit observed among the political parties under study during the crisis, emphasizing communal well-being over party politics. For instance, the unique initiative of using a counseling center as a medium to stay connected with the community stands out,

underscoring the importance of direct contact in times of crisis. However, there seemed to be a void in specifically targeting the younger demographic, pointing towards a potential area of focus in future engagement strategies.

The adjustments made during the pandemic from online meetings to community support initiatives highlight the adaptability and resilience of these groups. However, the longing for in-person interactions and the challenges posed by online communication underscores the irreplaceable value of face-to-face engagements.

While the data from this Small N study show that local social democratic organizations generally have ICT skills and are certainly adaptable to some degree, they also show that there were gaps in the handling of the pandemic. Addressing disparate digital tool capabilities through continuous improvement of ICT skills and understanding the benefits and limitations of digital tools are important for these organizations, as they also navigate the local political arena of an ever-evolving digital landscape. Based on the findings and conclusions of these two qualitative case studies, further quantitative studies are required to investigate the general everyday digital skills of volunteer actors in the local political arena. Since this study focuses on Austrian political micro-organizations of the Social Democratic Party, the use of the Austrian adaptation of the European DigComp framework (Nárosy et al., 2022) is obvious. In summary, the pandemic undeniably strained the work of local political organizations. The shared experiences, challenges, and innovations during this period can also serve as a basis for establishing a framework for future policies and actions and provide evidence for future studies.

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ORIGINAL RESEARCH PAPER

FORMS OF KNOWLEDGE TRANSFER IN IT PROJECT MANAGEMENT

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ABSTRACT

This qualitative research study explores the experiences of project managers in IT projects, using an investigative approach to explore the intricacies of knowledge transfer in these contexts. The research framework emphasizes the complexity of social dynamics and the need for a deeper understanding, prompting the use of qualitative methods. Expert interviews were chosen as the primary data collection technique due to their alignment with the research objectives. The study adopts an exploratory perspective, with online interviews conducted using a co-expert approach. The philosophical stance of the study is based on phenomenalist principles and aims to gain insights into the personal experiences of project managers. The experts selected for the study met specific criteria, including certification and experience in IT project management. Thematic analysis revealed key categories: Forms of knowledge transfer, challenges, and opportunities. Personalized spontaneous knowledge transfer emerged as the dominant form, facilitated by informal interactions, and efforts to codify this knowledge in a documented form were observed. Challenges included issues of quantity, distribution, team dynamics, technology platforms, organizational culture, and time constraints. Successful knowledge transfer was associated with increased efficiency, improved quality, faster project completion, and continuous improvement of methods and standards. The study suggests that project-based organizations should develop strategies to improve knowledge transfer, incorporate it into project management standards and focus on facilitating effective communication between team members.

Keywords: knowledge transfer, project management, challenges, opportunities, project-based organizations



MAP SOCIAL SCIENCES

Volume 4

ISSN: 2744-2454/ © The Authors.
Published by MAP – Multidisciplinary Academic Publishing.

Article Submitted: 10 August 2023
Article Accepted: 18 September 2023
Article Published: 19 September 2023



Publisher's Note: MAP stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.

<https://doi.org/10.53880/2744-2454.2023.4.53>



HOW TO CITE THIS ARTICLE

Stampfl R., Fischer J., Palkovits-Rauter S. (2023). **Forms of Knowledge Transfer in IT Project Management**. MAP Social Sciences, 4, 53–66.
doi: <https://doi.org/10.53880/2744-2454.2023.4.53>



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Introduction

This research explored the intricacies and perspectives of knowledge sharing in the field of IT project management. Knowledge transfer in this field is a multifaceted and dynamic process that is determined by many factors. As a result of this study, the influence of challenges on knowledge transfer in the IT project landscape was investigated and the potential opportunities of well-functioning knowledge transfer were identified. The exchange of knowledge within projects and between projects and project-based organizations is a complex and ongoing endeavour, influenced by many factors and fluid circumstances. A study by Zhou et al. (2022) examined the process of knowledge transfer from projects to project-based organizations using simplified variables. However, further research is needed to develop sophisticated dynamic models. In addition, their research focuses only on the transfer of knowledge from projects to project-based organizations and overlooks the investigation of the challenges and opportunities associated with this knowledge exchange. Zhou et al. (2022) suggest that future research should emphasize alternative facets of knowledge generation or examine the whole process of knowledge management within project-based organizations.

In the context of this study, knowledge transfer within the project organization will be examined in more detail and the forms of knowledge transfer through knowledge-based project management will be discussed. It also examines how collective knowledge is generated within projects and how it can be transformed into organizational knowledge after a project has been completed. An organization that has comprehensive collective knowledge that goes beyond individual knowledge of individuals is of great importance for its future. This collective knowledge can help the organization adapt to changing circumstances and remain successful in the long term (Probst et al., 2012). In their recent research, Mariam et al. (2022) found a positive relationship between knowledge-based leadership and triumphant project outcomes. This relationship was mediated by enhanced team unity, while the influential effects of esteem for individuals and the intricacy of projects were observed as moderators. The findings of Mariam et al. (2022) are corroborated by the research conducted by Naseem and Abbas (2022). Naseem and Abbas (2022) also confirmed that organizational leadership and management can derive notable benefits from an improved understanding of cross-project knowledge

transfer, skilful knowledge integration, and the resulting project outcomes, all of which culminate in the realization of strategic goals.

In order to explore this area of tension and to capture the concrete challenges and opportunities of knowledge transfer in IT project management, this study used qualitative research methods. The focus was on the forms of knowledge transfer used by IT project managers in practice. The aim is to demonstrate to both existing and future project managers that knowledge transfer needs to be managed purposefully and the challenges that need to be addressed. To learn from the experiences of other project managers and project teams and to incorporate recommendations into one's own organisational culture, the empirical results of the interviews will be used.

Theoretical Background

Knowledge transfer is always linked to people and implies empowerment to acquire knowledge (Grothe & Marke, 2012). Understanding knowledge transfer processes also depends on how knowledge is transferred. Different forms of knowledge transfer can manifest in different ways and with different methods (Lehner, 2021). The forms that take place within projects and between projects and the project-based organization correspond to the definition of Thiel (2002), which includes the extension of Tochtermann and Maurer (2000) that knowledge transfer takes place between all knowledge carriers – the material, personnel and collective project knowledge carriers. Project knowledge can be transferred in any form within projects, from projects, and across projects. The individuals involved shape the process and are understood as moving individuals in this processual exchange. Spontaneous transfer processes are individual for each subject, subject to the respective situation, and shaped by the individuals involved (Harnisch-Schreiber, 2023). It is therefore important to systematize this spontaneous transfer of knowledge, but without hindering or even preventing it. To secure this knowledge for the organization in the long term, the knowledgeable person would have to put a short and well-understood description of his or her solution in a place where as many people as possible who need it can find it. There are two ways in which a person can share their newly acquired individual knowledge: they can share it in a one-to-one consultation, or they can present it at a project management meeting to share their experience. Both are forms of knowledge transfer.

In many organizations, knowledge transfer occurs spontaneously, where knowledge is shared without any planned intention. However, it can be beneficial for the organization to implement systematic, controlled knowledge transfer, where the entire process from knowledge transfer to the application is planned and managed (Mittelmann, 2013). Hansen et al. (1999) distinguish between codification and personalization in knowledge transfer. In codification, the reuse of codified knowledge enables high-quality, reliable, and rapid implementation of information systems. Personalization involves the transfer of knowledge from personal knowledge carriers to tangible knowledge carriers, where the development of an electronic document system codifies, stores, disseminates, and enables the reuse of knowledge. Codified knowledge transfer is about information infrastructure for archiving, accessibility, appropriate search environments, and subject indexing of information (Michaelis et al., 2019).

Literature review

These forms of knowledge transfer show that spontaneous and personal transfer cannot be avoided in projects. Attention needs to be paid to this transfer and a systematic approach is needed to make the knowledge transferred explicit. Thiel (2002) describes that different technologies can be used for knowledge transfer and that these technologies facilitate the exchange. These technologies do not provide a system for the transfer but only serve as a channel. The need to use technologies for the exchange of tacit project knowledge is confirmed by Guribie et al.'s (2022) study on the synthetic assessment of systemic barriers to the personalization of knowledge flows within and between projects. One finding of this study is that the lack of chat rooms for the transfer of tacit knowledge is a major barrier to the personalization of knowledge flow.

To successfully introduce systematic knowledge transfer in project management within an organization, several factors should be taken into account: the organizational culture must be knowledge-friendly, employees must have a strong knowledge orientation, specific role models such as knowledge bearers and knowledge takers should be in place, and appropriate technological support must be available (Mittelmann, 2013). Pawlowsky (2019) describes a knowledge-oriented organizational culture as one of the most important prerequisites for successful knowledge management and

identifies a positive attitude towards knowledge as a success factor for knowledge transfer. Lehner (2021) also identifies a knowledge-based culture as a key aspect and employees' positive attitudes towards exploring, sharing, and developing knowledge as essential for successful knowledge management. According to Bullinger et al. (1997), an inappropriate organizational culture is a barrier to continuous knowledge transfer. Cultural distance also has a negative impact on knowledge transfer. Zhou, Deng, Wang, et al. (2022) show that it directly affects effectiveness by mediating willingness to contribute and retain knowledge. Cross-cultural team training reduces cultural distance (Zhou, Chen, et al., 2022). Mahura and Birollo (2021) found that informal practices in PBOs facilitate knowledge transfer by providing space for sharing. Majuri (2022) shows that social capital and motivation are important in inter-firm knowledge transfer. Constraints include changes in project duration, budget, research interests, and resource scarcity. Changes in project duration and budget affect knowledge transfer in all projects. Barbosa et al. (2022) recommend training, diverse teams, and focused meetings for knowledge transfer in project management. But cross-project knowledge transfer also depends on the type of knowledge and transfer methods (Waveren et al., 2017).

Current study

Aim and research question

The main objective of this research was to collect and analyse the practical knowledge of project managers, focusing on their real-life encounters in operational IT projects. In the context of this study, qualitative research has been conducted because the aim is to uncover new opportunities or challenges in knowledge transfer from the perspective of project managers in the context of IT projects. It is intended to provide a basis for new theories or hypotheses and to lay the groundwork for possible subsequent quantitative research that may confirm or refute the findings.

It is not the aim of this work to test existing theories or hypotheses. It is the aim that the results of this work will be of use to both the academic and business communities. One aim of this work is to identify new opportunities and existing challenges. Therefore, the study was guided by the research question of what challenges and opportunities are encountered in knowledge transfer in IT project management. Furthermore, the influence of project

managers' experiences on knowledge transfer in IT projects will be demonstrated. This will show existing and future project managers that knowledge transfer must be planned and controlled and that successful knowledge transfer in IT projects depends on personal knowledge orientation. The empirical results of the interviews will be used to learn from the knowledge transfer challenges already mastered by other project managers and project teams and to introduce recommendations to one's own organizational culture.

Methodology

To address the question at hand, a qualitative research framework was used to develop insights into the encounters of project managers within IT projects. The research was investigative in nature, a method well suited to exploring phenomena that are only partially understood (Eisenhardt & Graebner, 2007). The choice of a qualitative rather than a quantitative approach was a deliberate one, as the former can provide a deeper understanding of complex social dynamics (Eisenhardt & Graebner, 2007), exemplified by the personal encounters of project managers. In addition, it is crucial to delve into the complex and authentic environment in which knowledge exchange takes place. When selecting from the range of techniques available within the qualitative research framework, considerations extend to factors of research efficiency as well as facets of research focus and nuances within the field – in this case, the field of IT project management. Among the available options, interviews have many advantages, both in terms of research efficiency and, most importantly, being well aligned with the objectives of the empirical investigation. The construction of questions within the interview guide allows for the inclusion of gaps identified in the theoretical segment and particularly interesting facets of knowledge transfer. Hence, the guide plays a central role in ensuring that the interview remains focused on the research question. The expert interviews were conducted according to the principles of exploratory expert interviews, as outlined by Bogner et al. (2014). This interview format is suitable for eliciting insights into the research topic and for capturing the contextual background of the experts. With research efficiency in mind, the online interview approach was chosen. Given the researcher's familiarity with the subject area, the interviewer assumed the role of co-expert, creating an interactive dynamic similar to that described in constellation theory. This resulted in a balanced interaction configuration during the interviews, where

the interviewer's knowledge of technical jargon and project management was equal to that of the interviewees. This configuration had the advantage of a high level of professionalism and a wealth of factual information, yet the interviews were confined within the boundaries of professional discourse and carried a strong professional influence. This interplay of interactions fits seamlessly with the exploratory underpinnings of this research endeavour, as outlined by Misoch (2019). How the results of data analysis are interpreted varies according to the foundational philosophical perspective held by the researcher. Therefore, understanding the findings of the study requires awareness and transparency of the foundational philosophical stance, a point emphasized by Biedenbach and Müller (2011). As a result, the researcher's inherent philosophical stance is consistent with phenomenalist principles. As a consequence, the analysis of the findings within this research endeavour sought to cultivate insights into the personal realms of project managers' experiences.

Participants

The role of an expert is determined by the researcher within the concrete research process. This methodology facilitates the self-definition of the experts, which results from their positions and the associated knowledge they possess, as outlined by Kaiser (2021). For this research, it is assumed that these experts are responsible for overseeing IT projects and also have insight into the project team and the decision-making mechanisms inherent in the projects. In line with the work of Misoch (2015), these experts are holders of specialized knowledge that has been honed through training efforts, often validated by certificates, or through practical involvement in specific organizational tasks. To verify the expert status of the respondents in this study, specific criteria were implemented, requiring the possession of a valid certification from a reputable project management institute, in addition to a minimum of five years of experience in the field of IT project management. The term 'IT projects' encompasses a range of endeavours, such as software development projects, enterprise software integration and implementation initiatives, information systems endeavours, IT infrastructure endeavours, and strategic IT initiatives, in line with Tiemeyer and Bauer's (2010) study.

The size of the sample was set at eleven people, and the detailed information on their experience and certifications can be found in Table 1.

Table 1.
Information on the interviewed experts

Person, gender	Experience with IT projects	Experience (in years)	Certification(s)
Person 1, male	Digitalisation projects, cloud projects, software development projects, business software implementation projects	19	Project Manager, cPM (pma/IPMA® Level C) Scrum Master
Person 2, male	Implementation projects, digitalisation projects, strategic IT projects	26	Senior Project Manager, cSPM (pma/IPMA® Level B)
Person 3, female	Business software implementation projects	8	Project Manager, cPM (pma/IPMA® Level C) Scrum Master
Person 4, female	Business software implementation projects	8	Project Management Associate, cPMA (pma/IPMA® Level D)
Person 5, male	Software development projects	10	Project Management Associate, cPMA (pma/IPMA® Level D)
Person 6, male	Business software implementation projects	10	PMP® – Project Management Professional
Person 7, female	Business software implementation projects, Software development projects	13	Scrum Master
Person 8, female	Organisational strategy projects, IT projects, process optimisation projects	20	Project Manager, cPM (pma/IPMA® Level C) Scrum Master Product Owner Agile Coach
Person 9, female	Business software implementation projects, data management projects	8	Scrum Master
Person 10, male	Implementation projects, software development projects	19	Project Manager, cPM (pma/IPMA® Level C)
Person 11, male	Implementation projects, infrastructure projects	24	Project Manager, cPM (pma/IPMA® Level C) Scrum Master Product Owner

Note. The experts have signed a consent form and have agreed to the use of the anonymised data.

Building on the above considerations, this study carefully explored the first-hand perspectives of experienced project managers who have played a pivotal role in managing IT projects within organizations. These individuals were selected to be closely aligned with the subject matter of the study,

thereby ensuring a comprehensive and adaptable approach grounded in the specific context of both the projects and the organizations with which they were involved. The primary focus was on these experts themselves and their experiential journeys, an orientation underscored by Misoch's (2015) perspective. Their expertise, in particular their wealth of experiential and active knowledge, formed the core of the applied research, an approach that resonates with Diekmann's views (2021).

In terms of selecting the appropriate subjects, a homogeneous random sampling strategy was deemed appropriate for this research framework within the context of the present study, drawing on the insights of Misoch (2015). This choice was feasible as the intended target group could be effectively engaged through a single channel, ensuring face-to-face interactions during the expert interviews.

Instrument and Data collection

The guided expert interview format allows for subjective impressions and interpretative knowledge to be generated in a specific context, as well as for gaps identified in theory to be filled by exploring professional and expert knowledge (Döring & Bortz, 2016). The design of the study required a detailed and nuanced guideline, while at the same time allowing a sufficiently open interview situation in order to react adequately to the respondents. The interview guide was also a guarantee for the comparability of the content in the subsequent content analysis. The design and details of the guide were based on the research interests and the personal research and interview style of the interviewer, following Bogner et al. (2014). The actual sequence of questions is such that basic biographical information (education, profession, etc.) is requested at the outset to allow the interviewer to gain an impression of the respondent and to be able to respond individually. General questions about the research subject then followed, with the possibility of supplementing these with more detailed questions as the conversation progressed, as shown in Table 2 (Döring & Bortz, 2016).

Table 2.
Interview guide

1. information phase
Brief introduction to the study, purpose of the interview
2. demographic data
Education (in project management) Project management experience
3. Warm-up
<ul style="list-style-type: none"> - How do you deal with spontaneous knowledge transfer in your projects? - To what extent have you systematised knowledge transfer in your projects? - In your opinion, which knowledge should be personalised and which codified?
4. main part
Challenges
<ul style="list-style-type: none"> - What challenges do you currently face in transferring knowledge in your projects? - What challenges do you currently face in the transfer of knowledge from your projects?
Opportunities
<ul style="list-style-type: none"> - What opportunities do you see for your projects in a successful knowledge transfer within the project? - What opportunities do you see for your project-based organisation in successful knowledge transfer within project management?
5. fade out
Anything else you want to add or remove?

Note. In the interview situation, the guide was used primarily as an aid to memory and not as a template to be read out.

With a pre-determined sample size of eleven participants, interviews were conducted in March 2023, with each session lasting an average of 43 minutes. The interviews were carefully conducted and documented through individual sessions held on the Microsoft Teams platform. To ensure ethical conduct, verifiable consent was obtained from each interviewee in the form of signed consent forms confirming their agreement to the recording process during the scheduled appointments. The video recordings were then transcribed using the Amberscript web platform, assisted by artificial intelligence (AI) technology.

Data analysis

To effectively evaluate the accumulated data from the guided expert interviews, a comprehensive content analysis was necessary. As outlined by Kuckartz and Rädiker (2022), qualitative content analysis embodies a “methodically con-

trolled scientific analysis of texts, images, films and other forms of communication” (p. 39). The methodology of qualitative content analysis describes three basic approaches: content structuring, evaluative, and typifying qualitative content analysis. Given the research design of this study, which precluded category evaluation and typology development, the content structuring method was adopted. In content structuring qualitative content analysis, information is carefully organized into different categories and subcategories (Kuckartz & Rädiker, 2022). This structured framework serves as a basis for the systematic and organized presentation of the research findings. The category system of the content analysis was initially constructed by deductive means and then supplemented by inductive insights from the transcripts. The overarching categories were derived directly from the interview guide, resulting in thematic categories that seamlessly reflected the underlying structure of the interview guide (Kuckartz & Rädiker, 2022).

Listing of key thematic segments:

- Forms of knowledge transfer
- Challenges
- Opportunities

These overarching themes are closely related to the central research question and aptly reflect the primary focus of this research. In line with the research objective, the challenges and opportunities were identified as primary themes. In addition, these core categories provide a solid foundation for the formulation and structuring of the findings within the final report. The process of formulating types through content analysis can be particularly facilitated with the aid of quality data analysis (QDA) software, a concept advocated by Kuckartz and Rädiker (2022). Therefore, MAXQDA Standard 2022 was judiciously employed to facilitate content analysis in this particular study.

During the initial coding phase, the collected data was reviewed against the main thematic categories and systematically coded accordingly. Sub-categories within these main themes were then identified emergently through inductive analysis based on the available data. This involved examining all coded text segments within a given primary category and merging relevant dimensions to create relevant subcategories. The subsequent coding phase was then guided by these emergent subcategories. The coding principles outlined by Kuckartz and Rädiker (2022) were carefully followed. Upon

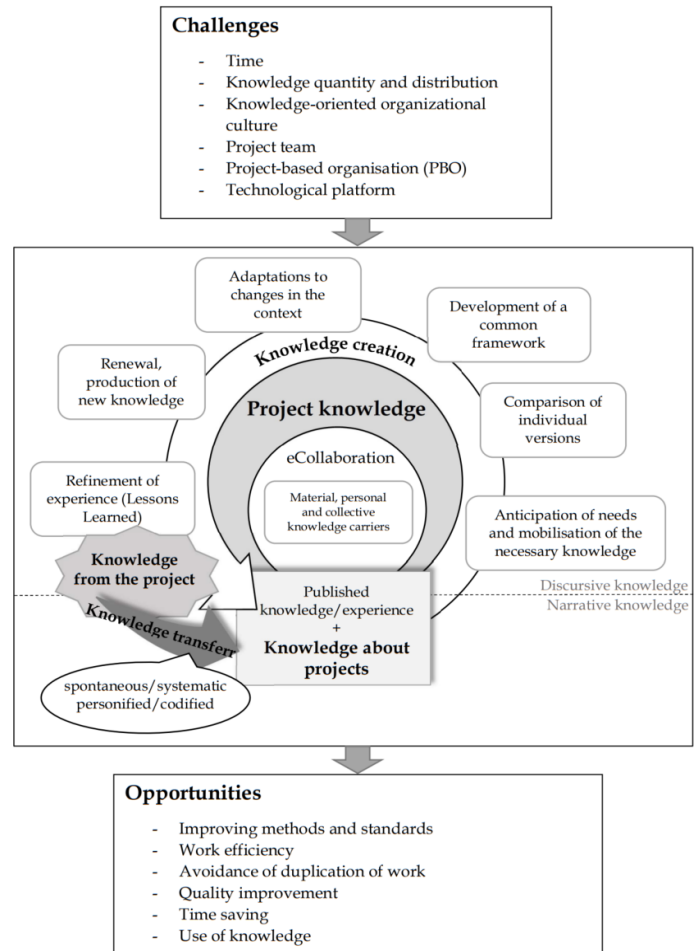
completion of the coding process, a series of basic and complex analyses were conducted. These analyses included assessments structured around the pre-defined categories and revealed correlations between the sub-categories within each primary theme. The content analysis of the transcripts of the expert interviews included both quantitative and qualitative elements, such as frequency counts and verbatim quotes (Kuckartz & Rädiker, 2022).

Results

Project knowledge can be divided into narrative project knowledge, which exists before a project starts – this includes knowledge about projects with the individual knowledge and skills of project members and knowledge about general project management – and discursive knowledge, which is created during a project – project knowledge – and is transferred to the project-based organization (PBO) after the project as knowledge from the project. This knowledge is distributed among different project knowledge holders – material, personal, and collective knowledge holders – and the transfer between these project knowledge holders is relevant to the project's success. Project knowledge is generated in six phases and builds on the narrative project knowledge of the project participants. This existing and generated knowledge in the project needs to be managed and coordinated across all project knowledge holders during the entire project duration. During a project, on the one hand, explicit, codifiable, and thus transferable knowledge is generated in the form of project documentation on material knowledge carriers, and, on the other hand, tacit, personalized, and difficult-to-transfer knowledge is generated in the heads of the project participants as personal and collective knowledge carriers.

Figure 1 shows this entire process of knowledge generation and transfer in IT projects and the challenges to be overcome, as well as the resulting opportunities. This figure summarises the results of the interviews.

Figure 1.
Illustration of knowledge generation and transfer in IT projects with challenges and opportunities¹



Challenges in project knowledge transfer

Concerning the six challenges – shown in Figure 1 – associated with knowledge transfer in IT project management, it was found that experts in project-based organizations have difficulties mainly with the quantity and distribution of knowledge and do not receive sufficient support from the organization. According to the experts, the main challenge in knowledge transfer is finding the right amount of knowledge and then distributing it to the right recipients. In terms of the amount of knowledge, “the big difficulty from our point of view is [...] where do I start and where do I stop” (Transcript_P7, Item 47). In contrast, the time factor and the knowledge-based organizational culture play a less significant role in the challenges. Time is a factor in all project management issues, including

¹ Own illustration based on Christian (1994) and Schindler (2001).

knowledge transfer. Person 4 stated during the interviews that knowledge transfer – especially codified transfer – is often neglected due to lack of time. This is illustrated by the following statement “So I think the biggest challenge is time. [...] when it gets tight, you are usually very happy to sacrifice something like that” (Transcript_P4, Item 47). Therefore, “some things [...] are just in people’s heads because there is just no time to document them. And there are also exactly these gaps in knowledge that we have” (Transcript_P7, Item 39). IT project management professionals struggle to codify and distribute the right amount of knowledge to ensure that the people receiving it can use it effectively. There is a risk of providing too much knowledge, which can overwhelm recipients and prevent them from using it. On the other hand, technical knowledge may be too complicated for people to understand and use effectively. There is also no standard methodology for determining the most effective method of transfer or for identifying the appropriate recipients of knowledge. Another barrier can be the lack of qualified people in the project team to receive the knowledge. There are also language barriers, especially if the person transferring knowledge and the person receiving it come from different sectors or disciplines and use different terminologies. Respondents noted that “this tax environment [...] they use their own language anyway. And if you haven’t studied tax law, you have a hard time with the terminology” (Transcript_P7, Item 55) and “that the main problem [...] is that you have [...] hardcore technicians, in their technical language, who are very technical, and that you have to bring together the translation from the technology to the end user who has to work with the output of the project” (Transcript_P10, Item 57). It is therefore important to categorize project knowledge to target knowledge distribution and ensure that the right knowledge is transferred to the right people. Project managers, therefore, need to think carefully about what knowledge can be transferred to whom.

According to experts, the project-based organization (PBO) has weaknesses which means that knowledge transfer is not sufficiently taken into account in project management. According to person 1, knowledge transfer “leads a shadowy existence [...] if there is not really someone behind it, and that should be an authority, i.e. a central authority, like knowledge management or the project management office, which still actively demands the thing” (Item 40). This suggests that project managers expect more support from the PBO. Currently, the experts have the feeling that “nobody in the organ-

isation is interested in it and nobody cares about it” (Transcript_P10, Item 69). To ensure successful project management, PBOs are recommended to establish central institutions that manage knowledge transfer within and between projects. The PBO should also train professionals who have broad knowledge in different areas and can be deployed flexibly in projects. Another weakness of the PBO is that there are no clear processes, sanctions, or rewards for knowledge transfer. This means that there are no indicators or controls to monitor whether project management is delivering knowledge transfer. Person 11 explains the failure of the PBO in this area by saying that “sometimes the organisation is simply not prepared to take this project knowledge out because the committees are not in place” (Item 78) and “exactly this knowledge that every project brings with it dies [...] in the silo thinking of the company from project to project because they simply have no overview of what they already have going on” (Item 78). When implementing projects, experts often face internal barriers within the project team. In particular, interpersonal problems are a major challenge as they hinder effective knowledge transfer. It was clear from the interviews that it is often difficult to maintain open communication within the team, which makes it difficult to share knowledge and information. In addition, the size of the project team leads not only to greater heterogeneity and competition among team members but also to greater differences in the experience and skills that each team member brings to the table. The interviews showed that “the biggest challenge is interpersonal issues, that people don’t want to talk to each other anymore or don’t want to share certain things when it comes to knowledge transfer. That is already a problem” (Transcript_P9, Item 63) and “the more different people are, the more difficult it becomes” (Transcript_P10, Item 63). As a result, a considerable amount of time is required to integrate the different knowledge bases and perspectives and to create a common framework for knowledge transfer. The need to use multiple technology platforms creates additional challenges for experts as project knowledge is distributed across these platforms. To overcome these hurdles, policies, and guidelines for the use of platforms need to be established. This is confirmed by the statement of Person 8, who remarked: “We urgently need rules on how to deal with this, otherwise we will end up in chaos” (Transcript_P8, p.38). These should not only determine which platforms are used, but also how they are used. Furthermore, when it comes to setting precise work instructions for these technologi-

cal platforms, "the difficulty may simply be that you don't know what these tools can do and how they can actually make your life easier" (Transcript_P3, Item 51). For knowledge to be shared in projects, it is also necessary for the organizational culture to create space for this and to have a positive attitude toward dealing with mistakes. However, experts currently have the impression that the organizational culture is not geared towards knowledge sharing and that knowledge sharing is not encouraged. The experts explained that "there has to be a framework and opportunities for you to really transfer knowledge. And that is often not easy because everybody is under pressure and under power" (Transcript_P2, Item 59) and "the biggest challenge is the resistance that comes from fear" (Transcript_P8, Item 52). These findings underline the importance of a knowledge-oriented organizational culture for successful knowledge transfer. Time is a factor in all project management issues, including knowledge transfer. The experts interviewed stated that knowledge transfer – especially codified transfer – is often neglected due to lack of time.

Forms of knowledge transfer

In the main category of forms of knowledge transfer, the forms of transfer were always mentioned by the experts in combination with each other, so that individual subcategories were formed for the four forms and the text passages were also coded several times if several forms occurred. This resulted in the following Table 3, which shows how often each combination of transfer forms was mentioned.

Table 3.
Frequency distribution of the mentioned transfer forms in combination with each other

Transfer form	Spontaneous	Systematic
Personified	12	5
Codified	5	4

Note. The results were extracted from MAXQDA.

This table shows that the most frequently mentioned form of knowledge transfer in the expert interviews was a spontaneous personalized transfer. Systematic personalized transfer and spontaneous codified transfer were mentioned equally often. Systematic codified knowledge transfer was mentioned the least.

The results of the study show that project managers identify the spontaneous exchange of personalized knowledge as the most common form of knowledge transfer. Persons 2 and 4 describe this form of transfer as "basically it feels like the biggest knowledge transfer that you have in a project" (Transcript_P4, Item 31) and "it's an essential component. [...] where you really get the important things" (Transcript_P2, Item 33). The experts use this type of knowledge transfer specifically to facilitate the flow of information. Project managers appreciate the benefits of an informal setting and a relaxed atmosphere to obtain project-related information. Based on the present results, it can also be concluded that this personalized knowledge transfer is already systematically implemented in practice and is consciously managed by project managers. This is reflected in the statements of persons 2 and 6, who have institutionalised the informal coffee and lunch break discussions, as follows "Yes, that was [...] partly, so to speak, through such coffees or [...] also such offline rounds. So that you [...] go out together [...] for a beer or [...] the team goes out for a meal" (Transcript_P2, Item 35) and "Of course there are the corresponding, I always call them brunch meetings in between, where you then regularly sit down with the corresponding department and also get a status update there" (Transcript_P6, Item 24). It can also be concluded that there is no universally applicable procedure, but that project managers vary the systematization depending on the complexity of the project and their previous experience. When a spontaneous, informal transfer takes place within a project, project managers subsequently try to transform the spontaneous, personalized exchange into a codified exchange. This finding could be inferred from the statement of person 9, who noted that 'no matter what I hear, it's written somewhere afterwards, whether it's on a piece of paper or not' (Item 35). However, the interview results do not reveal a consistent system for this transformation. It could therefore be interpreted that the experts found their solutions, and adapted to the particular situation. The experts also recognized the need for systematic codification of knowledge transfer. However, there is no consistent approach here either. The results show that decisions to codify knowledge are made based on subjective perceptions of project managers rather than objective criteria. This is confirmed by the statements of persons 2, 5, 6 and 10: "I don't have a method for it now. I say that quite honestly, that I have to decide situationally" (Transcript_P2, Item 39). and "It has a lot to do with intuition. Of course it always depends on

[...] the assessment of how it stands in the project context" (Transcript_P5, Item 33) and "There are no clear rules" (Transcript_P10, Item 33) and "I think it is also a matter of interpretation" (Transcript_P6, Item 30). As a result, the quality and quantity of codified knowledge vary between organizations and projects. It follows that the possibility of systematized knowledge transfer between organizations and projects is not currently recognized as such by project managers. The summary conclusion is that it would be beneficial for project managers if project-based organizations had a clear set of rules for selecting transfer options. In this way, they could ensure that they meet both internal and external requirements while avoiding the creation of redundant and worthless documentation.

Opportunities with successful knowledge transfer

If all the challenges can be overcome in the project, the experts see six opportunities for project-based organizations. The experts surveyed believe that successful knowledge transfer in IT projects can lead to increased work efficiency, time savings, and improved project quality. Person 3 states: "It becomes more efficient and thus has an effect on the project duration and ultimately also on the project costs, i.e. the increase in efficiency in the project" (Item 55). The experts also emphasized that well-functioning knowledge transfer can lead to faster project completion, allowing the organization to respond more flexibly to market changes. The experts noted that mistakes currently occur in IT projects because project participants do not have access to knowledge and have to make assumptions about the organization's needs without really knowing what the project outcome is. The most important observation on quality improvement is that "if knowledge transfer were perfect, many mistakes would not happen. Mistakes in the sense of – yes, I believed that you need this and that. So the belief will go, but the knowledge will be there" (Transcript_P2, Item 61). Accordingly, measures to optimize knowledge transfer in the project-based organization (PBO) can successfully improve quality. The use and reuse of knowledge is also an important aspect, as knowledge is often lost after project completion and has to be found again in similar projects. This is reflected in the following statements made by the experts: "would the whole thing be sustainable in the sense that the knowledge is distributed and that the knowledge [...] is not lost after the project because the project is distributed again" (Transcript_P2, point 61). "If it is

really available immediately, yes, you can just concentrate much better on the tasks at hand instead of generating initial knowledge and searching for it" (Transcript_P3, item 55). The experts explained that knowledge is currently not sustainable and therefore the same knowledge has to be built up again and again, even in similar projects. Despite the lack of experience in this area, the experts recognize the potential for continuous improvement of methods and standards in project management. A central office for the management of methods and standards is seen by project managers as a positive factor in the management of projects. The avoidance of duplication of effort is also seen as an opportunity that has potential for individual projects and the entire PBO and argues for the introduction of a central office to manage knowledge transfer. The experts stated that 'if everything was clear and everything was communicated in such a way that everyone who has the knowledge that should and must be communicated gets to where it is needed, you would certainly save a lot of double coordination' (Transcript_P10, Item 65) and 'you would save yourself from doing certain things twice and three times and therefore also save resources and money' (Transcript_P11, Item 90). This shows that even when duplication is avoided, there is potential for individual projects and for the whole project-based organisation (PBO), and the examples cited again support the introduction of a central office to manage knowledge transfer.

Discussion

These results confirm Mittelman's (2013) finding that spontaneous knowledge transfer usually occurs without planned intention and that it would be beneficial to systematize and manage it.

These findings also show that the coffee breaks mentioned by Barmeyer and Würfl (2012) are highly relevant for knowledge transfer in the context of IT projects and that they can facilitate the personal exchange of views, assessments, experiences, and knowledge in a targeted manner.

The experts' statements showed that the project managers try to codify the spontaneous personalized transfer afterward, thus transforming it into a spontaneous codified transfer. This shows that people are already trying to follow the solution proposed by Mittelman (2013) of long-term storage of the transferred knowledge. However, the interview results do not reveal a consistent system of this transformation and storage, so the interpreta-

tion suggests that the experts have found very individual and situational solutions for this procedure. It can be deduced from these expert statements that, on the one hand, the need to systematize codified transfer is recognized, but that, on the other hand, project managers do not use a uniform procedure. Furthermore, the results show that project managers do not define measures for codifying knowledge according to objective criteria, but that decisions to consciously codify transfer arise from the subjective perception of its necessity. This indicates that the quality and quantity of codification knowledge differs between companies and programs. This suggests that the possibility of systematically transferring codified knowledge across organizations and projects is not currently perceived as such by project managers.

These findings support the findings of Mahura and Birollo (2021) that creating, maintaining, and improving knowledge transfer is the responsibility of PBOs. Similarly, this finding supports the results of the study published by Ren et al. (2019), which states that PBOs should create a specific and explicit incentive system to encourage transfer behavior. Similarly, these study results reflect the findings of Srisuksa et al. (2022), who found that project team members need to be motivated to share knowledge and also have the intention to share knowledge. One reason for deliberately withholding knowledge may be competition and scarcity of resources within the project team. If individual members are striving to achieve their personal goals, they will hide even more knowledge as requests for knowledge transfer are not seen as potentially useful to the team's efforts to achieve its goals (Moh'd et al., 2021). The statements from the experts indicate that for knowledge transfer to be successful, a knowledge-oriented organizational culture must be in place. This reinforces Ren et al.'s (2019) argument that project culture should be built under the guidance of organizational culture and that these cultures should not be considered separately. According to the results of the study, project managers also need extensive knowledge about the functionalities of technological platforms to be able to use them effectively. This shows that the success factor for knowledge transfer in projects mentioned by Kock et al. (2020), the correct use of technology platforms, does not work positively in practice due to a lack of knowledge on the part of the project managers, but rather as a hindrance. According to Hanisch et al. (2009), the continuous improvement of methods and standards in project management is also an important goal of project knowledge

management. According to the experts, this goal is not currently being pursued in practice. The experts recognize this potential, but no real experience has been gained.

Conclusions

The results of the study show that project managers identify the spontaneous exchange of personalized knowledge as the most common form of knowledge transfer. They use this type of knowledge transfer specifically to facilitate the flow of information. Project managers appreciate the benefits of an informal setting and a relaxed atmosphere to obtain project-related information. Based on the available results, it can also be concluded that this personalized knowledge transfer is already systematically implemented in practice and is consciously controlled by the project managers. It can also be concluded that there is no universally applicable procedure, but that project managers vary the systematization depending on the complexity of the project and their previous experience. When a spontaneous, informal transfer takes place within a project, the project managers subsequently try to transform the spontaneous, personalized exchange into a codified exchange. However, the results of the interviews do not reveal a consistent system for this transformation. It could therefore be interpreted that the experts found their solutions, and adapted to the respective situation. The experts also recognized the need for a systematic codification of knowledge transfer. However, there is no consistent approach here either. The results show that decisions to codify knowledge are made based on subjective perceptions of project managers rather than objective criteria. As a result, the quality and quantity of codified knowledge vary between organizations and projects. It follows that the possibility of systematized knowledge transfer between organizations and projects is not currently recognized as such by project managers. The summary conclusion is that it would be beneficial for project managers if project-based organizations had a clear set of rules for selecting transfer options. In this way, they could ensure that they meet both internal and external requirements while avoiding the creation of redundant and worthless documentation.

The starting point of this research is the problem that, on the one hand, knowledge transfer is considered to be important for achieving project success and, on the other hand, there are difficulties in carrying out this knowledge transfer. The assertion made by Naseem and Abbas (2022)

in their study that there is no solution to how project-based organizations can ensure effective knowledge management while maximizing project performance to create, capture and internalize knowledge in their organization can be confirmed based on the present research findings. In addition, the empirical research proved that the expected difficulties in implementing knowledge transfer occur in the operational IT project management environment. In summary, the following difficulties that project managers currently face when transferring knowledge in IT projects can be identified from the research findings:

- No methods for dealing with the volume and distribution of knowledge
- No specifications, role descriptions and support from the Project Based Organisation (PBO)
- Deliberate concealment of the knowledge of individuals within project teams due to differences in previous experience.
- Spread of codified knowledge across multiple technology platforms and insufficient knowledge of their functionalities
- No knowledge-based organizational culture within the PBO where knowledge sharing is desired
- Too little time to optimally manage and implement the knowledge transfer that is already taking place.

These challenges show that several difficulties in knowledge transfer in IT projects are related to the PBO. It follows that the PBO is partly responsible for the difficulties in knowledge transfer and must therefore be part of a practical solution. The model of Zhou, Deng, Hwang, et al. (2022) for knowledge transfer to the PBO and the framework of Zhou, Deng, Wang, et al. (2022) for knowledge transfer in the project environment provide theoretical solutions to counteract these problems. For such solutions to be applied in practice, it is necessary to integrate generic models and frameworks into project management standards. In addition, the standards need to identify possible measures for creating internal organizational guidelines and schemes for knowledge transfer within PBOs and make clear the need for organizations to do so. This would ensure that future organizations consider the associated knowledge transfer from the outset when implementing project management standards and processes and that projects are not prioritized solely on content, cost, and time. In addition, in parallel with project management processes, the requirements

for the procurement of technology platforms need to be extended to include knowledge transfer management capabilities. In the future, PBOs will need to prioritize their role as facilitators and moderators of knowledge transfer between projects and create or strategically realign central offices, such as project management offices, to take advantage of opportunities to increase work efficiency, save time, improve quality, leverage and reuse knowledge, avoid duplication of effort and, in the long term, improve internal methods and standards.

Limitations and future directions

The study has some limitations that need to be addressed to ensure a more comprehensive and unbiased approach. One limitation arises from the fact that the expert interviews were conducted with the interviewer as a co-expert, resulting in a strong technical bias. To build more trust and gather confidential process knowledge, an alternative interaction constellation could have been chosen. For example, having a neutral party conduct the interviews might help to gain a more comprehensive understanding of the subject matter. Another limitation is the researcher's involvement in the field, which influenced the research design and practical implementation. This involvement may have led to certain assumptions being taken for granted and not adequately considered in the research. To address this, future research could involve someone with no prior knowledge of the field to conduct the interviews, allowing for a more objective and open exploration of the phenomena. From an economic perspective, time constraints prevented the implementation of theoretical sampling, leading to incomplete theoretical saturation and limited insights from the interviews. To overcome this limitation, conducting additional interviews could help to ensure a representative sample and increase the depth of the findings. Methodologically, the chosen qualitative content analysis approach has paradigmatic aspects that may limit the insights gained, particularly from the perspective of proponents of the quantitative paradigm. It would be beneficial to consider incorporating complementary research methods to gain a more comprehensive understanding of the subject matter. In addition, the study focuses mainly on the IT project management perspective, which may limit the generalisability of the findings. To broaden the scope and applicability of the findings, future research could include project management perspectives from other domains or consider input from various project roles.

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ORIGINAL RESEARCH PAPER

ETHICAL ISSUES IN THE APPLICATION OF NEUROMARKETING RESEARCH

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ABSTRACT

Namely, neuromarketing represents a branch of the application of neuroscience for marketing purposes and a modern method of studying brain reactions during marketing messages or consumer behavior. As an interdisciplinary science, it relies on the knowledge of a number of sciences: psychology, neurology, consumer psychology, neuropsychology, medicine, biology, marketing, but also the knowledge gained by sharing with them. It proved to be a more advanced method of marketing research than conventional (classical, traditional) techniques and methods (surveys, interviews, focus groups, stakeholders, etc.). Neuromarketing represents the application of neuroscience studies in the knowledge and explanation of subconscious dispositions of consumer behavior. For this purpose, it uses various brain scanning methods, techniques and devices that determine the brain reactions of consumers to marketing stimuli or certain products/services. Functional magnetic resonance imaging (fMRI) and electroencephalography (EEG) are most commonly used. In this sense, the main goal of this work is to indicate the possibilities of practical application of the techniques and methods used by neuromarketing. By following the reactions of certain parts of the brain and knowing their basic psychological functions, researchers and marketing experts are able to determine the type of psychological process (emotion) that occurs due to a certain stimulus. As a new theoretical concept of consumer behavior research, it causes many controversies and ethical dilemmas.

Keywords: neuromarketing, ethics, persuasive communication, marketing, consumer awareness



MAP SOCIAL SCIENCES

Volume 4

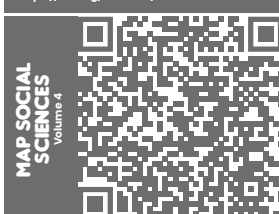
ISSN: 2744-2454/ © The Authors.
Published by MAP - Multidisciplinary Academic Publishing.

Article Submitted: 18 August 2023
Article Accepted: 26 September 2023
Article Published: 27 September 2023



Publisher's Note: MAP stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.

<https://doi.org/10.53880/2744-2454.2023.4.67>



HOW TO CITE THIS ARTICLE

Vuković D. (2023). Ethical issues in the application of neuromarketing research. MAP Social Sciences, 4, 67-81. doi: <https://doi.org/10.53880/2744-2454.2023.4.67>



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1. Introduction

Advertising, that is, all elements of marketing, with their own, specific functions, tasks and goals, strive to inform consumers about products and services on the market. The study of consumer behavior as a special marketing field began when manufacturers realized that consumers do not always react and behave in accordance with their expectations. Marketers have realized that, if they want to find an answer to the question that bothers them – why consumers choose one brand and not another, they definitely have to take into account the environmental changes in which the consumer acts and, accordingly, the reactive and adaptive changes in his behavior. It was this realization, but also the fact that most consumer decisions actually take place on a completely unconscious level, and therefore inaccessible to marketers, that created the need for new market research methods that want to offer more reliable and precise data on consumer behavior as a basis for better business decisions. Bearing in mind that today there are more and more advertisements that try to attract the attention of consumers through the media, one cannot help but notice that advertisements, along with journalistic texts, have become a large integral part of the media, and many media survive precisely because of advertisements. The advertising apparatus and the advertising industry often use manipulations in order to “persuade” the audience to buy and use the advertised product or service, so the question arises about the ethics and truthfulness of advertisements.

In the case of persuasive communication, the sender necessarily represents a certain party; has a goal that is usually not the same as the recipient's. Persuasive messages created in the field of behavioral economics, neuroeconomics and neuromarketing are designed in a way that subtly but aggressively forces the receiver to understand the code that is in the interest of the sender, which raises the question of the ethics of such a way of communication.

The initial part of this work places behavioral economics, neuroeconomics and neuromarketing in a broader context, the latter discusses the ethical problems that the mentioned areas face in their activity. In the context of research activity, we deal primarily with the participant's right to adequate information about the research, his right to autonomy when deciding on his participation, and the right to security, privacy and dignity, which the use

of neuroeconomic and neuromarketing techniques often endangers.

2. Persuasive communication in marketing communication methods and techniques

In modern marketing communication, until recently, models prevailed that assumed that people make decisions guided solely by reason and that, accordingly, the final decision to buy a product is determined by the expected benefit that the consumer has from it (Kahnemann, 2003). In this case, the processing of information about the product and the subsequent decision making on the exchange of goods is slow, deliberate, and in accordance with logical rules. Such models, however, cannot explain the results of a series of studies (Plassman et al., 2011) which showed that a large number of factors, both related and unrelated to the product itself, often modulate the probability of purchase. Behavioral economics, neuroeconomics and neuromarketing appear as an answer. According to Aronson (2005), when choosing a product, people often use mental shortcuts or heuristics, based on previously created schemas, as well as emotional reactions to the product, brand or persuasive message, in addition to rational argumentation. Such decision-making methods, in order to save energy and time, do not take into account all options, but on the basis of evolutionarily or experientially the most efficient patterns direct the selection process towards the solution that is the most efficient on a probabilistic level. In this case, information processing takes place automatically, quickly, effortlessly, intuitively, emotionally, and often independently of language or other symbolic material, and thus the rules of logic (Aronson, 2005).

Accordingly, previous market research was based on survey, interview or focus group methods, which as self-report measures are able to investigate only conscious, rational aspects of decision-making (Morin, 2011). Since a large part of information processing takes place at the already mentioned lower, unconscious levels that do not know how to resonate at the level of symbols and in accordance with the rules of logic, Aronson (2005) states that today in the field of behavioral economics they have been supplemented by ingenious research that takes into account the irrational nature of human and study the aforementioned factors that model and influence human consumer behavior on an unconscious level, such as common patterns, schemes and heuristics when making decisions. In

the field of neuroeconomics and neuromarketing, techniques such as brain imaging (fMRI, PET, EEG) and physiological measures (heart rate, breathing rate and galvanic skin reaction) are used, which gives insight into people's unique experience of a certain stimulus, in this case persuasive messages.

3. A new way of shaping consumer brand awareness

Globalization, i.e. the establishment of the neoliberal capitalist system at the global level at the end of the twentieth century, stimulated significant economic, social and political changes, which at the same time led to the expansion of the market-profit matrix to those areas of human activity that were not previously the primary focus of its interest. The period was marked by the trends of increased trade exchange and ruthless competition, increased and accelerated flow of capital, strong development of information technologies, adapted production systems, races and struggles for constant growth and market expansion, accelerated growth of international marketing, which led to changes in social systems, ways of life, models of behavior and governance (Jagić & Vučetić, 2013, p.15). Globalization creates a completely "new competitive landscape" characterized, among other things, by "extreme" consumer demands, and thus by hyper-competition and increased demands for innovation (Hit & DeMarie, 1998, p. 22, according to Zdrilic, Puvača and Roso, 2010, p. 507). The technological development of information technology, together with the increased use of the Internet in the last two decades, has fundamentally transformed market research. This development has accelerated in the last five years due to the rapid expansion of social networks and improved data analytics techniques (Probst et al., 2014, p. 3).

All business systems today operate in a very changing environment, which has led to their need for adaptation through more intensive thinking about ways to achieve competitive advantage. It can thus be noted that consumers once upon a time, when the rhythm of life was much slower and calmer and before there was such a saturation of the advertising market, were not bothered by "marketing intrusions", such as, for example, promotional campaigns that would interrupt their viewing of their favorite series. However, today we are witnessing a fast, continuous and ever-changing media onslaught, where the Internet with its pop-up ads and banners, cable television, e-mails, text messages and other platforms compete for consum-

er attention. Times have changed, and today mass marketing techniques and tools are used for specially profiled purposes and company strategies. Companies are making more and more efforts to gain loyalty to the brand, that is, to the product and to gain the trust of customers. Until recently, the economy was dominated by models that assumed that people make decisions guided solely by reason and that, accordingly, the final decision to purchase a product is determined by the expected benefit that the consumer has from it (Kahnemann, 2003).

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on an unconscious level, such as common patterns, schemes and heuristics when making decisions. The goal of the company's business is to get to know consumers, build an emotional relationship with them and nurture that relationship over a long period of time. In other words, modern marketing puts the consumer in the center of attention as the goal towards which all activities of producers, market institutions and marketing activities are directed.

Namely, the shift from mass production and general, mass marketing also meant a shift away from the orientation towards sales and closer to the consumer, which resulted in the creation of a whole not marketing called "Consumer behavior" which is nothing but a happy combination of psychology and marketing (Milas, 2007, p. 22-23). "Consumer behavior is the study of how individuals, groups, and organizations select, purchase, use, and dispose of goods, services, ideas, or experiences to satisfy their own needs and wants. The study of consumer behavior as a special marketing area begins when producers realized that consumers do not react and do not always behave in accordance with their expectations" (Babić, 2016, p. 155). Therefore, mass marketing as well as its traditional research methods are no longer up to the task of finding answers to the question of what consumers really think and want, and Lindstrom sees the reason for this in the fact that our unconscious mind is flooded with subconscious factors such as cultural prejudices rooted in our culture, education, has a powerful and hidden influence on our decisions (cf. Lindstrom, 2012, p. 27). "If they made a 'cook book' that would give answers to the questions of why some product brands succeed and others fail, it would help us to better understand what really happens in our brain when we make a decision whether to buy something or not" (Schola, 2016, p. 21).

The challenge for marketing experts, given the ever-shrinking difference in quality and with all the technology, becomes all the greater considering that it has been proven that ninety percent of consumers make their final purchase decisions exclusively on an unconscious level and within just four seconds (Šola, 2012, p. 49) and that only eleven percent of purchases take place on the basis of conscious or explicit decisions, which speaks in favor of the fact that man is not a rational being (Babić, 2016, p. 55). Caldeira de Oliveira et al., (2015, p. 10) base their study on the fact that the same ethical principles of ethics cannot be applied in different branches and ethical codes must be adapted

to each individual industry. Our "conscious brains", that is, the part of our thinking where we are conscious of thinking, can only at best process forty bits of information per second, while everything else is processed subconsciously. This represents a ratio of 99.99% subconscious in conscious processing (Pradeep, 2010, p. 4). The winner of the Nobel Prize Daniel Kahneman explains this statement in the way that consumers have two parallel systems in their minds - one for action and one for thinking. In the first part, we find memories of past sensory stimulation (such as advertisements, shopping and consumption experiences, word of mouth, etc.), emotions, rules of conduct, stereotypes, archetypes, associations, visual images, spontaneous behavior (such as impulse or habitual shopping), intuition, non-verbal communication and more. Another circuit, the human conscious "thinking" mind, facilitates thinking by providing working memory for processing verbal messages, evaluating the costs and benefits of options, and planning ahead (eg, making a shopping list). It is a system that responds to surveys and group discussions when consumers try to explain why they do what they do (Bhatia, 2014, p. 5-6).

4. Neuromarketing

Today, neuromarketing is at the intersection of behavioral psychology, economics and consumer neuroscience, as confirmed by numerous definitions of neuromarketing. Many authors describe neuromarketing as a research tool that provides direct observations of brain responses during marketing stimuli (Hubert and Kenning, 2008, according to Fortunato, Giraldo and Oliveira, 2014, p. 205). According to some researchers, the brain is a black box that hides the consumer's emotions and preferences (Marci, 2008; Javor et al., 2013; Fugate, 2007; Green and Holbert, 2012, according to Fortunato, Giraldo and Oliveira, 2014, p. 205), and neuromarketing acts as a window that reveals and gives access to these feelings (Green and Holbert, 2012; Ohme and Matukin, 2012; Fisher, Chin, and Klitzman, 2010, according to Fortunato, Giraldo, and Oliveira, 2014, p. 205). By gaining insight into individuals' brain processes, researchers will be able to understand, evaluate and predict consumer behavior (Fisher et al., 2010; Hubert & Kenning, 2008; Perrachione & Perrachione, 2008, according to Fortunato, Giraldo & Oliveira, 2014, p. 205). As Morin notes, neuromarketing is to marketing what neuropsychology is to psychology. While neuropsychology studies the relationship between the brain and human cognitive and psychological functions, neuromarketing pro-

motes the value of observing consumer behavior from a brain perspective (Morin, 2011, p. 132). The goal of consumer neuroscience is to adapt methods and theories from neuroscience – combined with behavioral theories, models and tested experimental designs from consumer psychology and related disciplines, such as behavioral decision science, and develop a neuropsychologically sound theory that will understand consumer behavior. To understand the value of combining neuroscience with consumer psychology, it is important to understand the wide range of insights that come from neuroscience.

Neuroscience, therefore, is the study of the nervous system that seeks to understand the biological basis of behavior (Plassmann et al., 2012, p. 18). Consumer neuroscience studies the cognitive and affective sides of human behavior and uses a variety of brain scanning techniques (such as fMRI, PET and EEG), eye tracking and physiological measurements (heart rate, breathing rate and galvanic skin response) to understand the unconscious drivers of choices and preferences. Namely, since consumers are not aware of these unconscious drivers, it is not possible to discover them with traditional techniques such as focus groups, interviews and questionnaires. This leads one to think that neuromarketing methods bring an end to traditional market research methods, however, it is more appropriate to see them as “upgrades” to traditional methods.

Because emotions are powerful mediators of how consumers process messages, understanding and modeling cognitive responses for the purpose of selling messages has always been a methodological challenge. For example, researchers have primarily relied on consumers’ ability to report their feelings about a particular ad, either in a confidential setting such as a face-to-face interview, survey, or focus group. Unfortunately, these methods have shown considerable limitations. First, they assume that people are able to describe their own cognitive process, which we now know has many subconscious components (Morin, 2011, p. 132-133). However, as Matukin and Ohme warn, due to people’s tendency toward cognitive consistency, declarative data may sometimes fail to reflect ambiguous opinions or more subtle differences in attitudes. Second, a number of factors motivate research participants to misrepresent their feelings. In this challenging context, the emergence of neuromarketing methods offered an exciting methodological alternative. Namely, such methods finally

enable marketers to explore the brain of the consumer in order to gain valuable insights into the subconscious processes of the consumer, thereby explaining the reasons for the success or failure of the message. They do this by removing the biggest problem facing conventional advertising research, which is the belief that people have both the will and the ability to report how they are affected by certain advertisements (Morin, 2011, p. 133). Namely, the use of brain imaging techniques can distinguish the subject’s cognitive and emotional experiences (verbally expressed during the interview) from the activation of brain areas associated with different and unconscious mental states. The exponential growth of scientific papers using neuroscience-based technologies to assess consumer interest in decision-making for marketing campaigns is almost parallel to the increasing number of available neuromarketing companies (Plassmann et al., 2012).

5. The ethics of neuromarketing in practice

Public reactions to neuromarketing were and still are unfavorable. However, academic thinking about the ethical limits of neuromarketing did not emerge from these public debates. Their source can be traced back to the bioethical tradition, where issues such as the protection of human research subjects, informed consent, privacy and autonomy are common. This explains why ethical issues overlap between the ethics of neuromarketing, bioethics and what is now called “neuroethics”. Precisely with the aim of better regularization and acceptance of neuromarketing techniques, many authors proposed the adoption of a code of ethics for the field of neuromarketing.

In this chapter, we will talk about neuroethics and the basis for creating a code of ethics in the field of neuromarketing. The NMSBA code of ethics for the application of neuroscience in business will be analyzed in detail and an overview of its shortcomings will be given. Finally, a proposal will be made for the steps needed to update the Code, in order to achieve a balance between economic interests and ethical requirements.

Ethical problems in brain research have led to a new field of research called neuroethics (Fuchs, 2006, according to Hensel et al., 2017, p. 68). Ethics of practice is actually research ethics applied to neuroscience, where the focus is on how these studies are designed and conducted from a moral perspective; the ethical implications of neuroscience

look at the application of these studies in the real world, just like the applications of neuromarketing that undergo ethical evaluation to limit the impact on business practices (Roskies, 2002, according to Duc, 2017, p. 34).

Due to all the ethical issues that neuromarketing raises, the solution proposed by various authors for better regularization and acceptance of neuromarketing techniques was the adoption of a code of ethics for the field of neuromarketing (Murphy et al., 2008; Hubert and Kenning, 2008; Ezer et al., 2011; Morin, 2011; Butler, 2008, according to Fortunato, Giraldi and Oliveira, 2014, p. 208). In 2008, Murphy et al. thus proposed a code of ethics that would promote research and development, entrepreneurship, and for-profit entrepreneurship, along with the benevolent and non-harmful use of neuroimaging technology at all stages of development, deployment, and dissemination (Murphy et al. 2008, according to Clark, 2017, p.153).

Murphy and colleagues thus concluded their work on the topic of neuroethics in neuromarketing with a preliminary version of the code of ethics, as a recommendation to the neuromarketing industry. In doing so, they divided the ethical issues into two main categories: (1) the protection of the various parties that may be harmed or exploited by research, marketing, and the introduction of neuromarketing (consumer neuroscience); (2) protecting consumer autonomy if neuromarketing reaches a critical level of effectiveness (Hensel et al., 2017, p. 69). The preliminary code is divided into five points: protection of research subjects; protection of vulnerable niche population; full disclosure of objectives, risks and benefits; precise representation of media and marketing and internal and external validity - at the same time, the main ethical issues related to neuromarketing. Apart from the mentioned shortcomings of the Code, one of the main challenges is the great dynamics in the neuromarketing industry, which makes it difficult to create comprehensive up-to-date guidelines. In addition, the combination of different neuromarketing tools makes it difficult to assess what is ethically correct. Given the dynamism of the field and the ever-accelerating technological progress, new tools will be developed in the future, and existing valuation algorithms will be constantly improved.

This requires continuous review and adaptation of existing ethical codes. Another source of ethical problems is the inseparability of academic consumer neuroscience and applied neuromar-

keting. Academics and industry should work more closely together to learn from each other and share important knowledge, which should be reflected in a comprehensive code of ethics that covers both worlds. Namely, the development of guidelines with the standards of academics and the specific characteristics of different tools would help to overcome many ethical challenges and would reduce the chance of conducting ethically deficient studies, thus giving greater confidence to the field of neuromarketing (Murphy et al. 2008, according to Hensel et al., 2017, p. 80-84).

(Fortunato and Giraldi, 2014, p.17) indicate that the main ethical problem is not respecting consumer privacy and autonomy. Second, most research is conducted without medical supervision and is mostly conducted for commercial purposes, as well as the abuse of conducting research on vulnerable groups, such as children. Hensel et al believe that the potential of neuromarketing can only be harnessed if trust in the industry is increased, and this strongly correlates with ethical behavior in the use of neuromarketing tools. Hensel et al. believe that both academic researchers and practitioners must consider ethical issues not only in general, but also based on the characteristics of different tools (Murphy et al. 2008, according to Hensel et al., 2017, p. 84).

Trettel and colleagues also agree that it is valid:

- increase the transparency and reliability of neuroscience-based methodologies offered by neuromarketing companies;
- increase the transparency and reliability of communication about neuromarketing methodologies.

Finally, it should be emphasized that the relationship between the code, ethical practice and legal regulations is complex and that ethical evaluation is not only a matter of applying the code and law. Namely, it is primarily about the fact that codes and laws are general and often do not provide clear guidelines in certain complex cases. In that case, the legality of something depends on the judgment of the ethics committee. Furthermore, codes and legal regulations omit many research procedures because they aim to exclude some obviously unethical practices, without giving clear ethical advice. Likewise, the content of certain guidelines may be controversial or contradictory. It is also import-

ant to note that although laws or codes are clear, this does not necessarily make them ethically correct (Hughes et al., 2010, p. 11). Also, it should be kept in mind that research profitability should not be the only motivation for conducting neuromarketing research.

6. Research methodology and results

Although one of the goals of the NMSBA Code is to restore public confidence in the legitimacy and integrity of neuromarketers, public confidence in the field of neuromarketing and marketing in general remains low. This is also confirmed by a study conducted in 2014 in the USA, the aim of which was to assess the level of reputation of several professional categories derived from professional research (Trettel et al., 2017, p. 108). It is the duty of scientists conducting scientific research in the field of neuromarketing or related fields to clearly explain the current limitations and strengths of neuromarketing techniques in their communications. At the same time, these communication actions must be carried out according to different goals: the same scientific community, shareholders of such techniques, as well as stakeholders and the general public. The goal of such communication is to increase research awareness of the capabilities and limitations of currently available methodologies when applied to marketing relevant stimuli in order to better understand their effects and consumer behavior. In accordance with the above, the basic goals of the work were defined:

- determine the level of knowledge of the respondents about neuromarketing;
- determine the respondents' perception of the possibilities of applying neuromarketing and their implications;
- determine the respondents' perception of the ethical application of neuromarketing for marketing and sales purposes;
- determine the connection between the respondents' level of knowledge about neuromarketing and their perception of the implications of its possibilities and its ethics.

Hypothesis H1: The majority of respondents do not possess a sufficient level of knowledge about neuromarketing necessary for a correct understanding of the implications of its application.

Hypothesis H2: Most respondents base their knowledge of neuromarketing on scientifically unfounded sources.

Hypothesis H3: Respondents perceive neuromarketing as a means of manipulation and taking away consumers' privacy and autonomy.

Hypothesis H4: The majority of respondents perceive neuromarketing as a means of aggressive practice and deceiving consumers.

Hypothesis H5: Most respondents perceive neuromarketing as unethical because it bypasses the consumer's awareness to influence their decisions.

Hypothesis H6: The majority of respondents believe that the benefits of neuromarketing for consumers are smaller compared to its potentially negative effects.

In order to achieve the objectives of the research and test the hypotheses, a survey questionnaire was designed. Although the terms used are consistent with data from the available literature, the questionnaire was not taken from previously published research. Given that such research has not been conducted in the Republic of Croatia before, primary results were used. The questionnaire consisted of three parts. The first part contained six sociodemographic questions, while the second part contained three questions related to the respondents' level of knowledge about neuromarketing. The third part of the questionnaire contained twenty-four questions divided into three groups of questions. Respondents had to give their assessments on a five-point Likert-type scale, where the lowest intensity of agreement is associated with the rating "one" – "completely disagree", and the rating "five" is the highest intensity of agreement – "completely agree". The Likert scale was used to measure three dimensions of the assessment of the perception of the possibilities and ethics of neuromarketing in the application of respondents, citizens of the Republic of Croatia: 1) perception of the possibilities of neuromarketing methods; 2) perception about the implications of the application of neuromarketing methods and 3) perception about the benefits / dangers and (un)ethicallity of neuromarketing. 420 questionnaires were collected, of which 74 questionnaires were invalid, due to the fact that the respondents gave double answers on Likert-type scales.

The sample for data analysis therefore consists of 346 correctly completed questionnaires. The collected data were processed using the statistical package SPSS 21. The data were analyzed using the t-test and p-test methods. Hypothesis testing refers to the procedure by which the researcher

checks the probability of the proposed hypothesis using statistical methods (Petz et al., 2005). When speaking in terms of inferential statistics, the most common test is the hypothesis of no difference or association between the phenomena being measured. Before examining the defined hypotheses, at the beginning of the work itself, the reliability and validity of the applied measurement scales were checked. The reliability of the measurement scales was tested by calculating the *Cronbach Alpha* coefficient and by calculating what the value of the Cronbach Alpha coefficient would be on individual measurement scales, in the event that an individual claim were excluded from the corresponding measurement scale.

The first part of the research refers to the determination of the socio-demographic structure of the respondents, which is presented in detail in table number 1 [Table 1].

Table 1.
Table of socio-demographic structure

Question	Number of respondents	Percentage
Sex		
Female	231	66,76 %
Male	115	33,23 %
Age		
18 – 25	74	21,38 %
26 – 35	53	15,31 %
36 – 45	82	23,69 %
46 – 55	84	24,27 %
56 – 65	42	12,13 %
66 +	11	3,17 %
Education degree		
Unfinished elementary school	-	-
Completed elementary school (NSS)	1	0,28 %
Completed secondary school (SSS)	116	33,52 %
Completed undergraduate studies (baccalaureate) (VSS)	82	23,69 %
Completed graduate studies or studies according to the old system (VSS – dipl., m.sc.)	114	32,94 %
Completed postgraduate studies, scientific master's degree or doctoral studies (VSS – master's degree, doctor's degree, univ. spec., professional spec.)	33	9,53 %

Place of residence (name of the county)		
City of Zagreb	104	30,05 %
Varazdin county	40	11,56 %
Zagreb county	29	8,38 %
Međimurska county	27	7,8 %
Splitsko-dalmatinska county	25	7,22 %
Istarska county	23	6,64 %
Primorsko-goranska county	18	5,2 %
Koprivničko-križevačka county	17	4,91 %
Dubrovačko-neretvanska county	15	4,33 %
Osječko-baranjska county	8	2,31 %
Bjelovarsko-bilogorska county	6	1,73 %
Vukovarsko-srijemska county	6	1,73 %
Karlovačka county	5	1,44 %
Krapinsko-zagorska county	5	1,44 %
Ličko-senjska county	5	1,44 %
Šibensko-kninska county	5	1,44 %
Zadarska county	4	1,15 %
Sisačko-moslavačka county	3	0,86 %
Brodsko-posavska county	1	0,28 %
Current work status		
Employed	251	72,54 %
Retired	12	3,46 %
Unemployed	10	2,89 %
Student	73	21,08 %

The sample includes 346 respondents, of which the majority of respondents are women – 231 of them, or 66.76 percent. With regard to the age structure, respondents in the age group of 46 to 55 years old (24.27 percent) and 36 to 45 years old (23.69 percent) predominate. The age group from 18 to 25 is almost equally represented, represented by 21.38 percent. As far as the level of education is concerned, most of the respondents – 33.52 percent of them have completed secondary school (SSS), but almost equally also university-educated respondents, i.e. those who have completed graduate studies or studies under the old system (VSS – dipl., m.a. sc.) – 32.94 percent of them. The sample includes all counties in the Republic of Croatia, except Virovitica-Podravina and Požega-Slavonia (although the questionnaire was sent to all counties, no responses were received from those two counties). The most represented counties, or places of residence of respondents, are the City of Zagreb (30.05 percent); followed by Varaždin County

(11.56 percent), Zagreb County (8.38 percent), then Međimurje County (7.8 percent), Split-Dalmatia County (7.22 percent) and Istria County (6.64 percent). Other counties are represented in a ratio of less than 6 percent.

Most of the respondents are employed – 72.54 percent, while only 2.89 percent are unemployed and 3.46 percent are retired. Students make up 21.08 percent of respondents. After the socio-demographic profile of the respondents was defined, the aim was to determine the level of knowledge of the respondents about the concept of neuromarketing. More than half of the respondents – 65.02 percent of them – come into contact with the term neuromarketing for the first time, while 31.5 percent of them state that they have basic knowledge about neuromarketing, that is, they are familiar with its definition and purpose. Only 3.46 percent of respondents have advanced knowledge about neuromarketing, i.e. they are familiar with the techniques and methods used, research protocols, methods of application and implications of application.

Table 2.

Cronbach Alfa – reliability of statistical data

Reliability Statistics (reliability of statistical data)		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.801	.792	24

The table shows that the Cronbach Alpha coefficient is 0.801, which indicates that the used measurement scales have a high level of reliability. In order to test the hypotheses, a t-test was used. The t-test is a statistical procedure for testing the significance of the difference between two samples, in which their arithmetic means are compared. The t-test actually serves to check the hypothesis that is set when forming the research draft. Furthermore, the same examines whether there is a statistically significant difference between the possibilities offered by neuromarketing and neuromarketing methods and to establish the difference in small and/or large possibilities brought by neuromarketing research.

Table 3.

Respondents' perception of the possibilities of neuromarketing as a science

	Arithmetic mean (standard deviation)		Difference	95 % span reliability		t (df)	
	Little ones possibilities	Big possibilities		From	To		
Some of the neuromarketing methods used can be unpleasant and dangerous for the subject.	3,16 (1,1)	3,82 (1,1)	-0,658	-1,0	-0,4	-4,2 (251)	<0,001
With the help of neuromarketing methods, companies can read the minds of consumers.	3,4 (1,0)	4,27 (0,9)	-0,632	-0,9	-0,4	-4,8 (251)	<0,001
With the help of neuromarketing methods, companies gain great power to influence the purchase decision.	3,9 (1,0)	4,34 (0,9)	-0,553	-0,8	-0,3	-4,3 (251)	<0,001
With the help of neuromarketing methods, companies can discover a neurological "buy" button in the consumer's brain, which they can manipulate without the consumer's consent in order to achieve the desired profit.	2,69 (1,0)	3,21 (0,9)	-0,523	-0,8	-0,3	-3,9 (251)	<0,001
With the help of neuromarketing methods, companies can create advertisements whose influence consumers cannot resist.	3,49 (1,1)	4,13 (1,0)	-0,642	-0,9	-0,4	-4,6 (251)	<0,001
With the help of neuromarketing methods, companies manipulate the decision-making process of consumers and try to wrongly convince them that they want or need a product.	3,24 (1,1)	4,04 (1,0)	-0,640	-0,9	-0,4	-4,5 (251)	<0,001
Neuromarketing does not have the possibility to generalize its findings because people do not have identical thoughts, personal experiences, values, or character.	3,12 (1,1)	3,92 (0,9)	-0,706	-1,0	-0,4	-5 (251)	<0,001

*Student's t-test

In Table no. 3. Student's t-test was used to test the existence of a difference in the evaluation of respondents' perceptions and the use of neuromarketing methods, whether they can read customers' thoughts, whether they are more or less unpleasant, whether they have the possibility of influencing purchasing decisions. The significance level was set at $\alpha = 0.05$. The probability (p) is lower than the level of significance, according to all claims, and it can be concluded that there is a significant difference in the assessment of the concept of neuromarketing methods as a science compared to the knowledge and acceptance of neuromarketing methods. Furthermore, 65.02 percent of respondents come into contact with neuromarketing for the first time, and only 31.5 percent of respondents know the definition and purpose of using neuromarketing methods of science. Hypothesis H1: The majority of citizens of the Republic of Croatia do not possess a sufficient level of knowledge about neuromarketing necessary for a correct understanding of the implications of its application is considered accepted.

Table 4.

Results of the t-test for the sample that verifies neuromarketing as a means of manipulation that takes away privacy and autonomy and as a means of aggressive practices and consumer deception (N = 346).

Claims	M	SD	t	p
Observing someone's brain activity through neuromarketing methods is a violation of his/her privacy.	3,43	1.15	-0.239	0.812
Neuromarketing poses a great threat to the consumer's autonomy because it removes his defense mechanisms.	3,23	1.16	-2.994	0.003

Note: t – t-test result (df = 213), p – statistical significance; the difference from the value "3" was observed.

Neuromarketing methods represent an aggressive commercial practice because they impose a product on a consumer for whom he might not show interest, and the purchase of the product is significantly related to the continuation of the purchase ($p > 0.05$). On the other hand, ne

uromarketing is not transparent and has a misleading character because it misrepresents the true commercial purpose of neuromarketing communications ($r = 0.144$, $p = 0.035$). Neuromarketing

methods can lead to excessive consumption and commercialization because they affect the consumer's subconscious, which especially affects vulnerable consumer groups ($r = 0.229$, $p < 0.001$) and the ultimate goal of neuromarketing methods is the acquisition of commercial profit, without taking into account the consumer's interest ($r = 0.280$, $p < 0.001$). With neuromarketing, the consumer, under the influence of external and hidden influence, loses the ability to independently make a purchase decision ($r = 0.267$, $p < 0.001$). Likewise, neuromarketing poses a great threat to consumer autonomy because it removes his defense mechanisms ($r = 0.135$, $p = 0.048$). According to the results, the respondents believe that neuromarketing is an aggressive method that takes away privacy and autonomy. Such results support hypotheses 3 and 4.

Furthermore, an effort was made to check whether the importance of individual respondents' opinions about neuromarketing as a scientific discipline is changing, and the respondents were asked to respond to statements such as "observing someone's brain activity through neuromarketing methods represents a violation of his/her privacy", "due to the use of neuromarketing methods, the consumer loses the right to retain and control information about oneself", "neuromarketing methods accelerate the development of automatic profiling, thereby reducing consumer autonomy", "neuromarketing represents a major threat to consumer autonomy because it removes its defense mechanisms", "with neuromarketing, the consumer is under the influence of external and hidden influence, loses the ability to independently make a purchase decision". An attempt was made to determine what role the level of knowledge about neuromarketing plays in explaining neuromarketing as a science as a whole.

As already mentioned, there is a weak connection between the knowledge and understanding of neuromarketing activities and their role, given that a large percentage of respondents who encounter the term neuromarketing for the first time or who learned about neuromarketing from various publications that have no foundation were found in science. So, we can conclude that the connection is not linear and it is shown in table no. 5 [Table 5]. From the correlation, it can be concluded that knowledge and understanding of neuromarketing as a science are related, that is, the smaller the amount of knowledge about neuromarketing, the less understanding and appreciation of neuromarketing as a science. In doing so, we compare the p

level with the significance level of 0.05. If it is established that p is greater than 0.05, it is said that the correlation coefficient is significant and may be interpreted. If the value of p is less than 0.05, it is concluded that the correlation coefficient is not significant and then, regardless of its value, it should not be interpreted. The value of the Pearson correlation coefficient ranges from +1 (perfect positive correlation) to -1 (perfect negative correlation). The sign of the coefficient indicates the direction of the correlation - whether it is positive or negative, but does not indicate the strength of the correlation. Pearson's correlation coefficient is based on the comparison of the actual influence of the observed variables on each other in relation to the maximum possible influence of the two variables, whereby (Bilodeau & Brenner, 2013):

- $r = 0$ to ± 0.25 : no association;
- $r = \pm 0.26$ to ± 0.50 : weak association;
- $r = \pm 0.51$ to ± 0.75 : moderate to good correlation;
- $r = \pm 0.76$ to ± 1 : very good to excellent correlation;
- $r = \pm 1$: mathematical connection.

Table 5.
Pearson's correlation coefficient

		Loss of the ability to independently make a purchase decision	Acquisition of commercial profit	Shopping and consumption thanks to neuromarketing research
Loss of the ability to independently make a purchase decision	Pearson Correlation	1	.631**	.133**
	Sig. (1-tailed)		.000	.000
	N	231	2314	231
Acquisition of commercial profit	Pearson Correlation	.631**	1	.126**
	Sig. (1-tailed)	.000		.000
	N	231	231	231
Shopping and consumption thanks to neuromarketing research	Pearson Correlation	.367**	.394**	1
	Sig. (1-tailed)	.000	.000	
	N	231	231	231

** Correlation is significant at the 0.01 level (1-tailed).

When calculating the correlation, the respondents gave the following answers: Neuromarketing as a scientific discipline affects the consumer's subconscious, that is, it is able to predict the consumer's behavior and his choice of products.

This is precisely what is considered one of the ethical issues faced by neuromarketing, i.e. neuromarketing research (Pearson's correlation coefficient, $r = 0.505$), which reduces consumer autonomy.

Also, the possibility of predicting future events, i.e. consumer behavior, diminishes the value of man as a being who has the ability to think. The meaning of man's value, his dignity and freedom is called into question. Given that a large percentage of the respondents stated that they are encountering the term marketing for the first time, there is an extremely large and strong correlation between the loss of independent decision-making about product selection and the fact that, according to the respondents, it is carried out for the purpose of gaining commercial profit ($r = 0.631$).

Furthermore, when buying a certain product, the consumer comes across products that the manufacturer, thanks to neuromarketing research, has predetermined as products that the consumer will buy ($r = 0.367$). Considering the presented results of the Pearson coefficient, it can be concluded that there is a positive relationship between the amount of knowledge and opinion about neuromarketing activities.

Despite the knowledge that consumer behavior is a product of images, events, experience, attitudes and motives, consumer behavior thanks to neuromarketing becomes the subject of the limbic concept, which means that consumer behavior depends not only on the mode of seeing the consumer himself, but also on the models of connection between affective, cognitive and connotative attitudes, i.e. consumer impressions towards products that the consumer intends to buy. When choosing a product, the consumer's attitude plays an extremely important role, which can be defined as collective evaluations of different products, and they are important as a determinant and indicator of shopping behavior, but the construct of attitude itself is not a permanent category (Sznajd-Weron, 2000, p. 1157-1165).

In other words, the beliefs about the products that the consumer selects and then buys are characteristics that consumers attribute to them, and as such, they can relate to emotional responses, and much less often, to cognitive ones. At the same time, we should not forget how consumers change their attitude due to social interaction (Solomon, 2003) and can transform it after perceiving the product and its values. Too much choice

of products leads to micro-systematic consumer frustration (Sznajd-Weron, 2005, p. 2537-2547), which through the process of social valence can qualitatively use the positive image of the product that the consumer has. In this way, a certain faction is created that must prevail in favor of one competitive product, which again leads us to a clear answer that the consumer is aware of his choice and purchase. Rational and random consumers have decreasing demand curves is based on the assumption that rational choice can be identified with the result of random behavior, i.e. random selection. An irrational consumer does not always choose the consumption combination that is in the middle of the budget line by random selection. When asked about the role and significance of neuromarketing research, whether it can be seen as manipulation or a need, the respondents showed a certain doubt to what extent neuromarketing could contribute to identifying their desires and thereby managing consumer satisfaction. Heuristics are effective cognitive processes that ignore information. Homo-heuristicus has a biased mind and ignores some of the available information, but the biased mind can deal with uncertainty more effectively and more powerfully than the unbiased mind by relying on more resourceful and general purpose processing strategies (Gigerenzer and Brighton; 2009, p.107).

Heuristics can lead to more accurate conclusions than strategies that use more information and computation, that is, achieve greater accuracy without effort. Even when information and calculations are completely free, sometimes more information and/or calculations can reduce accuracy, so individuals rely on simple heuristics. Heuristics turn out to be more accurate than strategies that use more information and time. Human action is influenced by information, desires and time available. With the help of information, the consumer forms an opinion, forms certain attitudes and creates desires. Desires make an individual, a consumer. Human action is influenced by information, desires and time available. With the help of information, the consumer forms an opinion, forms certain attitudes and creates desires. Desires make the individual, the consumer, and his behavior unique. They are different for each individual and the consumer shapes his behavior according to them, in order to satisfy them. The time available also affects human behavior, because it is important to the individual. When choosing between actions that have different time periods, the individual often chooses the one with a shorter time period, but with the maximization of positive feelings and the minimization

of negative feelings. and his behavior unique. They are different for each individual and the consumer shapes his behavior according to them, in order to satisfy them. The time available also affects human behavior, because it is important to the individual. When choosing between actions that have different time periods, the individual often chooses the one with a shorter time period, but with the maximization of positive feelings and the minimization of negative feelings.

Table 6.
Respondents' views on the use of neuromarketing research

	I don't agree at all	I mostly disagree	I can not decide	I agree	I completely agree	In total	Test
Manipulation	18	61	52	115	100	346	$\chi^2=15,988$
	5,20%	17,63%	15,03%	33,24%	28,90%	100%	df=3
Need	39	47	66	105	89	346	p=0,001
	11,27%	13,58%	19,07%	30,35%	25,72%	100%	

Almost half of the respondents, i.e. 43.92%, do not have a perception of the expediency of applying neuroscience to predicting and understanding consumer needs. From the above, it can be concluded that almost every second respondent does not perceive neuroscience as a tool that can be used in understanding and predicting their needs. It is interesting that 62.14% of respondents see the possibility of manipulation of neuromarketing research. 56.07% of respondents believe that the use of neuroscience is useful for consumers because it can be used to better understand and predict the needs of consumers, that is, the people for whom the product is intended.

6.1. Discussion

Through the research conducted using the method of random selection, several conclusions were reached. The assumption was that the respondents do not have sufficient knowledge about neuromarketing, which can ultimately result in them succumbing to the established myths about neuromarketing and the wrong perception of its possibilities. It has been proven that more than half of the respondents come into contact with neuromarketing for the first time and that a small percentage of them even know the definition and purpose of using neuromarketing methods of science, thus confirming hypothesis H1 according to which the majority of citizens of the Republic of Croatia do not possess a sufficient level of knowledge about neuromarketing

necessary for correct an understanding of the implications of its application is considered accepted. Likewise, the majority of respondents acquire their knowledge about neuromarketing from scientifically unfounded sources, which certainly affects their perception of neuromarketing. The results of the Pearson coefficient confirm that there is a positive relationship between the amount of knowledge and opinions about neuromarketing activities. Namely, from the correlation it can be concluded that the knowledge and understanding of neuromarketing as a science are related, that is, the smaller the amount of knowledge about neuromarketing, the less the understanding and appreciation of neuromarketing as a science.

In accordance with established myths about the real possibilities of neuromarketing, it can be perceived as a “magnifying glass” for observing mental processes without directly communicating with consumers about their thoughts, memories, evaluations or decision-making strategies, thus in fact it can provide access to otherwise hidden parts of the consumer’s brain, directly bringing in the question of protection of privacy, dignity and autonomy of consumers. So, when it comes to the ethics of neuromarketing, it can be approached from two basic points of view: a) protection of vulnerable parties from the harm of using different neuromarketing methods and b) protection of consumer autonomy when making purchase decisions. The research proved that the respondents perceive neuromarketing precisely as a means of manipulation and deprivation of consumer privacy and autonomy. The above goes in the direction of the recommendations of many authors who believe that the dignity and integrity of the human being should be protected by respecting the autonomous deliberation of the human individual about his preferences. In addition to the violation of privacy, the use of marketing methods also raises some new questions, such as the right of each person to retain and control information about himself, which is violated in behavioral online advertising. Respondents also see neuromarketing as a means of aggressive practice and deceiving consumers. For most of them, neuromarketing represents a major threat to the consumer’s autonomy because it removes his defense mechanisms. Such a perception contributes to respondents’ opinion that neuromarketing is unethical because it bypasses the consumer’s awareness to influence their decisions. It is interesting that the perception of the harmfulness of neuromarketing has not wavered, even when it comes to the use of neuromarketing research for charita-

ble and scientific purposes. Namely, the respondents, regardless of the ultimate purpose of neuromarketing, perceive it as unethical. Respondents are also undecided about the claims that neuromarketing can help better identify those products, brands and services that consumers really need, as well as that it improves the consumer experience because it applies the acquired knowledge in product development and design, promotion and advertising, and the design of sales points. On the other hand, they express doubt when it comes to the dominance of potentially negative effects in relation to the benefits of neuromarketing for consumers. Respondents are also undecided about the claim that neuromarketing does not have the ability to generalize its findings because people do not have identical thoughts, personal experiences, values, or character.

However, the aforementioned indecision can be attributed to insufficient knowledge of the possibilities of neuromarketing, which is confirmed in hypothesis H1 and is something that the supporters of neuromarketing themselves point out, stating that it carries the possibility of abuse on the one hand, but also moral responsibility on the other. In this sense, the solution proposed by various authors for better regulation and acceptance of neuromarketing techniques is the adoption of a code of ethics for the field of neuromarketing. As many authors state, the potential of neuromarketing can only be used if trust in the industry increases, which strongly correlates with ethically correct behavior when using neuromarketing tools. In this sense, and based on the results of the research, the main recommendation is that neuromarketing companies increase transparency about the real possibilities of neuromarketing methodologies and that they adequately communicate such services to the general public and industry, which will contribute to increased knowledge of public opinion and, consequently, the correctness of its perception of such methodologies. In parallel with the above, it is also important to communicate about neuromarketing methodologies and to increase their transparency and reliability in such a way as to increase the number of scientific sources that would avoid exaggerated promises about the power of neuromarketing methods and provide the public with a clearer and more credible picture of the (im)possibility of neuromarketing.

The first limitation of the study is related to the size and representativeness of the sample. Namely, the research was conducted on 346 re-

spondents and if the number of inhabitants of the Republic of Croatia is taken into account, the sample size used in this research is not satisfactory to be able to draw final conclusions. Furthermore, not all parts of the Republic of Croatia are equally represented in the sample, that is, certain counties are not represented at all. Despite the above, the obtained results are suitable for drawing indicative conclusions, but it should be emphasized that in order to create a complete picture, it would be necessary to conduct research on a larger sample and include all counties of the Republic of Croatia.

Furthermore, the limitation of the research is related to the lack of previous research on the mentioned topic in Croatia, with which the results of the conducted research could be compared. Due to the impossibility of comparing the results, as well as drawing conclusions based on their comparison, the interpretation of the research results is also difficult.

7. Conclusion

In a globalized landscape where there is a constant and relentless battle to win the favor of consumers, getting to know consumers becomes a crucial priority for companies because, contrary to the former belief that consumers behave in a logical way, it is now known for sure that consumers make most of their purchasing decisions on an unconscious level, and therefore inaccessible to marketers. It was this realization that imposed the need for new methods of market research that would provide more reliable and precise data on consumer behavior as a basis for better business decisions. In this challenging context, the emergence of neuromarketing – an emerging field that can be defined as a bridge between neuroscience and marketing – offered an exciting methodological alternative. However, despite its value to businesses, neuromarketing has sparked widespread debate about the ethical nature of it. This was contributed to on the one hand by the entire atmosphere surrounding neuromarketing, which is full of numerous misunderstandings and 'loose' interpretations supported by the media, and on the other hand by the very language used by neuromarketing, as well as the claims made by researchers and practitioners about what this field is all about. can realistically provide. Namely, many authors point out as a limitation that it is a very complex science and that, accordingly, little can be generalized or stated with certainty. Likewise, some of them believe that neuromarketing is closer to science fiction than

reality because it is impossible to find people with identical thoughts in the world, given that thought is changeable and varies depending on personal experiences, values and character. Such an atmosphere of mystique surrounding neuromarketing, although very attractive to marketers – especially because it ostensibly gives them the opportunity to offer consumers something that goes beyond traditional market research tools, results in consumers fearing that neuromarketing tools can actually give insight into their thoughts, i.e. a violation their privacy, autonomy and dignity. The aim of this work was therefore to determine, first of all, the level of knowledge of the citizens of the Republic of Croatia about the concept of neuromarketing and, accordingly, their perception of the ethical implications of the application of neuromarketing methods.

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ORIGINAL RESEARCH PAPER

EFFECTS OF PERCEIVED GENDER ROLES ON FEMALE POVERTY, THE CASE OF BOSNIA AND HERZEGOVINA

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ABSTRACT

This research examines the position of women in Bosnia and Herzegovina (BiH) in relation to their participation in the labor market, average income differences between men and women and causes that affect their situation in respect to social norms and perceived gender roles. Through identifying how harmful practices perpetuated by social norms contribute to increasing inequality that widens the poverty gender gap, the research discovers a high percentage of working-age women being outside the labor market, a higher unemployment rate among women, and gender disparity in occupations and positions in BiH. By surveying the perception of prevalent social norms, particularly those connected to roles the society 'assigns' to women and men, the study identifies linkages between the roles and the position of women in the labor market and decision-making. The special focus is on multidimensional aspects of poverty, particularly in cases of limited access to jobs, education, and public services.

Keywords: female poverty, female labor participation, social norms, gender roles, decision-making



MAP SOCIAL SCIENCES

Volume 4

ISSN: 2744-2454/ © The Authors.
Published by MAP - Multidisciplinary Academic Publishing.

Article Submitted: 28 September 2023
Article Accepted: 05 November 2023
Article Published: 06 November 2023



Publisher's Note: MAP stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.

<https://doi.org/10.53880/2744-2454.2023.4.82>



HOW TO CITE THIS ARTICLE

Bučan S., Ramić-Mesihović L. (2023). **Effects of Perceived Gender Roles on Female Poverty, the Case of Bosnia and Herzegovina**. MAP Social Sciences, 4, 82-97.
doi: <https://doi.org/10.53880/2744-2454.2023.4.82>



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Introduction

Poverty, as defined by Paul Spicker (1999), consists of “serious deprivation” where people are poor when their “material circumstances are deemed to be morally unacceptable”. Multidimensional aspects of poverty assume the deprivation along three dimensions of well-being – monetary poverty, education, and basic infrastructure services (World Bank). Inequality between men and women, due to the widening gender gap in poverty, is often referred to as the feminization of poverty, female or gendered poverty. The term ‘feminization of poverty’ was coined by a social worker, Dr Diana Pearce, in 1978 (Hinze & Aliberti, 2007). The term received wider attention in the 1980s when studies on the proliferation of female-headed households and research on social impacts and gender-specific effects of structural adjustment policies became more prominent (Moghadam, 1998).

Unemployment is a main driver of poverty. However, women are less active in the labor market and unemployment among them is higher. Globally, in 2022, women’s labor force participation rate stood at 47.4 percent compared with 72.3 percent for men (ILO, 2022). BiH’s ratio is 40.6 percent to 61.7 percent in favor of men (ILOSTAT, 2022)¹. Apart from unemployment, one of the main reasons women are caught in the poverty cycle is that they occupy jobs that pay less and are mainly employed in industries and sectors with insufficient monetary power, which generates a gender pay gap.

The assumed gender roles restrict women’s access to education, public services, political participation, and many sectors of the workforce, particularly when it comes to women belonging to marginalized groups. The studies conducted in the United States (Institute for Women’s Policy Research, 2016) and the European Union (European Institute for Gender Equality, 2016) show enormous differences when it comes to the proportion of minorities living under the poverty line in comparison to the majority population. However, the percentage of women living in poverty is higher across all population groups. Additional factors that affect women’s poverty are education level, family type – single female-headed households with children being most vulnerable, lower earnings, disability, lack of family support and challenges in accessing public benefits (Institute for Women’s Policy Research, 2016).

In 1995, during the Platform for Action adopted by the Fourth World Conference on Women, held in Beijing, the eradication of the persistent and increasing burden of poverty on women was identified as an area that requires special attention and action by the international community, governments, and civil society (UN Women, 1995). While the issue had been recognized almost half a century ago, the inequalities had not been sought yet.

Literature Review

Women and Poverty

The notion that women have disproportionately been affected by poverty and are more likely to fall into the poverty cycle has been commonly accepted and studied since the late 1970s. Practitioners and scholars have until recently mainly used the term ‘feminization of poverty’ to describe this phenomenon. Carolina Johansson Wannerholm described the use of the concept in a study *“The Feminization of Poverty”* (2002). C. Johansson Wannerholm provides an insight into how the term is being understood and used by scholars and practitioners and accepts Cagatay’s ample formulation that the ‘feminization of poverty’ has meant three distinct things: that women compared to men have a higher incidence of poverty; that women’s poverty is more severe than men’s; and that the incidence of poverty among women is increasing compared to that of men. The conceptualization of the ‘feminization of poverty’ has been colored by the general development debate and feminists’ interests, which was both the source for acceptance and critique (Wannerholm, 2002). Although the term is less in use nowadays, historically it is significant since it brought attention to the phenomenon of the unfavorable economic and social position of women in society.

“Theories of International Relations” (Burchill et al., 2001) edition, among others, provides a feminist view of international politics and economic relations. In the Chapter on Feminism, Jacqui True elaborates on how social and economic polarization has been intensified by economic globalization by pointing out that the globalization process has increased worldwide inequality between men and women, with disproportionate numbers of women in poverty due to Third World debt crises, structural adjustment policies (SAPs) in the South and state restructuring in the North. True argues that feminist scholars document that economic insecurity of an international division of labor devalues work

¹ Agency for Statistics of BiH (ASBiH), 2023: 36.7percent of women and 63.3percent of men in employment

associated with women and locates females in the poorest-paid and least secure sectors of the labor force.

In the UNDP's Working Paper *"Gender and Poverty"* (1998) Nilufer Catagay writes that gender inequalities in economic life become a causal factor in the chronic poverty of all household members also causing intergenerational reproduction of poverty. Patriarchal norms and gender gaps in wages contribute to difficulties of escaping poverty intergenerationally through vicious cycles between poverty and gender inequalities (Catagay, Nilufer, 1998).

The attention in the literature was given to the disproportionate incidence of poverty among female-headed households. In the volume *"Gender, Economic Growth, and Poverty"* (1994) edited by Heyzer and Sen the discussion centers around this issue. Disparities in the wage gap regarding earnings between men and women over many generations have also been cited as contributing to aging women's relative financial insecurity (Hollis-Sawyer & Dykema-Engblade, 2016).

Racial and ethnic aspects of women's poverty have been examined in the working paper *"Race, ethnicity and gender poverty gap"* (Elmelech & Lu, 2004). The study assesses the importance of gender-specific demographic and socioeconomic composition in shaping differences in men's and women's poverty rates both within and across racial/ethnic lines by examining the gender-poverty gap among eight racial/ethnic groups in the US. Starting from the assumption that minority women experience a double disadvantage owing to being both women and members of a minority group, the analysis reveals that sociodemographic characteristics have a distinct effect on the poverty rate of these women and that the form and the magnitude of the effect vary across racial/ethnic lines.

Social Norms and Gender Roles

Social norms have been studied since ancient times and are recognized as part of collective human behavior. Thomas Schelling's hypotheses that explain regularities in human action in *"The Game Theory"* (1968) provided an impetus for researchers to look more closely into social norms and their influence on harmful social practices. The recognition that social norms perpetuate behaviors of members of a community or a society and are generating practices that could be harmful or beneficial has been explored in the report *"What are Social Norms? How are They Measured?"* (Mackie et al., 2015). The most prevalent social norms are those

related to gender roles. It is common for all societies to 'assign' different roles to men and women and varying degrees these norms perpetuate practices that are harmful and lead to discriminatory behavior towards women. This issue is getting more attention from researchers and scholars as well as development actors who are trying to understand how social norms are affecting development and how best harmful norms, behaviors, and practices could be addressed. OECD Development Center produced *"Atlas of Gender and Development, How Social Norms Affect Gender Equality in non-OECD Countries"* (2010). This publication provides a unique insight into the impact of social institutions - traditions, social norms, and cultural practices - on gender equality in 124 non-OECD countries. Another OECD report *"Man Enough? Measuring Masculine Norms to Promote Women's Empowerment"* (2021) identifies and describes 10 types of restrictive norms that urgently need to be addressed and highlights gender-equitable alternatives which support women's empowerment in practice.

The traditional gender roles have put a disproportional burden of responsibilities on women when it comes to childcare and care for other family members, and these have, to varying degrees, been incorporated into labor policies and practices worldwide. Policies aimed at promoting a more equitable division of labor, granting parental leave rights to both parents were first promoted in Scandinavian countries in the nineties. The use of paternity leave proves to be a mechanism for facilitating more active male participation in both caring for children and the performance of domestic chores, thus encouraging a paternal role model more involved in childcare but also a tool for furthering greater gender equality (Meil, 2013). The edition *"Parental Leave and Beyond"* (Moss et al., 2019) provides a perspective on parental leave policies in different countries, and examines a range of issues in depth to offer possible future perspectives.

"Gender Identity and Relative Income within Households" (2013) study examines the causes and consequences of relative income within households. The study demonstrates that there is an aversion to the notion of a wife earning more than her husband. This impacts marriage formation, wife's labor force participation, wife's income conditional on working, marriage satisfaction, likelihood of divorce, and the division of home production (Bertrand et al., 2013).

Socio-economic Position of Women in BiH

The chapters on employment and political power in the publication *"Women and Men in Bosnia and Herzegovina"* (ASBiH, 2022) provides

gender-desegregated data on participation in the work force by sectors and representation of both genders in the decision-making positions in political, public, and private sectors, demonstrating disproportional representation in favor of men.

UN Women's publication "*Country Gender Equality Profile of Bosnia and Herzegovina*" (2021), through the lens of country's international obligations and legislative framework, gives a comprehensive view of position of women and men in civil, political and economic participation.

A research titled "*Influence of Gendered Division of Domestic Work on Professional Career of Women in Bosnia and Herzegovina*" (2020) confirms that an uneven distribution of labor in households negatively influences the participation of women in the labor market, the earning power and the professional development and career of women in BiH. An analysis "*Women's representation in executive positions of public companies in Bosnia and Herzegovina*" (2022) produced by non-governmental organization (NGO) Prava za sve (*eng. Rights for All*) uncovers a high disproportion in representation of men and women in decision making processes in public companies in BiH. The study concludes that decisions on appointments are being made in narrow male-dominated political circles, often in informal male only gatherings beyond working hours.

The position of minority Roma women and men had been examined in the research "*Discrimination of Roma in Tuzla Canton*" (Musli, 2017), confirming existence of discrimination in the labor market, particularly when it comes to Roma women.

Methodology

This research examines the position of women in BiH with regard to their participation in the labor market, average income differences between men and women and causes that affect their situation with a focus on social norms and perceived gender roles, hence identifying whether the harmful practices perpetuated by social norms contribute to increasing inequality between men and women and widening gender gap in poverty. The research provides a closer look into employment practices and the participation of women in the labor market in BiH. The research further explores the participation of women in managing positions both in the public and private sectors and how women's underrepresentation in decision-making positions influences working conditions and the quality of family-oriented social services. Multidimensional aspects of poverty are being examined, particularly when it comes to marginalized women who are less

likely to access jobs, education, and public services.

The main hypothesis of the research is that (1) women are more likely to lose income or fall into poverty due to the perceived gender roles in society that are negatively affecting women's position in the BiH labor market, which is ensured by a set of subhypotheses:

- 1.1. Women in BiH are less likely to be employed or actively participate in the labor market because of the perception that they will be more likely to be absent from work, and thus less committed to their careers and work obligations, due to childcare or care for family members.
- 1.2. Employed women in BiH are performing less-paid jobs and thus are more vulnerable to falling into poverty.
- 1.3. Women are underrepresented in managerial and decision-making positions and thus less effective in creating an enabling working environment for women.
- 1.4. Marginalized women in BiH are more likely to fall into poverty due to prejudice, stereotype, and gender discrimination.

The research methods include desk research, semi-structured interviews, and a survey. All methods used are complementary. The desk research examines the official statistics on employment, the workforce in the market and those outside the labor market as well as relevant reports published by BiH government agencies, international organizations, and international and local non-governmental organizations. The relevant academic work has been considered. The targeted interviewees include representatives of relevant governmental agencies, a member of the academic community that has produced a relevant body of work in studying social norms, and representatives of relevant non-governmental and international organizations.

The online survey administered in 2023 gathered data and insights about perceived gender roles in BiH society. The survey has been conducted among the general population targeting people of all genders, various age groups, education levels and employment statuses throughout BiH. The survey aimed to identify prevalent social norms and perceived gender roles in society. The survey has been distributed widely, via social networks and through e-mail exchange to targeted participants and groups, collecting 312 responses from people living in municipalities of both enti-

ties (the Federation of BiH and the Republika Srpska) and the Brčko District of BiH. The demographic data gathered includes information on gender, age, education level, and residence. Out of the total of 312 participants from the entire country, 76 percent were women and 22.8 percent men with four participants not declaring their gender. The highest number represented the working age population, 35–44 and 45–54 years of age, respectively 25 percent and 38.1 percent. 15.4 percent were people in the age group of 55–64. 7.7 percent were within the age group of 15–24 and 3.2 percent were above 65 years of age. 45.2 percent of surveyed participants have university degree or higher education, 24 percent has a master's degree, 6.4 percent PhDs while 23.1 have secondary level education, while 1.3 percent finished primary level school. 67.9 percent of participants are employed or self-employed (10.9 percent) while 3.2 percent is working seasonal or temporarily jobs. Most survey participants come from urban areas, 85.6 percent.

Results and Discussion

H1.1 Women in BiH are less likely to be employed or actively participate in the labor market because of the perception that they will be more likely to be absent from work due to childcare or care for family members.

1.1.1. Labor Market Participation

Women's economic participation is one of the four distinct dimensions that is being assessed globally to determine gender parity or level of gender equality achieved in societies around the world. The Global Gender Gap Index is used to assess the current state and evolution of the status of economic participation and opportunity, education attainment, health and survival and political participation. According to "Global Gender Gap Report" (World Economic Forum, 2023), gender gap index in BiH is 69.8 percent. The World Economic Forum's report predicts that it will take another 131 years to achieve full gender parity that currently stands at 68.4 percent globally. Economic participation and opportunity sub-index, while steadily increasing, is still at only 60.1 percent both globally and for BiH.

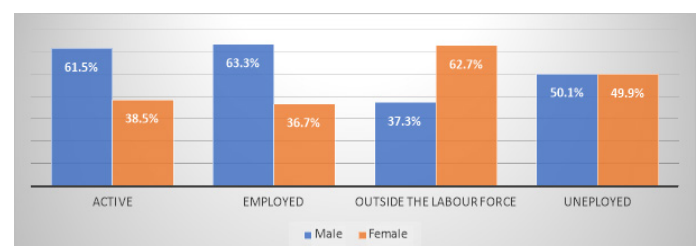
It is relevant to analyze not just employment status of men and women in BiH, but also a rate of active working age population and those outside the labor market force, meaning those that are of working age and not seeking employment.

According to Agency of Statistics' labor market survey for the last quarter of 2022, out of the total active population 842 thousand are men,

while 566 thousand are women. 744 thousand of men in BiH are employed comparing to 430 thousand of women. 951 thousand of active women are outside the labor force while 566 thousand of active men are in the same situation. While number of men and women seeking employment is equal, 98 thousand per each group, the percentage of active working age women seeking employment is higher due to the lower employment rate of women active in the labor market.

Figure 1.

Working age population by status and activity in BiH, Q4 2022 (%)



The unemployment rate for the fourth quarter of 2022 was 14.3 percent. Unemployment among active working age male population was 11.6 percent comparing to 18.6 percent for active working age female population.

The concerning notion is that there is almost 1.5 million people outside the labor force, majority being women, 951 thousand. Hence, out of 1,517 thousand working age women, 1,087 thousand or 71.66 percent are not employed. Being unemployed deprives them of a steady income, which makes them dependent and limits their choices. Statistics also show that most people, of all genders, that find themselves outside the labor force are those with primary school education (47.7 percent) and secondary level education (46.1 percent) (ASBIH, 2022).

The long-term unemployment is also prevalent among women. 53 percent of women actively seeking employment have been unemployed for four years or longer, while 39.8 percent of men experience long-term unemployment (ASBIH, 2022).

1.1.2 Perception of gender roles

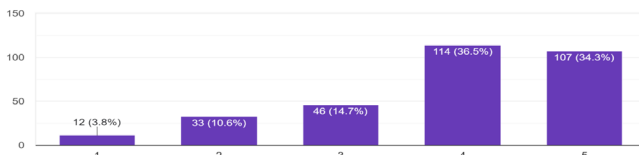
The survey data on perception and attitudes of roles society 'assigns' to men and women when it comes to childcare and care for elderly or incapacitated family members, uncover possible reasons while women are less active in the labor market or why unemployment rate among women is higher. Majority of the surveyed agree (36.5 percent) or strongly agree (34.3 percent) that childcare and care for the elderly or family members that need

care is primarily a role assigned to or undertaken by women.

Figure 2.

Childcare and care for the elderly or family members that need care is primarily a role assigned to women

6. Briga o djece i briga o starim nemoćnim članovima porodice je uloga koju u našem društvu primarno obavljaju žene.
312 responses

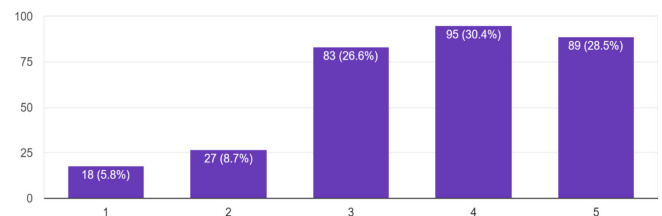


Likewise, 32.4 percent agree and 16.3 percent strongly agree that men are perceived weak if they perform domestic chores or take care of children. BiH, thus, falls in the pattern of developing countries where gender role expectations are determined by traditional beliefs as well as social, cultural and political norms. Caring for children, sick, elderly and disabled, in addition to household chores are assigned to women (Dormekpor, 2015). Re-affirmation of patriarchal traditional norms after the 1992-1995 war, and decades after, have relegated women in Bosnia and Herzegovina to the private sphere expecting them to accept nurturing roles, the role of mother and educator (Spahic-Siljak, 2007). This affects women's activity in the labor market and explains a high rate of women outside the workforce. This is reinforced by the results of the "Research on the influence of the gender division of family and household chores on the professional life of employed women in Bosnia and Herzegovina" (2020), which provides evidence that in 93.8 percent of relationships, all or most of the routine household chores are performed exclusively by women, and in most relationships (80.8 percent) a woman does all or most of the work related to childcare.

Similar line of thinking is shared by the surveyed participants when it comes to perception on reasons why employers are more likely to engage men than women even though both have same or similar qualifications. 30.4 percent and 28.5 percent of survey participants respectively agree or strongly agree that employers will be keener to engage a man rather than a woman in case they have the same or similar qualifications.

Figure 3.

Employers are more likely to engage men than women when candidates have the same or similar qualifications



The prevailing perception that the main reason behind this practice is the employer's notion that a woman will at some point use the parental leave (51.3 percent) or that she will be more absent from work to take care of children or other family members (59.9 percent).

The discouraging practice of favoring male over female candidates further perpetuates harmful behaviors and, despite having the same level of skills, women find themselves in disadvantaged position to gain and keep employment. Employers are less likely to invest in the developing female candidate and employees perceiving them less committed to their careers (Harvey & Tremblay, 2019). High rate of long-term unemployment among women could be put in relation with this practice. The lack of previous employment record and references makes the job search more tenuous and leads to longer term unemployment, leaving women financially dependent on their partners and families.

These perceptions are transposed to how society views the gender roles in relation to taking the parental leave, which despite the fact that it is legally possible for both parents to use it, is almost exclusively being used by women. The prevailing majority of surveyed believe that society would not be benevolent to men who decide to use the legal right of taking or sharing parental leave with their female partners. The large majority either agrees (35.6 percent) or strongly agrees (23.4 percent) that it is considered unacceptable in the society for a man to use parental leave.

This puts additional burden on women to conform to social norms and put their careers on hold. They are also often subjected to interrogation about their intentions to become parents, risking to be forced to choose between employment and parenthood.

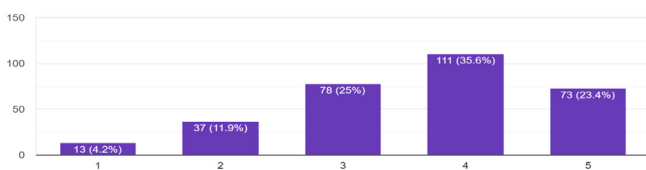
The recorded data show that only 0.36 percent of men in BiH have exercised legal right to

compensation instead of salary, indicating the use of parental leave by these men (SOC, 2022). The survey data reveal that even in the cases when a man takes a parental leave it is due to the reason that a woman is not able to use it (19.5 percent), a man is as single parent (5.7 percent), or it is economically beneficial for the family due to the greater earning power of the female partner (45.9 percent).

Figure 4.

It is considered unacceptable in our society for a man to take parental leave

14. U društvu se smatra neprihvatljivim da muškarac koristi porodijski dopust.
312 responses



The parental leave becomes key to the paradigm shift that childcare related absence from work affects only women. In addition to serving the families' welfare, involvement of men in post-natal and childcare in general impacts the perception of the workplace regarding female employees and gender pay gap (Harvey & Tremblay, 2019). The government policies related to not only parental leave, but also those aimed at improving the support services for working parents, paired with the discourse that influences social norm change, would also relieve employers of the notion that they would lose a female employee for a longer period of time due to parental leave. Sharing parental leave time among partners is, thus, beneficial for families, employers and the economy.

In terms of support services that are available in their communities, the survey participants believe that there is an adequate number of day care centers for children (61.3 percent), while they are not satisfied with the number or quality of facilities for elderly care (42.6 percent).

Correlations: The perception that society expects from women to assume most duties when it comes to childcare and care for other family members is prevalent among younger (15 -24) and elderly male population (65+), respectively scoring 4.6 and 4 on the scale. Perception that the employers will rather employ a man than a woman even though they have same or similar qualifications is predominant among women (3.83). When it comes to satisfaction with a number of childcare facilities, the incidence is lowest among population that are most likely to have children, people above 45 years

of age (scoring between 3.00 – 3.52). The correlations indicate that traditional norms prevail among young people, which calls for engagement and awareness arising with this population group.

Traditional norms are more exhibited in less developed economies and hierarchical societies where group goals precede the individualistic aspirations (Dormekpor, 2015) and group norms are then effortlessly imposed on individuals who share certain group identities.

The views shared by experts and representatives of governmental agencies and civil society groups reinforce the thesis that perceived gender roles are relevant in the labor market.

Samra Filipović-Hadžiabdić, Director of Agency for Gender Equality of Bosnia and Herzegovina (AGEBiH) attributes insufficient activity of women in the labor market to the social norms and equally to lack of care economy or lack of services that would enable women to participate more actively in public and economic spheres of life. She emphasizes that *although BiH has the most progressive labor legislation in the region, it is still lagging behind other countries because of the lack of services for child and elderly care and the norms that hinder the women's economic participation. Women in BiH are academically more successful than men, however they are perceived as an "expensive work force" due to the notion that they will be more absent for parental leave and childcare. The government also does not provide any incentives or subsidies to employers to mitigate the risks or lessen the burden.*

Aida Mehdić, a researcher and a coordinator in Roma women network in BiH confirms that her findings and experience correspond to the prevalent opinion. She stipulates that *dominant social norms are mostly well known, stereotypical, as well as gender roles. The phenomena are very much affected by the position women socio - economic position, especially if a woman is belonging to a marginalized societal group. Social norms and gender roles generally require that women predominantly take over all responsibilities and tasks concerning households and childcare. She attributes this to tradition saying that such norms have been nurtured and practiced for generations, thus it is rooted in our collective subconscious. Often, the women themselves feel a kind of guilt and the need to thank husband for taking care of their child or for doing some household chores."*

Srdan Dušanić, a social researcher and a scientist, has mainly been working with and con-

ducting research on social norms among young people. He states that in his work with young men and women, predominately high school age students, he has established a strong presence of gender stereotypes that favor the role and supremacy of the man in relation to women. *This is associated with both common and traditional social roles that exist in society and perform a subtle pressure on everyone to behave in accordance with the norm. It is a product of socialization that takes place through learning by model in the family, school and through the media.* Dušanić, however, marks a positive trend that is evident in the last decades, that came along with the emancipation of women, and thus a raw division of work is being less pronounced in recent period.

Željko Blagojević, program specialist for population and development issues at UNFPA, claims that *social norms affect both women and men. Men, however, are not aware that the quality of family life is in direct relation with the distribution of work and patriarchal norms that impose gender roles and dictate that „women’s place is at home“.*

Dženana Aladžuz, a development professional, who works on women labor rights and economic empowerment of women gender-based violence (GBV) survivors with Infouhouse organization, is of opinion that *women do not take over household chores from men, those are simply imposed on them as binding, as ‘their responsibility’ from childhood.* She points that the impact of the gender division of household chores on the professional life of working women in BiH is enormous. *It is obvious that working women really do the “second shift” at home. All of this leaves negative consequences for the private and professional life of women, more precisely, according to the research (Agency for Gender Equality of Bosnia and Herzegovina, 2020), it leaves them five times less time for rest, for personal and professional progress and improvement, participation in social activities or politics.*

H1.2 Employed women in BiH are performing less-paid jobs and thus are more vulnerable to falling into poverty.

1.2.1 Sectors that employ women and their monetary power

To determine whether women are performing less paid jobs it is necessary to look at the statistical data indicating in which sectors women are employed and what is the average earning power of those sectors.

Figure 5.

Women employment by sector; Data source: Agency for Statistics of Bosnia and Herzegovina

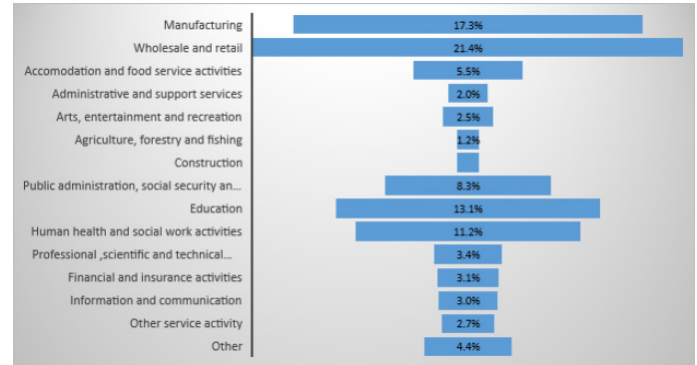


Figure 5 shows the proportion of women employed by specific sector or industry indicating that majority of employed women work in manufacturing (17.5 percent) and wholesale and retail (21.7 percent). Another significant group of sectors women occupy are education (13.1 percent), health and social welfare (11.2 percent) and public administration (8.3 percent).

Average net salary in BiH is one of the lowest in the region and far below the EU average (ILO, 2022). Average net salary in 2022 was 1.122BAM /573.67EUR /628USD (Agency for Statistics, 2023). Variation of average net earnings by sector or industry provide indication on how much women earn in average and which sectors are more lucrative.

Figure 6.

Percentage of average wages by sector in comparison with the average salary, Q4 2022; Data source: Agency for Statistics of Bosnia and Herzegovina

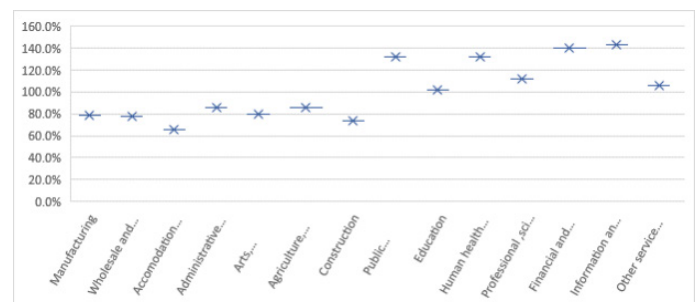


Figure 6 indicates the average salary by sector or industry in comparison with the national average. Thus, the sectors and industries in which 51 percent of women are employed pay less than an average salary. Wholesale and retail sector that engages 21.1 percent of women pays 77.6 percent of average salary, while the second largest sector that

employs women, manufacturing, pays 79.1 percent of the national average. This is exacerbated by the fact that the lowest paying is the garment industry that almost exclusively employs women, approximately 80 percent of garment workers worldwide are women (Clean Clothes Campaign via CARE International, 2021). The share of textile workers in manufacturing sector in Bosnia and Herzegovina is 24 percent in Federation of BiH and 23.25 percent in the Republika Srpska (Vukelić et al., 2020), while average reported net wage in 2022 was 693BAM / 354.3EUR /387USD² or 61.8 percent of the average salary (ASBiH, 2022).

The workforce distribution according to sectors shows disproportion of female and male workforce both in the service and trade sector as well as those that are classified as professionals. 67 percent of workers in the service and trade sector are women and 65 percent of all professionals are also female. Hence, better situation for women when it comes to earning is in another group of sectors that women predominantly occupy. The salaries in education are almost corresponding to the national average (101.9 percent), while the salaries in health and social work activities, equally as the public administration, are higher than the average (131.8 percent). The participation of women in these sectors can be attributed to social norms given that health, social work and education sectors are viewed as 'more appropriate' for women and also to the fact that 33.2 percent more women than men in BiH finish university education, while percentage of master degree attainment is even higher (44.6 percent) (ASBiH, 2022).

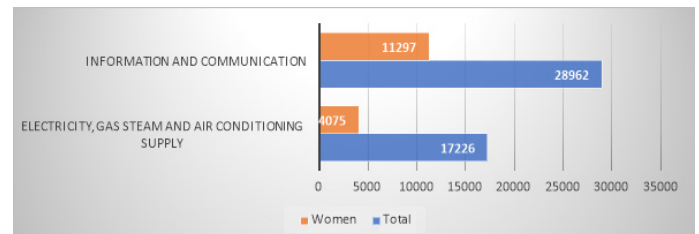
Women in BiH are underrepresented in highest paying sectors, electricity, gas steam and air conditioning supply, and information and communication (Figure 7).

Information and communication sector that offers the highest salaries, 42.8 more than average, employs women in proportion of 39 percent, while the second highest paying sector, electricity, gas steam and air conditioning supply, where salaries are 41.6 percent higher than average employs 23.66 percent of women.

Men are in disadvantaged position when it comes to the construction industry, which pays significantly lower salaries, 26.14 percent less than average. Men occupy 89.34 percent of jobs in construction industry.

Figure 7.

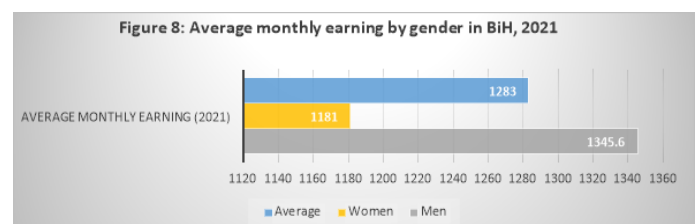
Women's representation in highest paying sectors, Q4 2022; Data source: Agency for Statistics of Bosnia and Herzegovina



Women in Bosnia and Herzegovina in average earn 12.23 percent less than men. Woman in average earns 0.88 BAM comparing to 1 BAM a man makes (ILO, 2021).

Figure 8.

Average monthly earning by gender in BiH, 2021; Data source: International Labour Organisation (ILO)



Gender pay gap³ can be attributed to social norms that prevent women to equally access the decision-making and highest paying positions or sectors. Moreover, the norms influence the selection of occupations leaving women in lower paying grades. The access to and attainment of higher-level education, however, does make the difference and despite women being predominantly engaged in 'nurturing' type of occupations, it makes possible for women to earn an average or an above average salary.

Unforeseen situations and crises affecting either the whole society or a family also have negative effects on women's career paths. The recent COVID-19 crisis has put additional burden on women in terms of taking over most of the family and childcare responsibilities, thus negatively affecting their participation in the labor market as well as the career progression (UN Women, 2022).

² Average salaries in manufacturing textiles, wearing apparel, and leather products

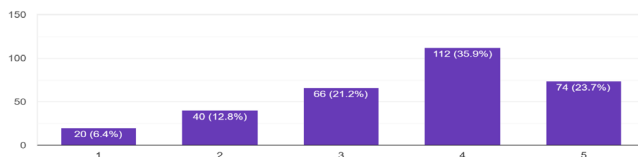
³ Gender pay gap is not equal to the gender wage gap as the pay gap also considers other sources of income and thus could be higher than the gender wage gap

1.2.2 Social norms that affect the occupation choices

Survey on social norms and perceived gender roles gives us an insight what the expectations are in terms of the responsibilities for a family's financial security. Majority of survey participants believes that society expects from men to be the primary breadwinners in their families. 35.9 percent agree, while 23.7 percent strongly agree with the statement.

Figure 9.
Society expects men take the primary role of breadwinner in the family

9. Društvo od muškaraca očekuje da preuzmu primarnu ulogu kada je finansijska sigurnost porodice u pitanju.
312 responses



The survey further reveals that 32.4 percent of surveyed agree and 16.3 percent strongly agree that society views men as weak if they get themselves involved in childcare or perform domestic chores.

Correlations: In terms of perceptions of different demographic groups, certain deviations are notable when it comes to the age group 15–24. Young women (4) and young men (4.4) score highest when it comes to perception that a man is expected to be a primary breadwinner in the family.

The society's expectation for men to be primary breadwinners has negative effects both on men and women. The pattern in job and career choices of men and women is evident from the available statistical data demonstrating that most jobs available to women are in trade, service, education, and health sectors. The social expectation affecting the career choice limits young men and women to achieve their full potential and, hence, deprives the society of the potential talents and expertise. Furthermore, this expectation, paired with the believe that men are considered weak if they perform domestic chores or take care of children, creates an associated stress and anxieties affecting both men and women, and families. The aversion to the notion of a women earning more than her male partner impacts emotional relationships and quality of family life (Bertrand et al., 2013).

Srdan Dušanić notices that *the inferior position in terms of employment and earnings affects the more submissive position of women in other spheres as well because they are often unable to lead an independent life, which is why they remain in sometimes toxic relationships or are exposed to violence.*

Dženana Aladžuz highlights major challenges related to gender-based discrimination in employment. *Women continue to experience discrimination in hiring, promotion and termination of employment, as they are more likely than men to experience sexual harassment at work. Women are often exposed to direct discrimination in employment – they are adopted by non-salient questions about family planning and possible pregnancy. 46 percent of women in BiH have been exposed to some form of gender-based discrimination in the workplace (Ramić Marković, 2022).*

Željko Blagojević is of opinion that *economic empowerment of women leads to social development. If a woman does not have adequate skills to be competitive in the labor market, she is unable to secure a stable source of income and cover any other needs she has, including health and social needs and ability to make choices. In such situation, a woman becomes socially excluded, and the situation gets even worse when she reaches certain age or in cases when a woman faces certain vulnerability or marginalization.*

H1.3 Women are underrepresented in management and decision-making positions and thus less effective in creating an enabling working environment for women.

1.3.1 Women in management and decision-making positions in public and private enterprises

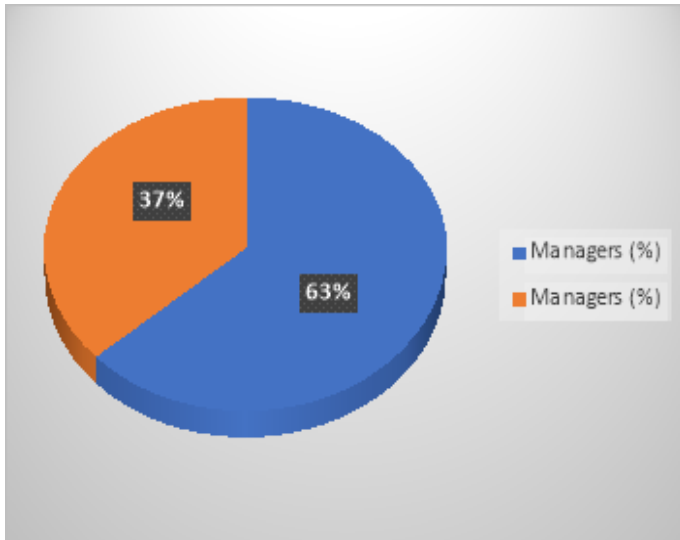
Participation of women in leadership positions globally have been slowly increasing, from 33.3 percent in 2016 to 36.9 percent in 2022. However, women have not been appointed to these positions equally across the sectors and have been hired in the leadership positions in the sectors where they have already been highly represented such as non-governmental sector (47 percent) or education (46 percent). The representation of women in leadership of energy, manufacturing and infrastructure companies is still 20 percent or lower (World Economic Forum, 2022).

Women in BiH are underrepresented in the managerial and decision-making positions. *Figure*

10 shows the proportion between male and female managers⁴ in all sectors in BiH. Out of 6.1 thousand managers, 3.9 thousand are men and 2.2 thousand are women, which makes the number of male managers 1.73 times greater than the number of female managers.

Figure 10.

Male vs. female managers in BiH, Q4 2022



Despite legal provisions that oblige legal entities owned or controlled by the state to promote equal gender representation in management, decision-making and representation, there is a great disparity when it comes to a number of decision-making functions held by men and women. At the BiH State level, none of the four directors of publicly owned companies is a woman, in FBiH women in executive positions are represented in 16.6 percent of publicly owned companies, in RS the percentage is even lower (4 percent), while in Brčko District a woman is executive director in one of the four publicly owned companies. The representation of women on the boards of publicly owned companies is slightly higher, however, it is still not meeting the requirement of a minimum of 40 percent stipulated in Gender Equality Law (GEL). In four companies owned by the State of BiH, women are represented by 26 percent. The representation of women on the boards of publicly owned companies in FBiH is 22.5 percent, in RS 15 percent and 10.5 percent in Brčko District (Prava za sve, 2022).

The structure of the Board of Directors of the ten most ranked companies on the Stock Exchange in BiH consisted of 17 percent of women and 83 percent of men. In only one company the CEO is a woman, while in the other nine companies, the

CEOs are men (ASBiH, 2022).

A positive trend when it comes to women's representation in executive positions is in the sector of micro, small and medium enterprises (MSMEs), 53 percent of MSMEs in BiH are managed by women. However, two-thirds of MSMEs are owned by men (64 percent). The other downside is that the majority of MSMEs owned by women are actually micro-enterprises, most located in the service sector (92 percent), with a lower amount of assets and less added value compared to male-owned companies. MSMEs, especially those owned by women, face serious problems to access financial services, which limits their ability to grow and develop (World Bank Group, 2018).

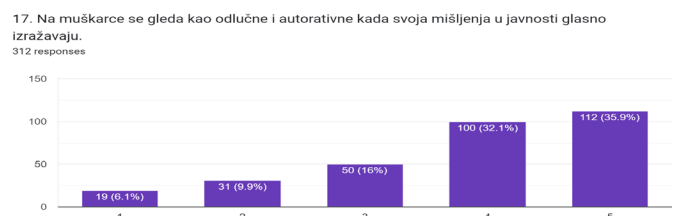
1.3.2 Social norms associated with perception of women in public life

Social norms associated with perception of women in public life that affect women's representation in executive positions should be viewed in combination with the perception of norms associated with gender roles analyzed in previous sections of this study.

The majority of surveyed participants (39.7 percent) do not believe society has a negative perception of women who participate in public or political life, while 35.6 percent neither agree nor disagree that such participation is considered inappropriate. However, Figure 11 shows that women are considered pushy by society if they state their opinions loudly. 31.1 percent agree and 22.1 percent strongly agree with the statement.

Figure 1.

Women are considered pushy if they state their opinions loudly



Men are perceived as decisive and authoritative if they state their opinions loudly. 35.9 percent strongly agree and 32.1 percent agree that this perception holds weight.

4 Managers are classified in accordance with the International Standards on Classification of Occupations ISCO-08 and include (11) chief executives, senior officials and legislators, (12) administrative and commercial managers, (13) production and specialised services managers, (14) hospitality, retail and other services managers

The traits of being authoritative and decisive are associated with positions of power. The perception that women are pushy and men decisive and authoritative when they express their opinions loudly pushes women in the background and makes the decision-making positions less available for women. Learned patterns and patriarchal gender roles in BiH continue to influence leadership culture with the evident dominance of the male culture of leadership (Kovačević & Spahic-Siljak, 2019).

Correlations: The prevailing opinion that society perceives men as decisive and authoritative if they state their opinions loudly is among the age group 15–24 (4.24), persons with higher education levels (3.91 – 4.15), and women living in villages (4.29).

Samra Filipović-Hadžiabdić highlights that women are represented in managements in sectors that are either non-profitable or generate less monetary power and they are underrepresented in positions that carry power and high pay. *The positions in management boards of publicly owned companies are almost exclusively reserved for men because those are in most cases political appointments and source of political influence and power.*

Dženana Aladžuz highlights how important is to examine the statistics when it comes to various spheres of public life, particularly appointments to positions that carry great social and monetary power. No woman is the president of the board of directors of any sports association and 96 percent of city or municipal mayors are men. The only positions of power where women are in an advantaged position is in the judiciary where women are representation is 64 percent as judges and 53 percent as public prosecutors (ASBiH, 2022). *Even two-thirds of passport holders are men!* This data indicates that when it comes to mobility and opportunities that could be seized elsewhere, women are, in the majority of cases, constrained to their place of residence.

H1.4 Marginalized women in Bosnia and Herzegovina are more likely to fall into poverty due to prejudice, stereotype, and gender discrimination.

1.4.1 Data on marginalized women's participation in the labor market

Women and girls in disadvantaged, vulnerable and marginalized situation are often overlooked by mainstream policies and practices and are discriminated against in the labor market. The

marginalized women in BiH are mainly those belonging to ethnic minorities, persons with disabilities, gender-based violence survivors, LGBTQI persons, displaced and stateless persons.

The status of minorities in a society that is by the Constitution governed by the majority ethnic groups affects the participation of minorities in public, political, and economic spheres in Bosnia and Herzegovina, affecting the Roma minority most severely. Minority women are, in addition to discrimination based on racial and ethnical basis, exposed to gender-based discrimination (Elmelech & Lu, 2004).

The available data on marginalized women's participation in the labor market is scarce. Evidence is available mostly for marginalized Roma women, the largest ethnic minority group in Bosnia and Herzegovina. Roma women have one of the lowest employment rates in Bosnia and Herzegovina and the Western Balkans region. Only 4 percent were employed in 2017 compared to 19 percent of Roma men. Of the labor 13 percent of Roma women were actively seeking a job. A gender gap also exists among Roma youth, with females being more likely not to be in employment, education, or training (NEET). NEET rates have remained high and relatively stable for young Roma women for the last decade, being 92 to 93 percent on average.

In the Tuzla Canton where the majority of Roma resides, only 3 percent of Roma women and 3.3 percent of Roma men were in formal employment in 2017. 20.35 percent of Roma men were earning income in an informal market compared to 8.45 percent of Roma women in the same position, while 9.15 percent of Roma men and 2.75 percent of Roma women had been engaged in seasonal work. The main reason for the low employment rate both among Roma men and women is due to lack of education and training as well as the prejudice and discrimination they face. Only 6.3 percent of Roma women and 7.05 percent of Roma men had finished secondary education and those with a university degree were less than 0.5 percent. Roma drop out from regular education due to poor housing conditions (57.8 percent), and the inability to buy everything needed for school (58.5 percent). In addition, other reasons also include early marriage practice severely affecting 21.3 percent of Roma girls (Musli, 2017).

The practitioners and experts also find that marginalized population groups, women in particular, suffer from greater exclusion from the labor market.

Gathering her findings and experiences mostly directly from the field Aida Mehdić states that women of poorer material status and marginalized women, i.e. Roma women, women from rural areas, independent parents (single mothers), survivors of violence, etc. are in a dire situation and find it difficult to make a breakthrough. This is visible also from observing the conditions they live in. She highlights that *it is not some kind of prejudice, but it is an impression that is mainly a product of the condition of the mentioned categories of women and their families*. Also, she has been encountering cases of women who have been denied employment because they have more children, due to the perception of employers that they would not be productive. This is especially pronounced in employment for minimum wage jobs.

Samra Filipović-Hadžiabdić is of the opinion that the *under-capacitated social and welfare sector contributes to mounting problems in society and this particularly comes into play when marginalized and vulnerable women, who often face multiple discrimination, are concerned. The lack of specialization and lack of capacities within social and welfare services leave issues unresolved and often leave women who are in vulnerable position without adequate support*.

Dženana Aladžuz highlights the absence of adequate support and services particularly when it comes to the right to sexual and reproductive health. *There have been no significant improvements, especially regarding pregnancy, prenatal and postnatal care, which is especially the case for women in rural areas and women belonging to ethnic minorities. Access to social protection and health care for people with disabilities remains challenging and difficult, and women and girls with disabilities face multiple discrimination because there is no understanding of their special needs*.

Željko Blagojević also reminds that *marginalized women face multiple discrimination. They lack access to proper education and skills development training. Women in rural areas, for example, work whole their lives in the informal agricultural sector. When they reach retirement age, they are not entitled to any pension, they usually live longer than men and are left without and source of income in their old age*.

Conclusion

The high-level inactivity of BiH women in the labor market, paired with the unemployment rate of 18.6 percent among those actively seeking employment, indicates that there are underlining reasons that keep women out of the workforce and leave them without their own income, thus making them vulnerable to poverty, social exclusion, and gender-based violence. Unemployed and women outside the workforce make up 71.66 percent of the adult female population in BiH. This is a proportion of women that due to their status have limited access to social benefits and health services as well as a partial or non-existent retirement plan. Unemployment is highest among workers with basic qualifications and education, both women and men.

Long-term unemployment is worrisome because it decreases the chances of embarking on or restoring an active employment status. Out of those that are registered by employment bureaus, 53 percent of women is unemployed for four or more years. This leaves them without prior job references and thus uncompetitive in the labor market.

Marginalized women are least represented in the labor market due to multiple structural barriers, lack of education and support, prejudice, and norms that limit their ability to earn a steady income that would help them to improve their position in society and access services and social benefits. BiH is a country with the lowest female employment rate in the region (ILO, 2021), with only 36.7 percent of women in formal employment. Out of women that are employed, 51 percent work in industries and sectors, including mainly manufacturing and trade, which pay average salaries that are significantly below the national average. The salaries in the trade sector are 22.3 percent lower than the average while salaries in manufacturing industries on average pay 20.1 percent less. Notorious for not paying a living wage globally is the garment industry which among its employees has more than 80 percent of women. This is no different in BiH and workers engaged in textile, apparel, and leather-related production earn 61.8 percent of the average salary (ASBIH, 2022). The unadjusted gender pay gap in BiH is 12 percent (ILOSTAT, 2021). Women who find themselves in occupations that pay an average or above average salary are women with university and higher education, mainly employed in education, health, and social work sectors, occupations that are perceived as 'more appropriate' for women. The highest paying jobs in information and power supply sectors remain less attainable to women and those employ 24 to 39 percent of women.

When it comes to management positions, the number of men exceeds the number of women in such positions by almost one-third. This includes all sectors and industries. While the private sector is not obliged by any, other than internal regulations, to appoint women to executive positions, the public sector has that obligation and must, according to provisions in the Gender Equality Law (GEL), meet a 40 percent requirement to ensure participation of underrepresented sex or gender. In reality, management and supervisory boards of publicly owned companies are 'old boys' clubs' penetrated occasionally by a small percentage of women. The most discouraging fact is that these bodies are appointed by different levels of government elected by the will or vote of men and women of Bosnia and Herzegovina.

In the business sector, the most ranked companies that both include those with a majority private capital as well as those with a majority public capital, 83 percent of CEOs are men. Women are, as the majority, represented in executive positions in micro, small and medium enterprises (MSMEs), which are underfinanced and as such limited in their ability to grow and develop. Given that there is no legal basis for gender-based discrimination in employment or appointment of women to decision-making positions, this research has attempted to identify underlining causes in social norms that perpetuate discriminatory and harmful behavior, particularly the norms associated with gender roles the society 'casts' women and men to play.

The study reveals that social norms affect the behavior of employers, decision-makers as well as men and women themselves while they position themselves in society as well as in their families. These predominantly patriarchal norms are forming the identities, while subtle pressure is performed by society for everyone or almost everyone to conform. Society imposes expectations for girls to perform household chores and play more nurturing roles from their childhood. Working women who take over also most of the household duties related to caring for children and other family members are finding themselves in a situation to practically work a "second shift" at home. Uneven distribution of unpaid household work not only limits women to gain employment and progress on their career path, in case they are working, it also affects the quality time they spent with the family and the time they have to devote to their personal growth, development, and health. On the other hand, in a struggling economy with high unemployment and false perception that there is an abundance of available qualified workers in the market, employers often pursue ex-

plorative and discriminatory practices in hiring, promotion as well as in termination of employment, failing to recognize employees as a long-term asset. Hence, there is a strong perception that employers are less keen to engage women under the impression that they would be more absent from work due to pregnancy, parental leave, and care for children or other family members. More adequate and readily available care services and equal, or even partially equal, use of parental leave by men and women could make a paradigm shift, however, it requires policy incentives and awareness related to the necessity of social norm change.

The perception that society would have a negative reaction to women that stand out and loudly expresses their opinion, hence seeming as acting independently or empowered, is also shaping attitudes and behaviors, affecting self-confidence and imposing certain auto-censorship that limits young women to seize opportunities and pursue their goals.

The legal framework and international obligations of the country aspiring to join the European Union (EU) is expected to yield progress in this area. Deconstructing social norms that perpetuate harmful practices and behaviors have to be tackled. These norms do not only harm women and put them in a disadvantaged position in the labor market. They harm families and society as a whole given that they affect the quality of family life, affect the livelihoods and leave the economy without a valuable asset.

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REVIEW PAPER

STRATEGIC INTEGRATION AND GEOPOLITICAL REPOSITIONING: BOSNIA AND HERZEGOVINA'S PATH TOWARDS THE EUROPEAN UNION

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ABSTRACT

Bosnia and Herzegovina, rich in cultural diversity, is challenged by religious, national, and ethnic divides, leading to societal deadlock. Despite making strides towards internal peace and security, ongoing economic struggles continue to hamper its development. As the country advances towards European integration, prioritizing its own interests and goals is crucial, rather than merely aligning with those of the European Union. The country needs to meet fourteen key conditions to open negotiations for joining the EU. These conditions can serve as a guiding framework to transform the state from its current negative geopolitical position into one where it can become an engaged player in international relations. Its diverse constituent peoples already have established influences with peoples from diverse backgrounds such as Arab and Muslim countries, the European Union's member states, Russia, and the Eastern European states. These influences have never been utilized in a coordinated and constructive way, but were rather always seen through the prism of conflict. The state can leverage these relationships and position itself as a symbolic bridge between the Western, Eastern, and Muslim Arab worlds. This strategic geopolitical repositioning will not only enhance Bosnia and Herzegovina's prospects for a brighter future for its citizens but also enable it to play a significant role in regional dynamics. Focused on its unique interests and values, Bosnia and Herzegovina must ensure its voice and values are reflected in the European integration process, shaping a beneficial future, lasting stability, and long-term prosperity for its citizens and the region.

Keywords: Cultural Diversity, Internal Challenges, Economic Struggles, European Integration, Geopolitical Repositioning, Strategic Relationships



MAP SOCIAL SCIENCES

Volume 4

ISSN: 2744-2454/ © The Authors.
Published by MAP - Multidisciplinary Academic Publishing.

Article Submitted: 16 November 2023
Article Accepted: 15 December 2023
Article Published: 18 December 2023



Publisher's Note: MAP stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.

<https://doi.org/10.53880/2744-2454.2023.4.98>



HOW TO CITE THIS ARTICLE

Ivanković-Lijanović J. (2023). **Strategic Integration and Geopolitical Repositioning: Bosnia and Herzegovina's Path Towards the European Union.**

MAP Social Sciences, 4, 98-107. doi: <https://doi.org/10.53880/2744-2454.2023.4.98>



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Historical context

Bosnia and Herzegovina finds itself at a crucial juncture in its history. Located in southeastern Europe on the Balkan Peninsula, specifically in its western part, the country borders the European Union, making it a key partner for the EU, with which it seeks to build a strong relationship and eventually integrate into its complex and diverse structure.

The dissolution of the Soviet Union in the 1990s marked a significant shift in Eastern Europe's geopolitical landscape. Yugoslavia, then the only remaining communist country in Europe, faced immense pressure to transform its internal structure. This was part of a broader effort to spread Western democratic ideals throughout Eastern Europe. The state, having been ruled for forty-five years by a single party, held its first multi-party elections in 1990. These elections saw the rise of mono-national parties, in stark contrast to the wider state's multi-national character, leading to significant tensions among its diverse peoples (Glaudić, Filipović, & Lesschaeve, 2022). As these tensions were brewing, Serbia, under the leadership of Slobodan Milošević, sought to gain control over Yugoslavia by installing aligned politicians in Vojvodina, Kosovo, and Montenegro. This move effectively gave Serbia four votes in the Yugoslav state council, leading to its dysfunction and signalling to the republics the necessity of independence (British Broadcasting Corporation, 1995). Bosnia and Herzegovina declared its independence on March 1st, 1992, following a referendum where the majority of citizens voted to leave the troubled state that Yugoslavia was becoming. However, one-third of its population opposed independence, leading to the formation of a separate political entity within Bosnia and Herzegovina. This period of upheaval culminated in a devastating conflict that lasted three years, ending with the signing of the Dayton Peace Accords in 1995 (Belfer Center for Science and International Affairs, 2020). This agreement marked a significant moment in European history, halting one of the largest conflicts on the continent since World War II. At the same time of these troubling political scenarios, the Maastricht Treaty in Western Europe transformed the European Community into the European Union, giving it a more pronounced political dimension and setting the stage for deeper political integration among its members (Britannica, 1992). The Yugoslav wars significantly delayed the integration of Western Balkan countries, including Bosnia and Herzegovina, into the EU. To this day, these nations are in the process of joining the EU. The political forces that led war-time efforts and eventually brokered peace continue to hold power

in many of the former Yugoslav republics. The Dayton Peace Accords, while successful in ending the bloodshed, merely ensured peace. The conflict persisted in non-traditional forms, particularly through the quest for power and economic dominance of political forces of the time. This ongoing frozen conflict has slowed Bosnia and Herzegovina's progress towards EU integration, making it a crawl rather than a sprint, thus its citizens need to become politically engaged to unfreeze this conflict and eventually speed up and amplify the European Union integration process.

As Bosnia and Herzegovina navigates through a tumultuous post-conflict period, significant historical events have shaped its current challenges and aspirations towards European Union integration. This paper aims to unravel the complexities surrounding Bosnia and Herzegovina's current standing and to highlight the important steps needed for its transformation and integration into the European Union. Understanding these intricacies is vital for comprehending the country's unique position as the crossroads of different cultural and political influences. This study offers insights into the country's journey, emphasizing the reconciliation of diverse internal interests and values, and sheds light on the broader implications for regional stability and European integration.

Navigating the European Union's accession roadmap

In 2016, Bosnia and Herzegovina submitted its application for the European Union's membership, thus starting the long process which will require a tremendous effort to fulfil all necessary criteria for joining. This marked the beginning of a challenging journey, which requires substantial efforts to meet the EU's criteria. In 2019, the European Commission sent out its opinion on the application and set out fourteen priorities, which are classified into four categories and related to democracy and functionality of the state, the rule of law, fundamental rights, and public administration reform (The European Commission, 2019). These priorities form a comprehensive roadmap for deep reforms essential for accession negotiations, thus all of these have to be implemented if Bosnia and Herzegovina will become the part of European project. At the current speed, it will take decades to implement all aspects of the opinion, but if instead of crawling toward the European Union, Bosnia and Herzegovina starts sprinting, then following policies can be implemented in this decade. Its citizens need to become politically active and organize grassroots movements to unfreeze internal conflict and speed

up this process. Most importantly, the state should join the European project for its own good and not the good of the European Union. After Bosnia and Herzegovina fulfills fourteen conditions of the European Union, the negotiation for joining will start. The integration process for Bosnia and Herzegovina, similar to other Western Balkan countries like Albania, North Macedonia, and Serbia, is fraught with challenges. These include internal political instability, sluggish reforms, and regional disputes. The European Commission's new enlargement methodology, introduced in 2020, emphasizes the importance of rule of law and economic reforms, aiming to make the accession negotiations more credible and dynamic (European Parliament, 2020).

Political integration often involves a balance of sacrifice and contribution, where countries cede certain powers to a higher authority in exchange for collective benefits. The extent of power relinquished varies with the level of integration. States that fail to negotiate these terms effectively risk losing their distinct political identity, subsumed by larger, more powerful entities. A fitting metaphor to illustrate this is the integration of a chicken and a pig in producing breakfast like eggs and bacon. In this scenario, the chicken (representing a country like Bosnia and Herzegovina) contributes eggs without sacrificing its existence. In contrast, the pig, providing bacon, symbolizes a state making a more substantial, often irreversible, sacrifice. For Bosnia and Herzegovina, its journey towards EU integration should mirror the chicken's role – contributing to the collective good while preserving its sovereignty and cultural identity. By carefully negotiating its terms of integration, Bosnia and Herzegovina can ensure its continued existence and prosperity within the European Union. Thus, the implementation of European standards is crucial not just for aligning with the EU but for the nation's own sustained benefit and growth.

Democracy and State Functionality

The first priority that the Commission set out for Bosnia and Herzegovina is related to organizing elections in line with European standards. This includes holding municipal elections in the city of Mostar and introducing transparency in political party financing. The Organization for Security and Cooperation in Europe's Office for Democratic Institutions and Human Rights (OSCE/ODIHR) and the Venice Commission offer expertise in electoral processes, assisting governments in implementing recommendations on voter registration, campaign finance, media coverage, and dispute resolution mechanisms. Such collaborations are crucial for ensuring transparent, free, and fair elections. One

of the most significant challenges to the integrity of Bosnia and Herzegovina's electoral process is the undue influence of money in politics. While political parties and candidates require funding for their campaigns, the lack of transparency in financing can lead to corruption, inequality, and unfair advantages. Effective governance necessitates implementing measures to ensure transparency in political party financing, such as mandating disclosure of funding sources, setting contribution limits, and imposing penalties for violations. The situation in Mostar, where elections were organized in 2020 after a twelve-year halt, exemplifies a broader state-level frozen conflict and deadlock. For eight years, the city was run by a mayor without a mandate, highlighting the unsustainable environment and the urgent need for reforms. In response to this, it's imperative for citizens to engage actively in the political processes, either by forming new political parties or becoming more involved in existing ones. This active participation is crucial as it's the only legal and viable way to enact change. Such civic engagement can drive the need for more transparent electoral processes, ultimately leading to broader societal changes and fairer representation of citizens' interests.

The second priority set for Bosnia and Herzegovina by the European Commission involves establishing an effective coordination mechanism for EU matters. This mechanism should include a diverse range of actors such as government ministries, local authorities, civil society organizations, and others. Effective communication and cooperation among these groups are crucial for a coordinated and consistent approach to EU integration. Additionally, a national programme for adopting the EU *acquis* is imperative. This programme should provide a clear and comprehensive roadmap, covering all relevant areas of the *acquis* with a defined timeline for implementation. Ensuring transparency and accountability in this process is vital for maintaining the credibility and legitimacy of EU integration efforts. Regular monitoring, evaluation of progress, and engagement with various stakeholders, including civil society, are key elements in this regard. Moreover, adequate resources and technical assistance are essential for implementing the national programme. The government must ensure necessary resource allocation and build the capacity and expertise of relevant actors through training and technical assistance. Streamlining the current governance structure, transitioning from thirteen separate governments and parliaments to a more functional and streamlined system, is crucial for the adoption and swift implementation of the national programme. A streamlined governance model

would enable a more efficient adoption of EU laws across the entire territory of the state. This restructuring would help overcome bureaucratic hurdles and inconsistencies, ensuring that reforms and EU standards are uniformly applied throughout the country. It would also enhance the state's ability to respond effectively to EU requirements and facilitate a smoother integration process. Moreover, simplifying the multi-tiered legal and regulatory framework is essential for improving Bosnia and Herzegovina's investment climate. Currently, the complexity of its governance structure, with duplicative and contradictory regulations across various levels of government, deters foreign investment and hampers economic growth. Reducing the number of governments would simplify these processes, making the country more attractive to investors and aiding in economic development (U.S. Department of State, 2020).

Expanding on the third condition set by the European Commission for Bosnia and Herzegovina's EU integration, we can delve into the functioning of the Stabilisation and Association Parliamentary Committee (SAPC) and the challenges in decision-making processes. The SAPC's establishment and its operationalization represent a significant step towards Bosnia and Herzegovina's alignment with EU standards. In 2020, after a prolonged period of stalemate, Members of Parliament agreed on the rules of procedure for the EU-Bosnia SAPC. This development, hailed as a fulfilment of one of the fourteen priorities set by the European Commission, was critical in advancing the country's EU integration process (European Western Balkans, 2020). One of the key elements of this agreement was the decision-making procedure within the SAPC. The members agreed that decisions would require a two-thirds majority, which indicates a move towards a more inclusive and consensus-oriented approach. However, this also suggests challenges in reaching agreements, given the requirement for a high level of concurrence among members. The European Parliament initially proposed a simple majority for decision-making within the SAPC. However, this was not feasible in Bosnia and Herzegovina due to the country's frozen conflict among political forces and existing decision-making environment. The compromise to adopt a two-thirds majority reflects the unique political and constitutional context of Bosnia and Herzegovina and underscores the complexities inherent in aligning national procedures with European norms. In terms of enhancing this process, a key solution lies in fostering a political culture that values consensus and constructive dialogue. This shift would require political leaders and representatives to prioritize collective goals over individual

or party interests. Additionally, increasing the involvement of civil society and other stakeholders in the decision-making process could contribute to a more transparent and inclusive approach.

Upholding the Rule of Law

The fourth priority is related to the country's needs to undertake significant improvements to its legal and institutional framework in order to meet EU standards and requirements. This includes ensuring clarity on the distribution of powers among different levels of government inside the country. A substitution clause is a requirement so that the central government can temporarily assume powers of other levels of government to ensure compliance with EU laws. Streamlining the government structure would eliminate the need for this substitution clause, thus it will simplify the distribution of powers and improve policy coordination. This is particularly vital given the state's highly decentralized government consisting of two entities and ten cantons, where coordination is currently highly ineffectual. Another point is guaranteeing judicial independence, which Bosnia and Herzegovina is struggling to achieve. The European External Action Service (2023) highlights that post-conflict Bosnia and Herzegovina's judicial system faces challenges including lack of judicial independence and political interference (EEAS, 2023). Evidence indicates a compromised judicial system, such as the appointment of the ex-president of the High Judicial and Prosecutorial Council as an advisor to a member of the Presidency. The level of inefficiency and political influence on judicial system is very high, thus reforming the judicial system becomes crucial. Streamlining judicial system could enhance its independence, because of a clear line of responsibility, it would become much harder for judicial officials to engage in corrupt practices (Roccia, 2013). Also, reforming the Constitutional Court to address issues such as the presence of international judges and ensuring the enforcement of its decisions is critical. The establishment of a state-level Supreme Court would ensure consistent legal interpretation throughout the country. The last part of this priority is to ensure that all administrative bodies responsible for implementing EU laws are staffed with professionals and that veto rights are eliminated to ensure compliance with EU law. A streamlined government could address the dominance of mono-national political parties in upper houses of parliaments and make it feasible to reform veto rights. The current political elite may be resistant, but a mobilized citizenry and a streamlined government structure could be more conducive to these necessary changes for EU integration.

The fifth priority is related to addressing the legacy of the war in Bosnia and Herzegovina, a significant hurdle to the country's development and EU integration. The conflict has left deep societal wounds, necessitating robust reconciliation efforts. These efforts should include promoting dialogue among various groups, such as political and civil society leaders, conflict victims, and citizens, to build trust and address grievances. A critical aspect of reconciliation is confronting the root causes of the conflict, including economic inequality, political exclusion, and ethnic and religious tensions. One notable issue is the differing history textbooks used in schools, perpetuating divergent historical narratives. It's essential to introduce new, more factually accurate history books that will focus on factual historical events instead of teaching opposing national narratives. This approach is vital not only for accurate historical understanding but also for preventing the repetition of past mistakes. The nation-building process in Bosnia and Herzegovina has been failure because of these varying educational curriculums, which teach opposing national narratives. This is particularly evident in the city of Mostar, where generations are raised with a sense of belonging to different nations despite settling and sharing the same city for centuries. Reforming the education system to accommodate a more unified and factual curriculum is crucial for repairing Mostar's and the broader state's nation-building process. Such educational reforms are pivotal for creating a more cohesive, peaceful future in alignment with EU integration objectives.

Expanding on the sixth priority regarding the improvement of Bosnia and Herzegovina's judiciary, it's essential to address the reform of the High Judicial and Prosecutorial Council and the Courts of Bosnia and Herzegovina. To further enhance the judicial system's integrity and independence, a comprehensive law and reform of these judicial bodies is a necessity (Post Conflict Research Center, 2023). This should involve a complete overhaul of its current structure and members, ensuring that new appointments are based on merit and free from political influence. Moreover, there should be a thorough investigation into the past actions of members of these bodies, because of damages that have been caused by inefficiency of these bodies. Any found instances of political manipulation or other misconduct must be addressed with appropriate penalties. This process is crucial not only for rectifying past mistakes but also for restoring public trust and ensuring the judiciary's commitment to impartiality and fairness. Such reforms would significantly strengthen the judicial system, reinforcing its role in upholding the rule of law and

protecting citizens' rights in alignment with European standards (Österreichische Gesellschaft für Europapolitik, 2022).

The seventh condition for Bosnia and Herzegovina's EU integration is focused on strengthening the fight against corruption and organized crime. This includes legislative reforms, enhancing the coordination of anti-corruption bodies, and improving law enforcement collaboration. The Sarajevo Times report on Bosnia and Herzegovina (2023) highlights some progress in the fight against organized crime, but notes no progress in combating corruption. The report also mentions operational inefficiencies and political interference as significant challenges. The judiciary's independence and impartiality have not improved, and there have been instances of executive and legislative overreach, undermining the rule of law and the fight against corruption and organized crime (Sarajevo Times, 2023). These findings indicate that Bosnia and Herzegovina faces substantial hurdles in meeting the seventh condition. The judicial system has intruded into legislative and executive branches, affecting political events in the country. The issues of judicial independence, political influence, and the lack of a robust anti-corruption framework are key areas that need addressing. The need for comprehensive reforms, especially in the judiciary and law enforcement, is crucial for Bosnia and Herzegovina to be perceived as a developed, democratic, and organized country.

Expanding on the eighth condition for Bosnia and Herzegovina's EU candidacy, which focuses on border management and migration, several key aspects are evident. The European Commission has provided significant support to Bosnia and Herzegovina, including a €25 million assistance package to enhance migration management (European Commission, 2020). This funding primarily addresses the needs of refugees and migrants, including accommodation, healthcare, and social services, and strengthens Bosnia and Herzegovina's capacity in border management through equipment and training. It also contributes to the fight against migrant smuggling and trafficking in human beings. The EU expects Bosnia and Herzegovina to ensure effective coordination in managing migration and asylum, including taking over the management of EU-funded temporary reception centers. This ongoing support hinges on Bosnia and Herzegovina respecting domestic law and international obligations concerning the treatment of refugees and migrants. Additionally, Bosnia and Herzegovina has adopted a new strategy and action plan on migration and asylum, and a Law on foreigners. While there are still major weaknesses that undermine

the provision of necessary assistance, the country is making efforts to ensure access to asylum and strengthen border management. The state is satisfactorily implementing the integrated border management strategy and is advised to adopt the strategy and action plan for 2024–2029 in good time. These efforts are crucial, considering Bosnia and Herzegovina's potential role in managing the EU's external border, especially in light of uncertainty regarding Serbia's EU membership. Effective border management and handling of migration are critical steps in integrating Bosnia and Herzegovina into the European community and contributing to regional stability and security.

Safeguarding Fundamental Rights

The ninth condition for Bosnia and Herzegovina's candidacy for EU membership focuses on enhancing the protection of citizens' and minority rights. This is particularly important in the context of the country's political landscape, which is characterized by the dominance of mono-ethnic political parties. These parties, drawing support mainly from specific ethnic groups, reinforce societal divides and marginalize those outside their support base. This practice is contrary to the principles of non-discrimination. The European Commission, in its 2023 enlargement reports, has taken a close look at the progress of countries aspiring to EU membership, including Bosnia and Herzegovina. The Commission recommended starting accession negotiations with BiH, contingent upon meeting certain criteria, one of which involves addressing the role of actors who perpetuate divisions and inequality. The European Court of Human Rights has ruled that elections in BiH are undemocratic, entrenching the privileged position of dominant ethnic groups (Mared Gwyn Jones, 2023). The country's constitution grants political privileges to Bosniaks, Croats, and Serbs, as the constituent peoples. This arrangement results in the exclusion of people without affiliation to these groups from key political institutions, like the House of Peoples and the Presidency. In response to these issues, the European Commission spokesperson highlighted the necessity for BiH to implement reforms to ensure equality and non-discrimination of its citizens. Additionally, the Office of the High Representative's (OHR) attempts to reform election laws, intended to address these disparities, have been met with criticism and have not fully addressed the political discrimination against Jews, Roma, and other minorities. The election of a member of the Presidency from Croat constituent peoples has always been an unnecessary public debate focusing on internal within the state political representation, while the importance of exter-

nal political representation has never been a part of discussion. If the members of the Presidency were elected by the parliament instead of directly by citizens, it would fundamentally change the dynamic of this issue. Parliamentarians, as direct representatives of the people, could provide a more diverse and inclusive approach to selecting the Presidency. Such a shift could enhance political inclusivity and mitigate the current focus on national and ethnic identity, aligning more closely with EU principles and aiding Bosnia and Herzegovina's path toward EU integration. The transformation of the state's political party landscape and the implementation of comprehensive reforms in line with EU conditions are crucial for advancing the country's aspirations for EU membership. Addressing these political dynamics is essential for reducing ethnic and national divisions, promoting reconciliation, and aligning with the EU's principles of non-discrimination and gender equality. Without these changes, Bosnia and Herzegovina may continue to face challenges related to discrimination and inequality, impeding its progress towards EU integration.

The tenth step on Bosnia's path to the Union is to ensure the right to life and prohibition of torture, thus it is important to take two steps into consideration and one of these has already been taken. The reference to the death penalty in the Constitution of the Republika Srpska entity has been abolished and it eliminated the possibility of its use as a punishment, thus it has been aligned with international human rights standards. Another step is designating a national preventive mechanism against torture and ill-treatment, which will establish a framework to prevent such abuses from occurring in the first place. This can be achieved through measures such as monitoring detention centres and prisons, investigating allegations of torture and ill-treatment, and ensuring accountability for those responsible. By taking these steps, a society can work towards ensuring the fundamental human rights of all individuals are protected and respected.

The eleventh condition for Bosnia and Herzegovina's EU candidacy emphasizes the need to foster an environment conducive to civil society, aligning with European standards on freedom of association and assembly. This involves safeguarding the rights to form associations and ensuring the independence of civil society organizations (CSOs). A key challenge, however, arises when members of political parties join CSOs, using these platforms to advance their political agendas. This practice can blur the lines between independent civil advocacy and political interests, diminishing the public's trust in CSOs. The overlap of political and civil roles

erodes the legitimacy of both the organizations and their activities, including protests presented as independent citizen movements. To maintain the integrity of civil society, it's crucial to establish clear boundaries and transparency, preventing political interests from co-opting CSOs. Addressing this intermingling is essential for preserving the effectiveness of civil society in representing diverse interests and fostering democratic processes.

The twelfth priority of the Union for Bosnia and Herzegovina, guaranteeing freedom of expression and media, and the protection of journalists, involves addressing complex challenges. Ensuring judicial follow-up to threats and violence against journalists is critical, as only a quarter of such cases in Bosnia and Herzegovina have been thoroughly investigated (European Federation of Journalists, 2023). The situation is exacerbated by restrictive laws in the entity of Republika Srpska, such as the re-criminalization of defamation and proposed "foreign agent" law, which create a stifling environment for independent journalism. Safety concerns and underreporting of incidents due to lack of trust in police and judicial institutions also pose significant challenges. Political and financial pressures, particularly for journalists working for government-funded media outlets, restrict the freedom of expression and diversity of reporting. The increasing attacks and hostile rhetoric against journalists, with a noted 137% increase in threats in 2022 compared to 2021, further underline the urgency of this issue. To address these challenges, it's crucial to enhance judicial processes, amend restrictive laws, build trust in law enforcement and judicial systems, safeguard against political and financial pressures, and condemn and address the culture of hostility and violence against journalists. The European Union and other international organizations call for an end to the repression and stifling of independent journalism in BH, urging authorities to create an environment where free and independent media can flourish (Media Freedom Coalition, 2023).

The thirteenth condition for joining the European Union focuses on the protection and inclusion of vulnerable groups, including persons with disabilities, children, LGBTI persons, members of the Roma community, detainees, migrants, asylum seekers, displaced persons, and refugees. This condition is crucial for ensuring equal access to rights and opportunities for all individuals. The Treaty on the European Union states that any European country may apply for membership if it respects democratic values and is committed to promoting them. The key criteria for accession, mainly defined at the European Council in Copenhagen in 1993 (the 'Co-

penhagen criteria'), include stable institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities (European Commission, 2023). In Bosnia and Herzegovina, efforts have been made to improve the rights of national minorities. The Ministry of Human Rights and Refugees of Bosnia and Herzegovina, with support from the European Union and the Council of Europe, established a mechanism to improve the application of standards defined by the Framework Convention for the Protection of National Minorities and the European Charter for Regional or Minority Languages. This mechanism helps develop criteria and indicators on the rights of national minorities, essential for monitoring and improving the implementation of related recommendations (Council of Europe, 2023). However, persons with disabilities in Bosnia and Herzegovina face significant challenges, including institutionalization and abuse. The government's response to incidents of abuse in institutions has been criticized for not addressing the root cause: the practice of placing people with disabilities in institutions. As a state party to the United Nations Convention on the Rights of Persons with Disabilities, Bosnia and Herzegovina has an obligation to protect people with disabilities from violence and neglect and ensure their right to community living (Cerimović, 2023).

Public Administration Reform for EU Alignment

The European Union's ongoing efforts in public administration reform aim at enhancing the functionality and efficiency of public administrations across its member states. These efforts are crucial for addressing contemporary challenges and ensuring effective governance. One of the EU's primary initiatives in this regard is the "Public Administration Cooperation Exchange" (PACE), introduced by the European Commission. PACE focuses on promoting cooperation and cross-border exchanges among member states to build administrative capacity and prepare the next generation of policymakers. This initiative is particularly important given the shared challenges faced by national public administrations, such as climate change, digital transformation, and the effects of globalization. These complex, multidimensional problems necessitate cooperation at both the national and European levels. PACE involves targeted study visits, where civil servants from one EU member state are embedded in a peer administration from another member state for a period ranging from 5 days to 3 months. This facilitates the exchange of knowledge and best practices, particularly in areas such as digital and green transformation, public adminis-

tration performance improvement, and professionalization of public administration. The EU Commission's support for member states to improve their administrative capacity extends beyond PACE. It encompasses various approaches including the identification of critical issues, support in the design and deployment of reforms, capacity-building tools, peer-based guidance, and financial support. The Commission's efforts are driven by the need to adapt public administrations to significant challenges such as rapid technological change, demographic shifts, complex policy management, the importance of green transitions, and competition for limited public funds (European Commission, 2023).

Bosnia and Herzegovina, a candidate for EU membership, exemplifies the need for comprehensive public administration reform. The country is currently at an early stage of preparation to take on EU membership obligations and has shown limited progress in various areas such as public procurement, statistics, and public internal financial control. Crucial to these reform efforts is the importance of streamlining the governance system. Transitioning from the current setup of thirteen separate legislative, executive, and judicial governance bodies to a more integrated structure would significantly enable a quicker transformation of public administration. This transformation is vital to better serve citizens. For BiH to progress at an increased pace, it's imperative that its peoples become more politically engaged with a focus on streamlining governance, thus enabling the state to better regulate public administration. Major steps are required for BiH to align its legal framework with the EU *acquis*, especially in the internal market and other areas such as competitiveness, inclusive growth, and resources. To support BiH in its reform efforts, the EU, through the Instrument for Pre-accession Assistance 2021-2027 (IPA III), has provided significant financial support for programs focusing on justice, public administration reform, public finance management, EU integration, and environmental and climate change issues. This assistance is crucial for BiH to implement the Economic and Investment Plan for the Western Balkans and the Green Agenda (Sarajevo Times, 2023). Furthermore, high-level political dialogues have been conducted between the EU and BiH, focusing on managed public finances, building a professional civil service, and harmonizing legislation on the civil service. The European Commission has welcomed BiH's adoption of the Strategy for Public Finance Management and has urged the country to focus on revising its existing Action Plan for public administration reform, establishing functional coordination structures, and har-

monizing civil service law with the principle of merit. The EU's approach to public administration reform is comprehensive and tailored to the unique needs of each member state. This approach is particularly pertinent for countries like BiH, where significant reforms are necessary to align with EU standards and practices. The success of these reforms is critical not only for the individual member states but also for the cohesive and effective functioning of the EU as a whole.

Transforming challenges into opportunities

In the wake of its complex and conflict-ridden history, Bosnia and Herzegovina stands at a pivotal point on its path toward European Union integration. The legacy of the dissolution of Yugoslavia and the Dayton Peace Accords, while ending overt conflict, left deep-seated divisions that continue to impede the country's political and societal progress. These divisions, further entrenched by mono-national political parties that emerged in the wake of Yugoslavia's disintegration, have perpetuated a political landscape marked by fragmentation and deadlock. This environment has slowed Bosnia and Herzegovina's integration into the EU, a process that demands not only meeting the EU's stipulated conditions but also internal transformation and reconciliation. As Bosnia and Herzegovina strives to meet the fourteen key conditions set forth by the European Union, it must look beyond these as mere formalities. These conditions present a framework for the country to overhaul its governance structures, strengthen democratic institutions, and reinforce the rule of law and human rights. However, this journey is not just about institutional reforms; it's about redefining the country's identity and role in the region. The rich cultural and historical tapestry of Bosnia and Herzegovina, shaped by diverse influences from the Western, Eastern, and Muslim Arab worlds, is a unique asset that can be harnessed through strategic decision-making and repositioning to promote a more inclusive, cohesive, and dynamic society. By leveraging these strengths, Bosnia and Herzegovina can transform its challenges into opportunities for regional growth and influence. The country's journey towards EU integration should thus be seen not only as a path to economic and political alignment with Europe but as a chance to forge a new, more constructive role in international affairs. To achieve this, Bosnia and Herzegovina must engage in a concerted effort to transcend its past divisions, building a society where diverse groups of people can coexist and thrive.

The political engagement of its citizens is vital in this process. This journey requires a pragmatic yet visionary approach, prioritizing the nation's unique interests and values, and ensuring a future that benefits its citizens and contributes positively to the European Union. Through this focused approach, Bosnia and Herzegovina can aspire to not just join the EU but to become a vital and dynamic member contributing to the richness and diversity of the Union.

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ORIGINAL RESEARCH PAPER

HOW DOES MEDIA COVERAGE AFFECT THE OUTCOMES OF THE ELECTIONS?

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ABSTRACT

During elections, the media plays an important role in shaping public opinion and educating voters because it gives candidates a forum to share their platforms and gives the public access to information about the candidates platforms and policies. This research paper looks at the role of the media in the outcomes of the elections, and tries to understand how much influence it has. Main focus of this research and the research question is how does media coverage affect the outcomes of the elections? Main assumption or hypothesis is that there is a significant media influence on the outcomes of elections. This paper explored various media channels, including social media, TV, newspapers, and radio, revealing their multifaceted role in shaping public decisions. Non-experimental quantitative research is conducted to address the research question. Data collection method that is used is a survey. Collected data is then analysed and discussed. As nearly everyone engages with some form of media, this research highlights the media's potential to shape individual beliefs and, ultimately, election outcomes. Meaning that through survey and collected data the hypothesis is proven to be correct.

Keywords: media, elections, public opinion, media influence, politics



MAP SOCIAL SCIENCES

Volume 4

ISSN: 2744-2454/ © The Authors.
Published by MAP - Multidisciplinary Academic Publishing.

Article Submitted: 07 November 2023
Article Accepted: 24 December 2023
Article Published: 25 December 2023



Publisher's Note: MAP stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.

<https://doi.org/10.53880/2744-2454.2023.4.109>



HOW TO CITE THIS ARTICLE

Smajlović H., Čolakhodžić F. (2023). **How Does Media Coverage Affect the Outcomes of the Elections?**. MAP Social Sciences, 4, 109-123.

doi: <https://doi.org/10.53880/2744-2454.2023.4.109>



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INTRODUCTION

In our globalised society, the media is essential for influencing public opinion, distributing information, and promoting cross-cultural dialogue (Bećirović, 2012). Media is a potent force that shapes societal narratives and perceptions, whether it is accessed through contemporary digital platforms or more conventional channels like television and newspapers. Media is the plural form of medium, which (broadly speaking) describes any channel of communication. This can include anything from printed paper to digital data, and encompasses art, news, educational content, and numerous other forms of information. Anything that can reach or influence people, including phones, television, and the Internet can be considered a form of media. Whether it comes from TV, iPad or phone, media is there all around us.

Bruns et al. (2015) and others argue that the media and politics have always been closely connected. The emergence of democratic structures in Ancient Greece is closely associated with the steady advancement of efficient mechanisms for mediating ideas between public officials and the general public. They state that early examples of the interdependency between politics and the media include the formalisation of rhetorical strategies, the construction of public speech environments, and the accountable systems for expressing the will of the masses, even though at the time that term only applied to free, male members of the local cities (Burns et al., 2015, p.1).

In order to help satisfy their desire for knowledge, billions of people use the media, which can be a powerful resource and a tool. Through the use of print, the web, and electronic media, people can communicate through media. The word is broad enough to cover media other than newspapers and magazines, such as movies. We wouldn't be aware of global events without the media since there wouldn't be any news. Without media, we wouldn't be able to interact with others, watch our favorite TV shows, or listen to our favorite music. We wouldn't be able to do our homework projects or conduct research as students. The media has permeated every aspect of our life (Yaman & Bećirović, 2016). As we know, the media has a lot of power in everyday life and it can affect societies, politics, globalisation and individuals as well. Media is the main source of information in today's world. And through the media people can get informed about a certain topic, but they cannot always know whether that piece of information is correct.

The quantity of media we consume has the ability to affect our choices, whether or not we are conscious of it. Example of this is that the media can market some information a lot on all available platforms, and people without proper background knowledge could believe that information not knowing if they are true or biased. And make decisions on the basis of this information. Media can provide some information that can persuade an individual to support some standards or values. And this thing can be manipulated in many ways. The media exerts social influence and has the power to alter people's attitudes, lifestyles, and moral beliefs. Most people usually only listen to what they want to hear instead of looking for sources that are unbiased. We all want people to agree with us, so we seek them out. This is something to be mindful of when consuming mass media, especially social media. As said that the media impacts the whole society, it impacts politics as well.

The media, from radio to TV, are currently on the rise. By contributing to the distribution of information that is favourable to one side or another, the media can have a significant impact on politics and even history. They impart knowledge about what is occurring, how things operate, and how we should approach them in order to comprehend them better. The media has a significant impact on how we see our leaders, governments, and other influential people in today's society. This ever-expanding supply of knowledge on discoveries and events happening around the world has had a significant impact on the dissemination of information. By examining the mass media, it is now possible to develop a clearer picture of what is happening on a national or international level and this includes books and newspaper articles.

Politics is a decision-making process, whereas the media only reports. We can consider politics and media as two sides of the same coin. Election processes are heavily influenced by the media since candidates and political parties rely on it for media access. Political leaders' campaigns are significantly impacted by the media since they are so important in obtaining information and influencing public opinion. Election results can be significantly impacted by the media. Voters can be persuaded to support a particular political position by having information presented in print, radio, and television media in a particular way. And the voters do not know if this information is fake and are biased.

Aririguzoh (2021) states that the media is involved in politics, acting as an interface between the public and politicians through a variety of media outlets. It is evident that the public may view as significant things that the media highlights. As a result, it's possible that the media will influence voters' choices both before and during elections (Aririguzoh, 2021, p.21). So, the main focus of our research and our research question is how does media coverage affect the outcomes of the elections? The main aim of this study is to try and understand what kind of impact media has on the elections outcomes, and as well to prove that media has significant influence on the outcomes of elections, despite some arguments that it does not have that impact.

LITERATURE REVIEW

When it comes to newspapers as media, newspapers are free to report the news and politics however they see fit within the bounds of the law. Most people have a political opinion or stance. Newspaper endorsement is essential for winning an election. Political parties contend that a newspaper's editorial position and the articles it publishes have the potential to gradually sway less committed voters. However, the majority of voters get their political news primarily from television. One significant tool for mass communication is television. One of its purposes is to educate the audience members about politics. The voting habits of individuals who watch television may be influenced by its content. Therefore, it should come as no surprise that politicians have tried to use it to simultaneously contact millions of voters in an effort to increase their chances of getting more votes. The electorate can obtain helpful information on political parties, candidates, and voting procedures by watching television. However, in the contemporary world the amount of television usage is decreasing with the emergence of social media. Since all needed information can be found on social media, it is very easy to use and to access all information that we need. It is known that younger generations do not watch that much television compared to the elderly population. All younger people use social media as their primary source of information. And it will only increase in years to come. Social media has the capacity to alter not just the message but also the dynamics of political corruption, values, and conflict dynamics. The internet has established communications channels that are crucial for spreading news. Global conflict, extremist politics, and the use of social media in electoral processes have made

diplomacy less private and more sensitive to public opinion. Experts claim that social media sites like Facebook, Twitter, and others were never meant to be used for political reasons. However, as IT technologies advanced, many observed that they could be used to mobilise politics.

According to the scientific research done by Fujiwara (2023) and others, Twitter had a minimal impact on Congressional elections and prior presidential elections, but it reduced the Republican vote share in the presidential contests of 2016 and 2020. Survey results, primary results, and text analysis of millions of tweets provide evidence that voters with moderate viewpoints may have been swayed to vote against Donald Trump by Twitter's comparatively liberal content (Fujiwara et al., 2023, p.1).

According to scientific research of Ekaterina Zhuravskaya, et al. (2020) numerous scholarly articles examine how the Internet affects voting behavior and political engagement in developed democracies. This piece paints the following broad picture: Voters with access to the Internet become disinterested in elections and politics overall as a result of the new communications technology's initial lack of use for political objectives. But as time has gone on, new populist political figures have surfaced who successfully rally voters by establishing direct online connections with them. Social media came into being at the same time as this shift (Zhuravskaya et al., 2020, p.418).

Arugay (2022) believes that large social media companies have exploited user information sharing, including political beliefs, ideas, and policy viewpoints, because they are profit-driven. It's already quite well established that misinformation has spread widely due to its ability to evoke strong emotions in users of social media, increasing user engagement. Technology-integrated social media algorithms appear to be ideally suited to the nature of political campaigns (Arugay, 2022, p.3).

In other words, social media and election campaigns seem to be a great combination; one serves the desire of politicians and parties to win votes, while the other serves the business motivation of internet companies. According to Erdogan et al. (2020) and others the global internet user base has increased to 4.54 billion people. The use of social media rose by 40% in the last few months. People use social media for communication, relationship and community building, news, entertainment, and both financial and non-fi-

nancial transactions (Erdogdu et al., 2020, p. 98). However, which social media platforms have the highest percentage of users who read news there? Facebook, although very used, is getting less and less popular among younger generations. They mostly tend to use newer forms of social media like: Instagram, Twitter, TikTok, etc. Companies create social media platforms, whether it is Facebook, Twitter, TikTok, Snapchat, or Instagram, they are programmed to filter information for users based on particular criteria: information on demographics (age, gender, and location), interests (for example, football, music, or photography), engagement, such as "likes," "clicks," or "time on page." When a user interacts with the social platform by clicking, liking, checking, posting, or navigating, more comparable material is displayed to them. Platforms use the same procedure to select political material. For instance, a user who selects Sarajevo as their area can see freshly suggested Bosnia and Herzegovina political forums on their social network page.

According to Aindrila et al. (2014) and their research about the influence of social media on voting behaviour in India, people follow political developments on social media platforms; technology is essential for providing first-hand information quickly. Research indicates that females are more influenced by forum conversations than males, which may have an indirect impact on their voting decisions. Individuals actively participate in political discourse by voicing their opinions and viewpoints, as well as by following the political candidate on Facebook and Twitter. Research indicates that individuals who are more engaged with a political party on social media are more inclined to vote for and support that party (Biswas et al., 2014, p.153-154).

The media effect on politics and elections has different points of view. One point of view is that media coverage does not significantly influence or has limited influence on election results. And the other side is that the media plays a huge role when it comes to influencing election results. Firstly, we looked at the ones that think that the media plays a huge role when it comes to influencing election results. Television and newspapers are the main sources from which citizens learn about politics and government; these media outlets have the power to influence voters not only by the editorial slant of individual reports but also simply by selecting which stories to cover. As said, primary sources of information collection for ordinary citizens are television and newspapers, and these media types can be easily influenced and can shape the opinion of ordinary citizens.

Ho (2012) argues that the political election schedule consists primarily of televised debates and talk shows with a chat show format, or daily news broadcasts. Professional news management, spin control, camera-ready scripted event marketing, stringent message discipline, and impression management are the cornerstones of this type of television presence. Candidates frequently focus on a few points rather than having adequate time to express everything they would like to. In a debate, candidates are given only five to eight minutes to speak, and over one-third of that time is devoted to introductions, questions, and commercial interruptions. Furthermore Ho (2012) states that the aforementioned events are referred to as "pseudo-events" because they are deliberately faked to leave audience members with particular impressions. Pseudo-events are typically held prior to elections and are used for publicity, attention-grabbing, and generating commotion from the people. Politicians consistently portrayed themselves in front of the camera as charming and intelligent as possible throughout these types of presentations. Ho (2012) mentions that voter targeting involves dressing up, establishing a tone, and presenting a personal goal in order to get support. Even though the above mention's significance is questioned, there are influences said to exist, and they occasionally have the ability to alter the outcome of election day. Consequently, it is important to never undervalue the impact of mass media, as it might be crucial in certain situations. A substantial amount of money is spent on advertising, indicating that the benefits of mass media are real and deserving of investment. Every politician aspires to maximize the impact of the media (Ho, 2012, pp. 1-2).

According to UNDP the way elections are conducted and how they turn out is greatly influenced by the media. In addition to giving voters the knowledge they need to make an informed decision and giving candidates a forum to address the public, the media has the power to influence the process via the subjects it covers, the questions it poses, and the tone in which it presents its coverage. Furthermore, the way a candidate or subject is portrayed in the media and the quantity of progressively more costly political commercials have a major role in the success or failure of many electoral campaigns. The media is supposed to serve an educated, watchdog role and keep the public informed about electoral issues, candidate viewpoints, and the hows and whys of voting due to its potential to enlighten and influence (UNDP, 2014, p.11).

Media is there to inform the citizens about the election process and about the candidates. But what is important is how the media portrays a certain candidate to the public. This can determine the choice of an ordinary citizen and decide on his vote. With the use of more complex theoretical frameworks and methodological techniques, researchers have been able to determine how voter preferences and election outcomes are shaped by campaign tactics, events, and media coverage, especially in close elections.

Yavuz (2012) states that however, there is still much to learn about the persuasive effects of mediated electoral campaigns on voting behaviour. Biased message flows have an impact on political assessments, according to research by certain academics who have examined the direct persuasive effects of media on political preferences. However, some contend that because elections in developed democracies are typically well-informed and impartial, it is difficult to quantify these persuasive effects (Yavuz, 2012, p.3).

Bias is a huge issue as well for the media and for people as well. There are a lot of biased media that send biased messages and that favour one particular candidate. And they will do anything in order to make that candidate "shine" and to present his opponents as weak options. Bias affects political evaluation a lot. Both the ways that voters communicate about politics and how they consume political information have changed as a result of a concurrent media transformation process. Political messaging on television has changed dramatically, adapted to the quickly gaining traction of new media. TV, as one of the main media, contributed hugely towards the elections. Most people watch TV, and what is broadcasted on TV can influence the opinion of the public and shape it in the way that someone wants. TV plays a crucial role, because most of the elderly population don't use technology and they only rely on TV as a source of information.

Kaplan and Dellavigna (2006) estimate that exposure to Fox News caused 3 to 8 percent of non-Republican viewers to vote for the Republican party, based on evidence and micro-level audience data. This estimate is in line with experimental and field data regarding the impact of media on political opinions and voting behavior. This implies that the media can have a significant political influence, particularly when a politician, like Berlusconi does in Italy, owns a big portion of the media (Kaplan & Dellavigna, 2006, p.32).

Authors above mentioned the Berlusconi example, and it is a great example to show that, when a politician controls most of the media, it will help him win elections. Because if a politician controls it, he will make sure that the media broadcasts all the best about him. Good example is also Milošević from Serbia. It has been stated that any intentional manipulation of public opinion or political procedures through the media would be extremely problematic for any contemporary democracy. Social media is somewhat a "new media" that has a huge impact on the public. Almost everyone today has a social media platform and can follow news with TV, radio, or newspaper. Social media is very dangerous, and people cannot know if the information on social media is true or false. And because of that it is easy to manipulate the masses through social media by simply spreading false information. Second point of view is that the media does not significantly influence or has limited influence on the outcomes of the elections.

McCombs (2013) argues that the body of evidence is mounting, and it is becoming increasingly evident that the mass media has an agenda-setting influence on elections anywhere in the world where there is a reasonably open and free political system and mass media (McCombs, 2013, p.73)

Bode et al. (2020) and others argue that voters who are prone to persuasion but are not well-versed in political matters might be more aware of media coverage during election campaigns. At the very least, media content has the power to change voters' opinions about candidates. The mass media has undergone continuous change (Bode et al., 2020, p.7)

Banducci and Karp (2003) argue that the growing tendency of the media to present matters in terms of political strategy could potentially be a factor in the system's collapse. The medium itself could have an additional effect. Particularly, television has been identified as the offender. Brehm and Rahn discover that watching TV alone has a negative impact on civic involvement. The detrimental impact could have something to do with watching television and shifting times. People have less time to participate in civic-minded activities the more time they spend watching television. (Banducci & Karp, 2003, p.445).

Authors here mention a research that was conducted which showed that people who watch TV, are less engaged in civic-minded activities. So

that means that people who watch more TV, will not participate in voting in elections.

Evidence indicating the absence of media influence over election results: Hodder and Stoughton (2022) say that newspapers are becoming less relevant due to their declining readership, which makes them less likely to have an impact on elections. Voting is unlikely to be influenced by broadcast media because these outlets are required by law to be impartial. Compared to younger generations, older people are significantly more likely to vote, so social media has less of an impact on them (Hodder & Stoughton, 2022, p.2).

Alotaibi believes that the role of the media in influencing election results is generally quite small. But this lack of significance is not innate; neither can it be explained by "resurgent" economic factors nor by outmoded class rationalization. Instead, it is the outcome of other opposing factors, such as the counteracting factor—a reference to the ongoing conflicts between rival candidates—among them. Positive, image-conscious campaigning by candidates is, of course, reflected by all parties; on an impartial person, no overall influence would be discernible. Another factor is the lack of obvious superiority, which is the infrequent occurrence when one candidate manifestly outperforms its rivals in the media while the latter fail to make effective use of the medium (Alotaibi, 2013, p.1).

Author above mentions that the media's role in influencing election results is very small. Simply because all candidates will do the same and place themselves in the media. There will always be at least two equal candidates that will have the same media coverage. Rarely there is an event where one candidate excels, and controls all the media.

HYPOTHESIS

The hypothesis of this research is that there is a significant media influence on the outcomes of elections. In this research hypothesis, the independent variable is media that is exerting influence on the dependent variable, and in this case that is the outcome of the elections. In this research we will single out several pieces of information that indicate that the media, in fact, does influence the outcomes of the elections. This information will be drawn out from several sources: newspapers, articles, books, and various internet sites. As we mentioned in our literature review, there are also various sources that contradict our previous statement,

and claim that the media does not have significant influence on the outcomes of the elections. With this research we expect to prove that the first statement is the correct one, and that there is a significant media influence on the outcomes of the elections. According to Lawrence (2016) and his research, some candidates may even be rendered completely invisible if the media doesn't show enough interest in them (Lawrence, 2016, p.1). What we can conclude from this is that without proper media coverage, candidates won't even be recognized as appropriate people who are capable of getting the job done. This example alone shows how big of an influence the media can have on the profiles of the candidates and the election results alone.

RESEARCH DESIGN AND DATA COLLECTION

We did non-experimental quantitative research to address the research question: "How does media coverage affect the outcomes of the elections?" For the purposes of this research, we collected data through survey. We collected the mentioned data from students, family members, friends, and acquaintances. The participants were both males and females, different age groups and different educational levels. We posed 15 different questions to the participants in the survey that we gave them. Elections and media in general are discussed in the questions. What is the participant's source of information when it comes to the election process? Do they believe that the media has a positive or a negative impact on the election process and outcomes? Could the media shape public opinion when it comes to the elections? Did the media affect the participants' decisions when it comes to voting? How often do participants see posts about politics on their social media, etc.

PARTICIPANTS AND INSTRUMENTS

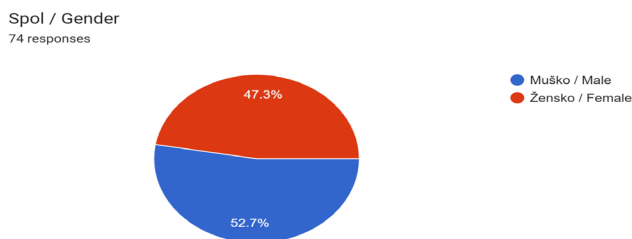
Because the responses were completely personal and from each person's point of view, it formed an excellent study sample from which to draw conclusions and understand how individuals think and interpret their viewpoints on the connection between media and outcome of the elections. All the answers were noted down and later analysed by the researchers. Researchers may acquire a lot of data from huge populations of people by conducting surveys. And every one of those individuals is free to express their views on the matter. Since the same questions are asked of every participant, survey research is also a trustworthy means of gathering data. The data we gathered for the purpose of

this research is numerical discrete data, meaning that it can be easily visualised and demonstrated using simple statistical methods such as bar charts, line charts, or pie charts that we will demonstrate further in this research paper.

RESULTS

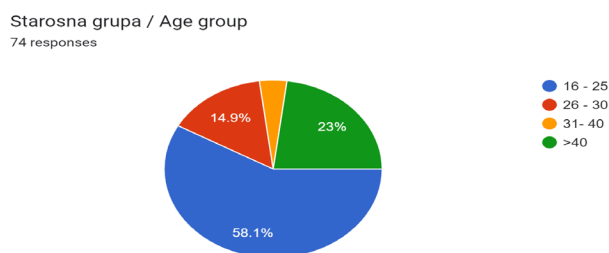
In this part of the research paper, we will analyse the data we have acquired from the participants. The survey that we conducted had 74 respondents.

Figure 1:
Gender of the participants



Out of those 74 respondents, 52.7% were male, and 47.3% were female.

Figure 2:
Age group of the participants



We asked the participants about their age group as well. 58.1% were from 16–25 years old, 14.9% were from 26–30 years old, 4.1% were from 31–40 years old and 23% were from 40 years old and above. This demonstrates the age differences among our participants and the fact that we were able to collect data from a range of ages.

We also collected data about participants' educational level and we found out that 44% of participants are undergraduate students, 32.4% are Master students, 21.6% high school students, and 1.4% are PhD's.

Figure 3:
Education level of the participants

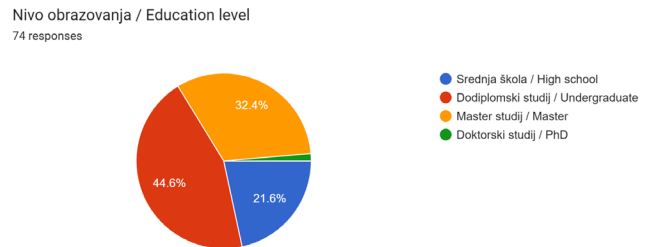
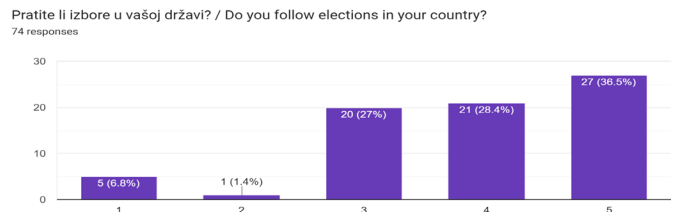


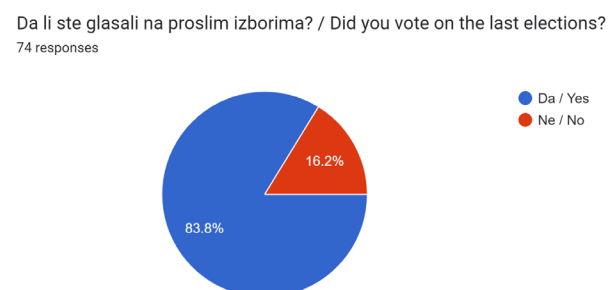
Figure 4:
Percentage of participants following elections in their country



First question related directly to the topic was "Do you follow elections in your country"? With 1 being "strongly disagree" and 5 being "strongly agree". All linear scale questions were done by

this principle. As we can see, most of the people that took the questionnaire follow the elections. Only 6.8% of participants answered that they do not follow elections at all.

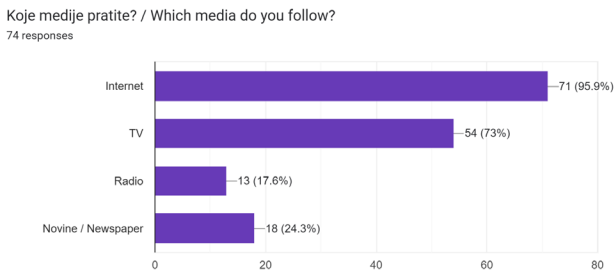
Figure 5:
Percentage of participants that voted on last elections



As we can see on the graph above, most of the people that took the questionnaire, in fact, voted in the last elections. As seen in the graphs above, 21.6% of participants attend high school, therefore, some of them do not have a right to vote in the

elections. So, a small percentage of these participants voted no simply because they are still not allowed to vote in the elections.

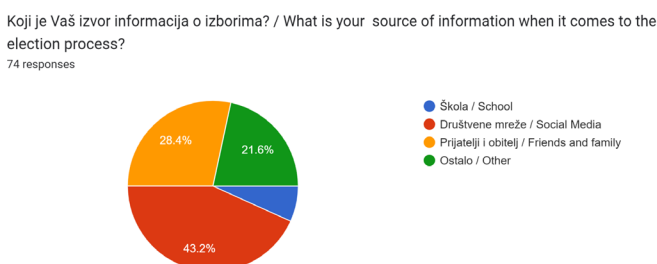
Figure 6:
Which media do participants follow



As presented in graph that shows the age group, 58.1% of the participants belong to 16–25 age

group. Also, we could see in the literature review, most of the young people nowadays use the internet and TV as their main source of getting political information. However, we have also presented in our literature review that older generations don't use the internet as much as the younger generations. Furthermore, older generations mostly rely on TV, newspaper, and radio as their media source of information.

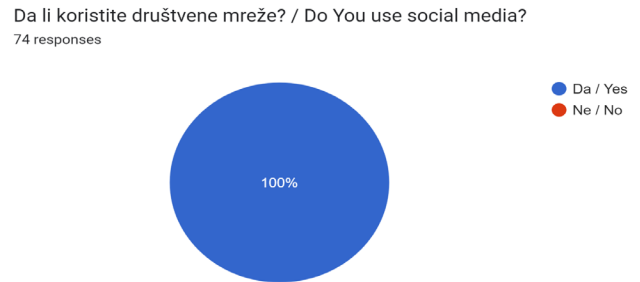
Figure 7:
Source of information when it comes to election process



When we talk about sources of information concerning the election process, we can see that 5.8% participants acquire their information from school. This represents the 16–25 age group, since they are the ones attending school or college. Social media is the most used source of information when it comes to the election process, 43.2%. As concluded previously, social media is the most common way of getting political information. 28.4% of participants acquire their information from friends and

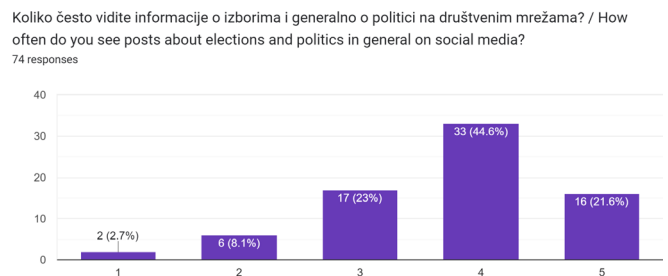
family. And the last 21.6% acquire them from various other sources.

Figure 8:
Percentage of participants that use social media



This graph is rather interesting, because it contradicts some of our previous statements. It actually proves that all participants, no matter the age group, do use social media nowadays. It was seen on the previous graph that not all of the participants use social media as their main source of information when it comes to elections. On which we assume that older people are relying on TV and high schoolers on school.

Figure 9:
Frequency of participants exposure to posts about elections and politics on social media



As we have seen, all of our participants use social media no matter the age group. From this graph, we can conclude that there is a significant amount of political and election information on social media.

If we look at the responses to this question, we can conclude that, based on our participants' responses, our hypothesis is correct. Not one of our participants believes that the media has no significant influence on outcomes of the elections. It is shown that our participants agree with our hypothesis.

Figure 10:

Does media play a crucial role in outcomes of elections

Mislite li da mediji igraju ključnu ulogu u ishodima izborima? / Do You think media plays a crucial role in the outcomes of the elections?
74 responses

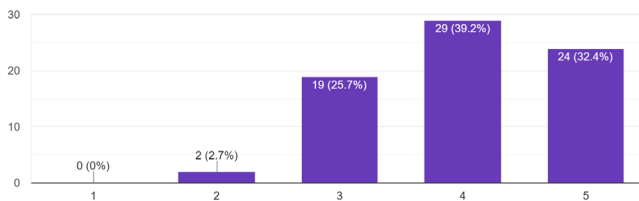
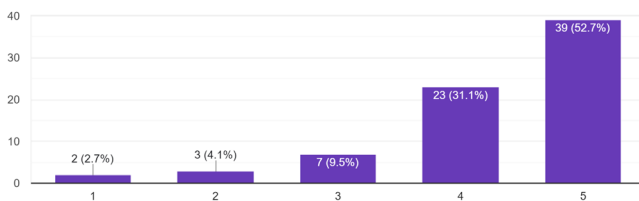


Figure 11:

The percentage of media shaping public opinion when it comes to elections, perceived influence according to participants

Mislite li da mediji mogu oblikovati mišljenje javnosti kada su u pitanju izbori? / Do you think that media can shape public opinion when it comes to elections?
74 responses

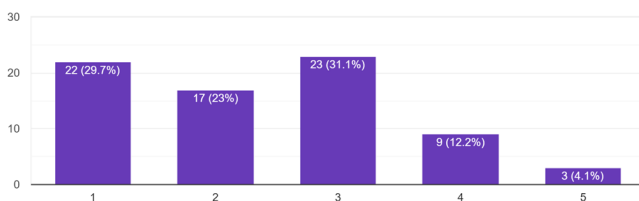


This graph is, also, pretty self explanatory. It shows us that participants of the questionnaire believe that the media can shape public opinion when it comes to elections. Only 2.7% participants strongly disagree.

Figure 12:

Percentage of media impact on participants decisions when it comes to voting

Mislite li da su mediji utjecali na Vaše odluke o glasanju? / Would you say that media impacted your decisions when it comes to voting?
74 responses



We were very surprised to find out through this graph that most of the participants are actually not completely influenced by the media. When it comes to their voting decisions, 31.1% of the par-

ticipants are unsure whether their decisions are influenced by the media. We also have to take into consideration that these are the answers based on our participants' personal experiences. 29.7% of the participants strongly disagree that the media has impacted their decisions when it comes to voting.

Figure 13:

Basis on which the participants assess the political candidate

Na osnovu čega procenjujete političkog kandidata? / On what basis do you assess a political candidate?
74 responses

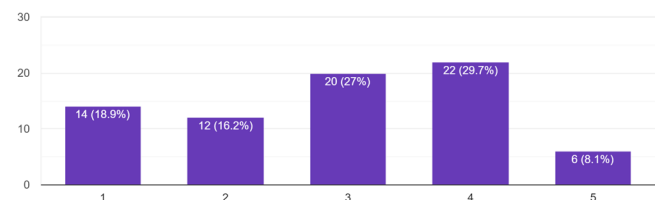


This graph presents the personal opinion of participants on what basis they assess a political candidate. We can see that 21.6% of participants assess their candidate on the basis of what is presented to them on social media. 35.1% of the participants assess their political candidate on different bases that are not presented in the graph. We can only speculate on what basis they assess a candidate. For example discussion with family members for who they are going to vote for, or based on promises politicians give prior to elections.

Figure 14:

Likelihood of participants to promote their candidate

Koliko je vjerovatno da ćete promovirati i/ili preporučiti svog kandidata? / How likely are you to promote and/or recommend your candidate of choice?
74 responses

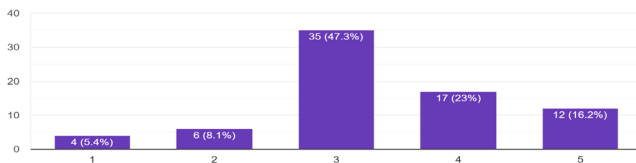


18.9% of the participants would never promote or recommend their own personal candidate choice. 29.7% of the participants would feel free to promote or recommend their own personal candidate of choice. 27% are unsure whether to promote/recommend or not. This shows that people who are likely to promote their candidate are just more politically engaged.

Figure 15:

Does promotion of elections on social media lead to positive outcomes politically according to participants

Mislite li da promocija izbora i politike na društvenim mrežama u konačnici vodi k pozitivnim političkim ishodima? / Do you think promotion of el... ultimately leads to positive outcomes politically?
74 responses



As we can see on the last graph of our questionnaire, 47.3% of our participants are not sure whether the promotion of elections and politics on social media ultimately leads to positive outcomes. However, more participants, 16,2%, believe that this is the case. With only 5.4% strongly disagreeing with the mentioned statement. Minority of participants classify it as an unimportant act.

Besides analysing the graphs and providing the basic information about the opinion of the participants of this research, we have conducted a research analysis through the SPSS system in order to get quantitative data that will confirm our hypothesis. Through this part of analysis focus is put on the mean, standard deviation and correlation. Correlation of independent variables which are gender, education level and age groups of participants with dependent variables which are all linear questions provided in the questionnaire. All linear scale questions (7 of them) are included in this analysis. Other questions were not included.

Table 1:

Linear scale questions and answers

QUESTION	N	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Do you follow elections in your country?	74	27	21	20	1	5
How often do you see posts about elections and politics in general on social media?	74	16	33	17	6	2

Do you think media plays a crucial role in the outcomes of the elections?

74 24 29 19 2 0

Do you think that media can shape public opinion when it comes to elections?

74 39 23 7 3 2

Would you say that media impacted your decision when it comes to voting?

74 3 9 23 17 22

How likely are you to promote and/or recommend your candidate of choice?

74 6 22 20 12 14

Do you think promotion of elections and politics on social media ultimately leads to positive outcomes politically?

74 12 17 35 6 4

Note. First table represents all linear scale questions, and what kind of answers participants of the questionnaire provided.

Table 2:

Mean and standard deviation value

	How often do you see posts about elections and politics in general on social media?	Do you follow elections in your country?	Do you think media plays a crucial role in outcomes of the elections?	Do you think media can shape public opinion when it comes to elections?	Would you say that media impacted your decision when it comes to voting?	How likely are you to promote and/or recommend your candidate of choice?	Do you think promotion of elections and politics on social media ultimately leads to positive outcomes politically?
N Valid	74	74	74	74	74	74	74
Missing	0	0	0	0	0	0	0
Mean	3.743	3.865	4.014	4.270	2.378	2.919	3.365
Std. Deviation	,9801	1,1387	,8357	,9834	1,1551	1,2470	1,0280

Note. Mean value shows us the average opinion when it comes to these 7 questions. Remember that “1” value is strongly disagree and “5” value is strongly agree. For example, the mean value for the first linear question is 3.743. This shows us that participants agree and the value is far away from neutral position (3 value). Mean value for the third and fourth question is the highest. Values are 4.014 and 4.270. This shows that participants mostly agree with these two questions and these two questions are directly related to our hypothesis. This proves that participants agree with our hypothesis. When it comes to standard deviation, it tells us how the data deviates from the mean. On average answers deviate 0.98 from the mean in the first question. This shows that the deviation occurs mostly by just one value.

Table 3:
Correlation between gender and 7 linear scale questions

Question	N	Pearson Correlation	Significance
Do you follow elections in your country?	74	.065	.580
How often do you see posts about elections and politics in general on social media?	74	.027	.817
Do you think media plays a crucial role in outcomes of the elections?	74	-.015	.896
Do you think media can shape public opinion when it comes to elections?	74	-.068	.564
Would you say that media impacted your decision when it comes to voting?	74	-.194	.097
How likely are you to promote and/or recommend your candidate of choice?	74	.040	.734
Do you think promotion of elections and politics on social media ultimately leads to positive outcomes politically?	74	0.33	.783

Note. For example correlation between gender and “Do you follow elections In your country” is positive, but no statistically significant. Correlation between gender and these questions is not statistically significant. Gender does not play a significant role.

Table 4:
Correlation between age group and 7 linear scale questions

Question	N	Pearson Correlation	Significance
Do you follow elections in your country?	74	-.095	.422
How often do you see posts about elections and politics in general on social media?	74	-.017	.884
Do you think media plays a crucial role in outcomes of the elections?	74	-.459**	.000
Do you think the media can shape public opinion when it comes to elections?	74	-.429**	.000
Would you say that media impacted your decision when it comes to voting?	74	-.159	.176
How likely are you to promote and/or recommend your candidate of choice?	74	.119	.312
Do you think promotion of elections and politics on social media ultimately leads to positive outcomes politically?	74	-.180	.126

Note. Correlation between age group and “Do you think media plays a crucial role in the outcomes of elections” is negative, but it is also statistically significant. Age group of participants affects the opinion on whether the media plays a crucial role in outcomes of elections. Also, correlation between age group and “Do you think that media can shape public opinion when it comes to elections” is negative, but like the previous one, statistically significant. This shows that the age group of participants affects the opinion that the media can shape public opinion when it comes to elections. Other correlations between age group and the questions are not statistically significant.

Table 5:
Correlation between education level and 7 linear questions

Question	N	Pearson Correlation	Significance
Do you follow elections in your country?	74	.273 [*]	.019
How often do you see posts about elections and politics in general on social media?	74	.010	.930
Do you think media plays a crucial role in outcomes of the elections?	74	-.067	.569
Do you think the media can shape public opinion when it comes to elections?	74	-.104	.378
Would you say that media impacted your decision when it comes to voting?	74	.034	.771
How likely are you to promote and/or recommend your candidate of choice?	74	-.003	.982
Do you think promotion of elections and politics on social media ultimately leads to positive outcomes politically?	74	.337 ^{**}	.003

Note. Correlation between education level and “Do you think promotion of elections and politics on social media ultimately leads to positive outcomes politically?” is positive, and it is statistically significant. This shows that the education level impacts the opinion on whether or not promotion of elections and politics on social media lead to positive outcomes.

DISCUSSION

As we could see, most of the people that took this survey followed the election process in our country, which makes them eligible for giving answers to the presented questions in the questionnaire. We concluded that they are interested in the political situation and that they have basic knowledge needed in order to take this questionnaire. When it comes to the rest of the participants that do not follow the elections as much, they are obviously less informed about the situation and therefore less capable of providing trustworthy answers. Analysing the next question “Did you vote on the last elections”, we saw that 83.8% of our respondents actually voted in the elections, while 16.2% did not. Here we have to take into account several factors. First of all, a small percentage of participants voted not simply because they are still not allowed to vote

in the elections due to their age. Second factor that we have to take into consideration is that a small percentage of participants voted no because they do not follow elections at all, therefore, they are not interested enough to actually vote. According to the age-grouping graph, 51.1% of the participants are between the ages of 16 and 25. Additionally, the majority of today’s youth obtain their political information through the internet and television. The literature review we conducted also showed that older generations don’t use the internet as frequently as younger generations do. Additionally, older generations mostly rely on TV, newspapers, and radio as their informational media. Keep in mind that this does not mean that older generations do not use the internet at all. We live in a time when everyone has access to and uses some form of internet, no matter the age. Answers of our participants showed that they get information about the election process mostly through social media, 43.2%. In today’s world, we can acquire all of the needed information about politics and the election process. It is simply the fastest way to acquire information you want. 28.4% of participants get their information from friends and family. They simply prefer communicating with other people around them about these types of topics and make their decisions based on information they acquired (Rizvić & Bećirović, 2017). What we concluded here is that if you truly want to acquire information about politics, politicians or elections you can easily get informed any way you want, where you get the information you want is your personal choice. The next question “Do you use social media?” is very simple, so is the answer. It proves that all participants, no matter the age group, use social media. However, this does not mean that social media is their main source of information. Since everyone uses social media, the graph related to “How often do you see posts about elections and politics in general on social media?” tells us that there is a significant amount of information about elections on social media platforms. Politicians nowadays use social media to promote themselves and their beliefs. Even if you are not particularly interested in politics and elections, information about these things and certain politicians can still appear on your feed simply because social media gets paid to promote some politicians. The next question “Do you think media plays a crucial role in outcomes of the elections?” proves our hypothesis. It is obvious that our participants agree with the hypothesis we are trying to prove. Not one of our participants believes that the media has no significant influence on the outcomes

of the elections. Our participants believe that the media can shape public opinion when it comes to the election process. Only 2.7% participants strongly disagree with this statement. This further proves that media coverage can affect individual opinion and, in that way, shape the overall outcome of the elections. The answer to the next question "Would you say that the media impacted your decisions when it comes to voting" is complicated. 31.1% of the participants are unsure whether their decisions are impacted by the media, 29.7% strongly disagree that the media has impacted their decisions when it comes to voting, and lastly, 4.1% strongly agree that the media impacted their decisions. Looking at the graph we can clearly see that over 50% of our participants do not think that the media can shape their decisions when it comes to voting. Keep in mind that the question before this one showed that almost all of our participants believe that the media can, in fact, shape public opinion when it comes to elections. This tells us that the answers to current question are in some way biased. This is due to human nature and a person's belief that he or she personally cannot be influenced by outside forces, because they are too strongly minded. We deliberately asked these two questions one after another in our questionnaire. The first question refers to participants' views on media shaping the general public opinion, while the second question is much more personal since it refers to the participants' view on whether the media can influence their personal decisions related to the elections. This proves that the answers to the second question are, in fact, biased. These two questions are the most important questions of our questionnaire. We asked this next question "On what basis do you assess a political candidate?" just to get the general idea on where our participants get their information from, however, since most of our participants, 35.1%, answered "other" we can only speculate on what basis they assess a candidate. When it comes to the last question 47.3% of our participants are not sure whether the promotion of elections and politics on social media ultimately leads to positive outcomes. Good portion of our participants believe that it leads to positive outcomes.

Through the SPSS analysis we discovered mean value and standard deviation value. Mean showed us the average opinion when it comes to 7 linear questions. Most important are values for the third and fourth linear question. Since their values are the highest (4.0 and 4.2), it proves that participants agree with our hypothesis. When it comes to standard deviation, it tells us how data deviates

from the mean. Deviation occurs mostly by just one value. SPSS analysis also showed us that gender does not play a significant role, when it comes to correlation with the questions. We also discovered that the correlation between age group and "Do you think media plays a crucial role in the outcomes of the elections?" is statistically significant. This clearly shows that the age group of participants affects the opinion on this question. We also discovered that the correlation between age group and "Do you think that the media can shape public opinion when it comes to elections?" is statistically significant. This shows that the age group of participants affects the opinion that the media can shape public opinion when it comes to elections. Lastly, correlation between education level and "Do you think promotion of elections and politics on social media ultimately leads to positive outcomes politically?" is statistically significant. This shows that education level impacts the opinion on whether or not promotion of elections and politics on social media lead to positive outcomes.

ANSWER TO RESEARCH QUESTION

Through data analysis we showed that our hypothesis is correct. The answers of our participants prove that they agree with our hypothesis. So, we conclude that there is a significant media influence on the outcomes of the elections. Our research question was "How does media coverage influence the outcomes of the elections". We proved that the media influences the outcomes of the elections and now we are going to state how exactly it influences the mentioned outcomes. This research paper proves that the media has many ways of affecting the outcomes of elections. We have mentioned a few of them: social media, TV, newspapers, radio, etc. This research shows that no matter what age you are some form of media can and mostly likely will influence your decisions. We also concluded that, since everyone uses social media, it has the greatest power to influence individuals and their opinions. The best example of the importance of media when it comes to affecting outcomes of the elections is the fact that the politicians who have less media coverage are less significant than the ones that do have. By appearing on different media platforms politicians shape public opinion. The role of the media is to inform the public about the candidates and the election process. But what matters is how a particular candidate is portrayed to the public by the media. An average citizen's choice and vote may be influenced by this. Most people use at least one media platform, and politicians promote

themselves on these platforms. That simply means that media coverage affects opinions and beliefs of individuals and in the long run affects the outcomes of the elections.

CONCLUSION

The main purpose of this research was to try and understand the connection between the media and outcomes of the elections, and to see if outcomes of the elections actually depend on the media coverage. The main hypothesis was that there is a significant media influence on the outcomes of the elections, and the questionnaire was set up according to this assumption. According to the given answers from the survey, our hypothesis turned out to be correct. The media does, in fact, have a significant influence on the election results and on politics in general. This study demonstrates that media, in one form or another, can and almost certainly will affect people's decisions at any age. This demonstrates how important media coverage is in influencing elections and how important it is in forming the political narrative. The results not only support the initial theory but also provide important new light on the complex interactions between the media and democratic processes, highlighting the various ways in which the media forms and affects election results.

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ORIGINAL RESEARCH PAPER

EUROPEAN UNION ENLARGEMENT POLICY WITH SPECIAL REFERENCE TO BOSNIA AND HERZEGOVINA – PREFERENCES AND DOWNSIDES

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ABSTRACT

By virtue of several European visionaries, led by Robert Schuman and Jean Monnet, whose noble goal was to end centuries of wars and bloodshed on the European continent, today we have the European Union, the most successful integration project of the 20th century. The European Union has come a long way to achieve the ultimate goal of political stability, based on equality in diversity, rule of law, democracy and respect for human rights, as well as the economic growth and development of all its members. From the original six countries that founded the European Coal and Steel Community in 1951, the European Union, through seven rounds of enlargement, has grown into a community of 27 prosperous countries, which both individually and together within the Union, have become a significant player on the global political and economic scene. The aim of this paper is to research and analyze the complexity of the European Union enlargement policy, its preferences and downsides, with special emphasis on Bosnia and Herzegovina and its integration processes, following its recent candidate status. The main research objective is to identify the factors that may enable or constrain effective EU enlargement policy and its implementation in BiH. The paper argues that the final goal – the EU acquis transposition and enforcement by enlargement countries – may present the biggest hurdle on the EU trajectory. The research methods include qualitative methods – analysis of the relevant literature, publications, official EU data, as well as the EU and BiH policy documents and strategies.

Keywords: EU membership, EU enlargement, candidate countries, Bosnia and Herzegovina



MAP SOCIAL SCIENCES

Volume 4

ISSN: 2744-2454/ © The Authors.
Published by MAP – Multidisciplinary Academic Publishing.

Article Submitted: 15 January 2024
Article Accepted: 09 February 2024
Article Published: 11 February 2024



Publisher's Note: MAP stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.

<https://doi.org/10.53880/2744-2454.2024.4.124>



HOW TO CITE THIS ARTICLE

Delalić S., Delalić Dž. (2024). European Union Enlargement Policy With Special Reference to Bosnia And Herzegovina – Preferences And Downsides.

MAP Social Sciences, 4, 124-136.

doi: <https://doi.org/10.53880/2744-2454.2024.4.124>



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INTRODUCTION

The European Union (EU) enlargement policy applies to countries striving to join the EU. Currently, the candidate countries are Montenegro, Moldova, Republic of North Macedonia, Albania, Serbia, Türkiye, Ukraine, and Bosnia and Herzegovina (BiH), while Kosovo and Georgia are potential candidates. There have been seven rounds of enlargement¹, since the six 'founding'² countries established the European Coal and Steel Community in 1951.

According to the Treaty on European Union (TEU), "any European State which respects the values of the EU and is committed to promoting them may apply to become a member of the Union" (EUR-Lex, 1992, p. 11). The primary goal of the EU enlargement policy is the unification of European countries within a common political and economic program, gathered around unifying common values. Defined by stringent, yet equal for all conditions, the EU enlargement policy has proven to be one of the most valuable instruments in accommodating and promoting social, political, and economic reforms, as well as in strengthening democratic principles, peace, and stability throughout Europe. The policy also contributes to a greater presence of the EU on the global stage (EUR-Lex, 1992).

Throughout the EU enlargement rounds, the basic parameters remained unchanged, although the criteria for membership have become more demanding. The process of EU enlargement aims at greater economic, political, cultural, geographical, and any other integration of Europe based on the common rules and policies. It requires serious and deep structural reforms from the countries wishing to join the EU, primarily economic, political and reforms in the field of rule of law. The process of enlargement and the eventual EU membership brings positive transformations of countries and societies as whole, including strengthening and promotion of human rights and freedoms, economic growth, and improved quality of life of EU citizens. Despite the positive changes and democratization that the enlargement process brings to the new members, the enlargement process so far, especially after the 2007 enlargement round, has created a certain amount of Euroscepticism in both the 'old' and 'new' EU members (Emmert and Petrović, 2013).

Since one of the key foreign policy priorities of Bosnia and Herzegovina is membership in the European Union, the research aims to delve into objective and subjective challenges that the country has been facing on this, so far, rather thorny trajectory. The research is placed in a broader historical context accentuating preferences and downsides of the very complex and demanding enlargement process, both from the point of view of the candidate countries and the European Union itself. Given the fact that the countries of the Western Balkans represent the only missing part of the European equation, the multidimensional and multilayered approach of the research enables profound insight into the developments that accompany this process with special reference to the European public opinion. The detailed geopolitical, geoeconomic and security context of the EU enlargement policy gives a special dimension and importance to the research.

Policy Process and Membership Criteria

Policy process is based on the detailed pre-accession and accession steps leading to the European Commission (EC) recommending for the EU accession negotiations to be opened with a candidate country based on the relevant conclusions of the EU Council. Agenda building consists of relevant summits, strategies (such as the Thessaloniki Summit in 2003 and its Western Balkans (WB) Agenda 2014 or the Strategy for the WB in 2018 meant to enhance the EU engagement with the region), and the stabilization and accession agreements and accession treaty (European Parliament, 2018). During the pre-accession and accessions process, the enlargement countries need to endorse and enforce EU rules and laws – the 'EU acquis'. Membership negotiations may start once a unanimous decision has been made by the EU Council. Upon the completion of the negotiations and requested reforms agreed by both sides, if all EU countries agree, the country may join the EU.

The main political and economic criteria are known as 'Copenhagen criteria', demanding the countries to meet all the requirements surrounding the EU membership, including commitment to the goal of political, monetary, and economic union (European Commission, 2023). These criteria were subsequently broadened by the European Council

- 1 United Kingdom, Ireland, and Denmark joined the EU in 1973; Greece did so in 1981; five years later (1986) Spain and Portugal joined the Union; Sweden, Finland, and Austria became members in 1995; 2004 saw the largest EU enlargement ever with the Czech Republic, the Baltic countries (Estonia, Lithuania, and Latvia), Poland, Hungary, Slovakia, Malta, Cyprus, and Slovenia joining; three years later (2007) the EU family was complemented by Bulgaria and Romania, with Croatia becoming the last EU member in 2013 (Labastie, 2023).
- 2 France, Germany, the Benelux countries (Belgium, the Netherlands, and Luxembourg), and Italy (Labastie, 2023).

in Madrid in 1995, adding the administrative criteria to strengthen the national public administration and judicial capacities to implement the EU *acquis*, as well as geographic criteria (Nakic, 2013).

The Copenhagen criteria are the essential accession conditions that all candidate countries must fulfil to become members of the EU. These are:

- **political criteria:** institutions stable enough to be able to guarantee democracy and the rule of law, protection of minorities, and the human rights respect;
- **economic criteria:** market economy fully functional, capacitated, and capable of coping with the market forces and the competition;
- **institutional and administrative capacity** capable of effectively implementing the EU *acquis* (body of common rights) and the competence to take on the requirements of EU membership (European Commission, 2023).

However, additional requirements, some would say tougher and more demanding, were introduced for the countries in the WB through the Stabilization and Association Process (SAP), focusing mainly on regional cooperation including good neighborly relations.³ The tougher requirements are linked to the lessons learned when Romania and Bulgaria joined the EU, where the EC still provides support to strengthen their fight against organized crime and corruption as well as the rule of law through the Cooperation and Verification Mechanism (CVM). Another big shift in the enlargement policy occurred in 2005 when the negotiations with Croatia and Turkey were opened. Croatia joined in 2013 and is a success story, while Turkey saw significant withdrawal of EU financial assistance due to its poor human rights record. Following the negotiations with Croatia, the new enlargement approach had been founded on the clear focus and strict demands in judiciary, fundamental rights, EU citizens, and the fight against terrorism, organized crime, and corruption. This tougher approach was implemented in 2012 when the negotiations with Montenegro were opened. Apart from the rule of law, the economy and public administration sector reforms have been the focal elements of the EU enlargement policy in the last decade (Vučetić, 2014).

Economic criteria had no vital role in determining the enlargement process until 1993, while political criteria have in practice become the determining factor after Copenhagen. Enormous “technical” criteria seem to define the duration and manner of membership negotiation process and opening and closing of the 35 different policy chapters (Laermans and Rosens, 2009). Each Chapter is negotiated separately.

The EU’s capacity to accept new member states, upholding, at the same time, the European integration drive, is additional significant consideration. In December 2006, in light of this consideration, the European Council agreed on a ‘new consensus on enlargement’ based on “consolidation, conditionality and communication” (European Parliament, 2024, par. 1) and the EU’s ability to incorporate new members. Institutional consultations have been conducted for some time at the level of the European Union itself with the aim of strengthening the integration capacities and institutional packages of the Union in the context of the admission of new members.

A significant portion of the institutional dialogue was devoted to the successive expansions, which led to the signing of the Treaty of Lisbon. The European Union needed to conform its decision-making processes and institutional capacities with the entry of new member states and make sure that enlargement did not come as a liability on the effective and responsible policymaking. The Treaty greatly changed the composition and work of the EU’s main institutions. Some of these changes were born out of the need to make a set of rules that would not need to be changed with each subsequent expansion (Bargués and Morillas, 2021).

When it comes to the process itself, the procedure is established so that a country wishing to join the EU submits a request to the Council, which subsequently asks for the opinion of the Commission. The European Parliament is informed about the request as well. If the Commission renders positive opinion, the European Council can make a unanimous decision to allocate that country a candidate status. After the Commission makes a recommendation, the Council again unanimously decides whether negotiations should begin. The entire EU legislation – *acquis communautaire* – is composed of more than 30 chapters, arranged according to different policies. Before commencement of the ne-

3 The aim was to enhance regional integration, stability, and security by developing infrastructures, networks, and free trade areas between neighbouring countries. Adoption of the Declarations on the Green Agenda and the Common Regional Market at the Sofia Summit in 2020, by the Western Balkan countries came as a logical result.

negotiations, the Commission submits a report on the analytical review for each chapter. Based on the recommendation of the Commission, the Council makes unanimous decision whether to move on to the next chapter. If the progress achieved is assessed as being satisfactory, the Commission may recommend “temporary closure” of the chapter. The council makes a unanimous decision on this. Upon completion of negotiations on all chapters, conditions, as well as possible protective clauses and transitional provisions, are included in the accession agreement between the EU member states and the acceding state (European Commission, 2023). The accession treaty can only be signed after obtaining the compliance of the Parliament and the unanimous approval of the Council. The treaty is then sent for ratification to all signatory states in accordance with their constitutional rules (i.e., for ratification by parliament or ratification by referendum).

Throughout the process, enlargement countries are supported financially through the Instrument for Pre-accession Assistance (IPA). In the period 2014–2020, the EU allocated EUR 11.7 billion within this instrument (Eurostat, 2023). IPA funds are conditioned with obligatory country-wide strategies for each sector and the funds might be withdrawn due to a lack of progress in reforms. In other words, IPA funds were reduced for BiH due to the lack of country-wide strategy in agriculture in 2014, and later on in the employment sector. In practice, budgeting is conditioned with progress or lack thereof and the countries’ ability to absorb and manage the funds. IPA funds and projects are managed by the relevant national governments, except in BiH, where the EU Delegation staff manages the project’s funds. That is why the EU Delegation to BiH is one of the largest EU Delegations in the world.

Given the slow progress and lack of reforms in the enlargement countries, one can conclude that the EU financial assistance has not been as effective as envisaged.

Arguments For and Against EU Enlargement

Starting from a common identity, shared values, and the proclaimed principle of mutual aid, support and cooperation, the main arguments for joining the EU could be summarized in three points:

- 1) greater prosperity for all,
- 2) greater stability in Europe, and
- 3) greater role of the EU in issues at the global level.

One of the significant effects of the enlargement is better and closer regional cooperation, especially economic, which thanks to numerous signed agreements between countries in the region, with the help of the EU, enable easier and simpler customs procedures and greater trade cooperation. As part of the enlargement process, greater economic modernization and stronger regional economic integration make the region more competitive and attractive for investment. Bearing in mind the fact that the final goal of the enlargement process is entry into the EU, and thus access to the EU single market, the effect of the enlargement process is also visible in the activities and efforts of the countries of the region to improve their products and normative legal frameworks and procedures in order to meet the requirements and standards leading to the single economic market (Laermans and Rosens, 2019). The economies of the region would greatly benefit from the EU single market. The effects would be faster and cost reduced trade of goods and services across the region, which improves competitiveness and creates opportunities for investment. This would also help solving other issues, such as the supply chain, the return of production to Europe and the departure of young people from the region. For example, the establishment of “green corridors” that ensured the rapid flow of essential products across the land borders throughout the Western Balkans in the midst of the COVID-19 pandemic, starting with 2,000 trucks in April 2020, culminating to 13,000 trucks crossing borders daily, is a proof that regional cooperation and solidarity is the way to progress. Given that the EU is explicit that unresolved territorial issues cannot be brought into the EU, one of the effects of enlargement is increased awareness and efforts made to resolving bilateral issues and border disputes in the region before joining the EU (Judah, 2015).

EU membership brings greater legal certainty, more foreign direct investment, greater freedom of movement, work, and education. Furthermore, every country that joins the EU gains access to the largest single economic market in the world with slightly less than 400 million people, following BREXIT. The advantages of enlargement and then joining the EU are also reflected in the fact that there is much greater investment in the infrastructure, such as telecommunications, transport, energy, water supply or environment, which ultimately results in the economic growth and the employment increase. Additional advantage can be found in the increase in trade and capital flows, as well as access to cheap resources and their better distribution, and ultimately, easier access to cheap and

relatively qualified labor, which significantly contributes to the global positioning and global competitiveness of the EU. This way, EU companies can more easily position themselves on the global market, expanding their business activities beyond the EU borders. The enlargement of the EU brings modernization and reforms to the enlargement countries necessary for approximation, and the subsequent adoption of the EU *acquis*, strengthening the principle of democracy in each one (Džihic et al., 2016). Finally, pollution and environmental problems, undoubtedly one of the biggest challenges facing the entire planet, can only be solved by the cooperation of all countries with the application of unique environmental standards.

In addition, there is an increase in the GDP of the EU. From the perspective of the EU, enlargement brings a three-fold increase in trade between old and new members and a five-fold increase in trade cooperation between new member states, greater stability and prosperity in Europe, and a greater role and influence of the EU on the global stage. The space that enjoys rule of law, liberty, and security will significantly expand by the EU enlargement, facilitating the fight against all forms of organized crime, since the accession states are obliged to adopt European principles and standards in the field of justice and law enforcement. Enlargement brings to the EU itself all the potential that candidate countries and potential candidates bring with them, greater opportunities to build and strengthen common foreign and security policy, as well as access to human, economic, natural and all other resources in the enlargement countries (Bargués and Morillas, 2021).

Challenges in the context of enlargement may be linked to the feeling of some member states that the functioning of the Union would be more demanding and difficult with additional new members. Another most complex and long-lasting challenge are the repercussions of the economic and financial crisis which came as a result of the war in Ukraine. A third challenge may be the political consequences for some members of the Union regarding the effects of the 2015–2016 migration crisis and its impact on the mood towards the European project, especially the wave of migration from the so-called Eastern Mediterranean and Western Balkan routes. Some of the arguments against enlargement can be found in the analysis of the effects of EU membership on the countries of Central and Eastern Europe by Marian L. Tupy (2003) entitled: “EU Enlargement Costs, Benefits and Strate-

gies for Central and Eastern European Countries”. Tupy claims that “the EU is neither a necessary nor a sufficient condition for economic growth, pointing out that the combined effects of market access and economic liberalization, rather than EU membership, optimize economic growth” (p. 56). He highlights that compliance and implementation of EU rules and regulations in the field of labor, agriculture and the environment impose huge costs on new members, with labor legislation of Western countries – ‘old’ members – makes the workforce from new and less productive members less competitive. There is criticism that subsidies in agriculture favor current EU members over new ones, while environmental regulations and obligations impose costs in the billions of euros for new members. Tupy draws the following conclusions:

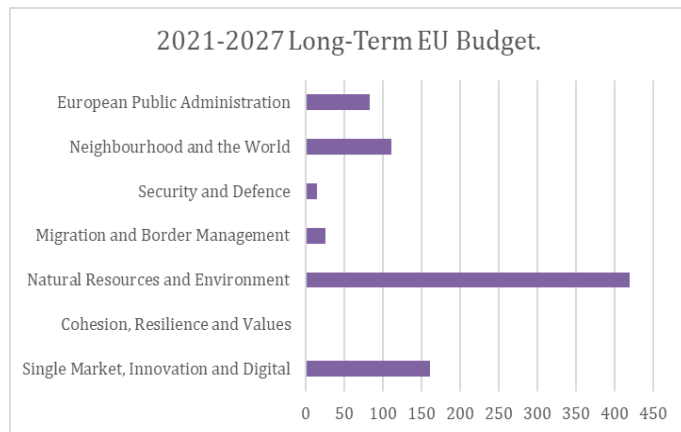
- 1) full membership in the EU creates enormous costs for optimal economic growth;
- 2) the EU has advanced into immense trade block powerful enough to specify trade conditions with individual non-EU member countries;
- 3) the indelible economic well-being of European nations is inconsistent with the centralization of both political and economic decision-making processes managed by the Brussels bureaucracy;
- 4) the EU insists on standards that are not applicable in the current stage of economic development of the given countries;
- 5) the EU member states with the most rigid labor markets determine the social agenda (Tupy, 2003).

In addition, Puchala (1999) emphasizes negative impact of new members on EU GDP per capita, the serious economic challenges that these countries face, the solution of which requires significant structural funds. He further points to the weak government institutions and the lack of political culture in the accession states, which has a potentially negative effect on efficiency of the EU political institutions. Furthermore, EU members face a collectivist versus individualist dilemma, considering that long-term enlargement can benefit them as a ‘collective’, while individually they can suffer damage both economically and institutionally. Member states also consider enlargement to be contributing to and increases the heterogeneity

of the European Union, which, in addition to bringing numerous benefits, still causes entanglement of the process of negotiations and decision-making at the EU level and imposes the necessity of establishing a huge and at the same time very expensive administrative apparatus, which requires additional financial resources. This situation can threaten some vital common policies, such as agricultural, and slow down the integration process.

Figure 1:

Spending categories of the EU Budget 2021-2027 (in € billion). (Source: Authors' calculations based on the European Commission data, 2023).



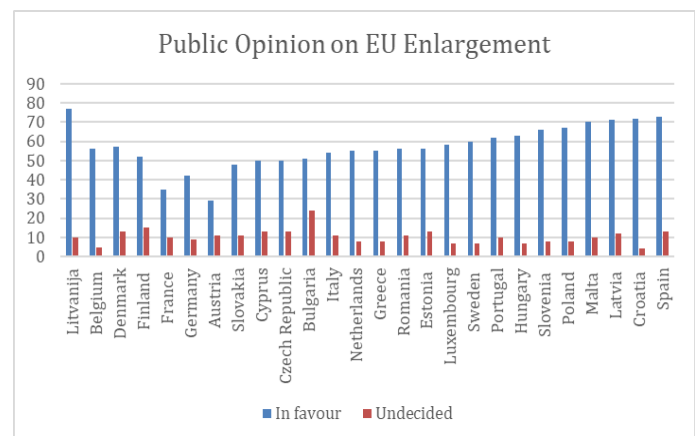
Making centralized decisions in Brussels and losing national sovereignty are considered by some to be negative effects of EU membership. As an argument against joining the EU, some believe that joining the EU will bring inhumane neoliberal practices, using cheap domestic labor and natural resources. The process of enlargement is usually opposed by forces that are not ready for a change, rather want to maintain the status quo (Boin et al., 2014).

Although decisions on the accession of individual countries to the European Union are made at the political level, the increasing politicization of the issue of EU enlargement and the obligation to ratify agreements in national parliaments imposes the need to pay close attention to public opinion in this process, which is already the case in all EU member states. When it comes to the EU public stance towards enlargement, there is a completely heterogeneous picture. According to the official public opinion polls, on average more than half (53%) of the European Union citizens support its further expansion, while 10% do not have a clear position on this issue, which implies that 37% of Europeans are

against it (Eurobarometer, 2023). However, it is important to emphasize that the level of support differs from country to country with the geopolitical reasons standing at the top of the pyramid for or against enlargement. In the last fifteen years, there has been a trend of declining support for enlargement in all EU member states, which coincides with the economic crisis of 2008. In addition to economic, cultural and religious reasons are cited as a major obstacle to further expansion, especially when it comes to countries with different cultural and religious backgrounds from that of European Union, namely, the non-Christian Kosovo, Albania and Turkey. Young and educated EU citizens are more in favor of enlargement than older people. Figure 2 shows that in Germany, France and Austria, the countries that represent the strongest political and economic power, public opinion support for further expansion is the lowest (Mathieu, 2016).

Figure 2:

Public opinion on future enlargement of the European Union, 2023 (in %). (Source: Authors' calculations based on the Statista data, 2023).



The EU enlargement process is a very expensive process, and the costs themselves are unequally distributed. In other words, some countries will profit more than others, while some countries will pay a higher price than others. In addition, the enlargement process requires a unanimous decision at the level of the European Council, which implies a long, slow, and exhausting negotiation and decision-making process. There are numerous factors that influence the path each acceding country will take, at the center of which is the relationship between costs and benefits, which is very risky, uncertain, and difficult to calculate, because it is based on facts as much as on assumptions that can be challenged by numerous unforeseen

developments. Enlargement is a process difficult to rationalize in terms of black and white and cost benefit. Finally, geopolitical, geoeconomic, and security interests play a key role, which was especially the case with the countries of Central and Eastern Europe. On the other hand, Piedrafita and Torrealanca (2005) observe the EU enlargement process as a “power game” in which both sides, the EU and the candidate country, from their own perspective, strive to extract maximum benefits. Thus, the European Union endeavors to make the most of the political, economic and security benefits, with minimal costs of accepting a new member, while the potential member country strives to maximize benefits with minimal contributions, i.e., costs within this collective body. Since each new potential member is a unique case, the European Union has over time developed a special doctrine of enlargement, trying to consider all the specificities of each new member country, while preserving the basic principles and the conditions of membership embodied in the *acquis communautaire* (Moravcsik and Vachudova, 2003).

Who sets the enlargement agenda in EU institutions?

Enlargement policy represents a strong platform for the EU to grow further and strengthen its role and position on the global level. Although it has often been described as “the most successful EU foreign policy” (Balfour, 2023, p. 2), the strict and complex enlargement conditionality with the low preparedness of the enlargement countries to absorb the membership obligations, and Member States (MS), often controlling the enlargement process with their national agendas, have shown a number of shortcomings over the years that have weakened the credibility, effectiveness, and legitimacy of the policy (Hillion, 2010). Examples date from the EEC enlargement and France vetoing twice the UK membership aspiration or more recently Greece interventions over the name of the Republic of North Macedonia. Still, it seems that the European Commission (EC) has steadily taken the leading role among the EU institutions in setting the enlargement policy (Emmert and Petrovic, 2013).

The EU readiness to integrate and receive new members, particularly after the so-called ‘Big Bang’ and the two enlargement waves in 2004 and 2007, seems to have decreased with the growing ‘enlargement fatigue’ and Euroscepticism, both within the MS and enlargement countries. The EU seems to be signaling that it does not want to import territorial disputes, underdeveloped econo-

mies, weak rule of law systems or migration inflows. Two elements that seem to have continuously influenced the enlargement policy are different national interests of the MS and a lack of political will to make genuine sectoral reforms in the enlargement countries. Paradoxically, the final goal – the *acquis* transposition and its enforcement by enlargement countries – may present the biggest hurdle to overcome on their path towards the EU (Buras and Morina, 2023).

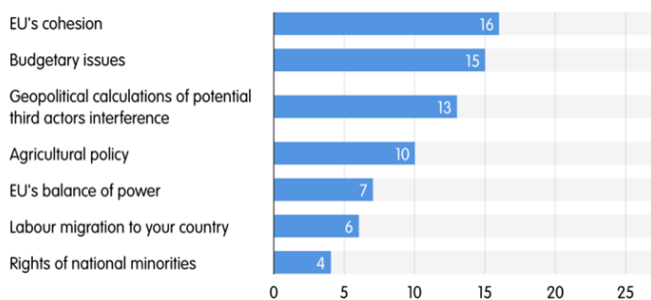
Following the two big enlargements, European Union seems to have become fatigued of accepting new members. Thus, a serious debate about this process has long been put aside. However, the Russian invasion of Ukraine brought this issue back to the negotiating table of the EU member states, which resulted in the granting of candidate status to Ukraine and Moldova in June 2022, putting the Western Balkan countries back in the focus. Aware of the increasingly strong influence of Russia in the Western Balkans, European officials realized the strategic priority of this part of Europe at the crucial moment of binding the countries of the Western Balkans to the European values. After more than a decade of hesitancy caused by enlargement fatigue, European countries, even those that most strongly opposed enlargement, such as France, but also Belgium, the Netherlands, Denmark, and Sweden, have realized that enlargement is the best and most adequate response to the new geopolitical realities in Europe (Azrout et al., 2012).

Therefore, enlargement today is seen more as a geopolitical instrument, rather than an instrument for the spread of European values, norms, and standards. Although the values themselves are not negligible, the dominant geopolitical and geostrategic idea of enlargement enables the imposition of the European Union as a strategic factor in the Western Balkans, undermining the rather realistic scenario of this part of Europe falling under Russian or Chinese influence. The consensus on this issue has been, more or less, reached at the level of the Union, however, the uncertainty remains as to how to achieve this goal. The main stumbling block, in this context, is the issue of security, that is, whose task would be to provide for it, the EU’s or NATO’s. In other words, should the same recipe be applied to the countries of the Western Balkans that was applied in case of the Eastern and Central European countries; Poland, Hungary, and the Czech Republic, which first became members of NATO in 1999, and only five years later were admitted to the membership of the European Union.

There are still numerous political, institutional, and economic factors that significantly affect the capacity of the European Union to absorb additional members. Based on the research conducted by the European Council on Foreign Relations in 2023, in addition to disputes between some candidate countries and EU members, and between some candidates themselves, the future of the cohesion of the European Union and its budget are at the top of the list of key enlargement concerns by the EU countries, especially in light of the huge expenditures for Ukraine, and the funds needed to adequately respond to the migration issue (Buras and Morina, 2023).

Figure 3:

The key enlargement concerns in EU member states (in number of states).



(Source: European Council on Foreign Relations, 2023).

Despite all the challenges, the European Union has certainly and most decisively in the last fifteen years, once again set out on the path of enlargement, even though discussions on how to do it have not yet been initiated. The geopolitical challenges facing today's EU are so serious that they have overshadowed all the other concerns.

EU Enlargement and Bosnia and Herzegovina

Bosnia and Herzegovina (BiH) was granted the candidate status for EU membership on December 15, 2022. In the words of HR/VP Josep Borrell it was "a message to the people and a tasking for

politicians" (EU Delegation to BiH, 2022, par. 1). Furthermore, Borrell referred to Russia's illegal and unprovoked aggression against Ukraine, highlighting that BiH condemned the aggression and aligned to the EU's unprecedented sanctions against the Russian leadership, demonstrating that our common future is based on shared values and shared principles. The granting of candidate status occurred on the recommendation of the European Commission a few months earlier, stemming from efforts that have been made on bolstering democracy and the rule of law, state institutions functionality, the fight against organised crime and corruption, media freedom warranty, and the country's migration management. The Commission pointed out that it "would continue supporting reform efforts and accelerate the integration of the Western Balkans as a whole" (European Commission, 2022, par. 3).

In June the same year, the European Council voiced its readiness to grant candidate status to Bosnia and Herzegovina, and instructed the Commission to conduct an analysis and make a report on how far the country has gone in terms of fulfilling the 14 previously set key priorities, with special emphasis on key reform processes. Regardless of the general elections and the political turbulence, the leaders of the political parties currently in power at the state level have committed (it seems only verbally) to implementing measures that will ensure functional state of Bosnia and Herzegovina that as such would be able to achieve significant progress on the path leading to the European Union. Fulfilling the 14 key priorities specified in the Commission's Opinion on the Bosnia and Herzegovina's EU membership application will result in recommending for the accession negotiations to be unlocked.⁴

At the Thessaloniki European Council Summit, held in June 2003, BiH was formally given the opportunity to join the EU, when it was recognized as a potential candidate. Since 2003 numerous agreements have been signed between BiH and the EU. For BiH citizens and their freedom to travel, the two most significant agreements are the Visa Facilitation and Readmission Agreements, which entered into force in 2008. Since December 2010,

⁴ On November 8, 2023, the European Commission published a report on the fulfillment of Bosnia and Herzegovina's obligations as a precondition for opening negotiations on EU membership. The report states that negotiations will not be opened until the country meets the necessary EU criteria. Nevertheless, the European Commission presented a recommendation on the conditional opening of negotiations in March 2024 if BiH shows the necessary progress in the implementation of reforms. The countries that most seriously oppose BiH opening negotiations with the EU are the Netherlands, Germany, and France. It is worth noting that the RS President, Milorad Dodik, blocked all reform processes in the country, conditioning them on the adoption of a new law on the Constitutional Court of BiH, which would imply the removal of foreign judges from this institution. However, the other political parties have not shown commitment on the realization of 14 priorities, which were identified by the European Commission, and which the state had to fulfill as a condition for opening negotiations, since only one condition has been fulfilled.

the BiH citizens with a biometric passport can travel to the Schengen area without visa. This Agreement has helped over 12,000 citizens from BiH who participated in different youth, student, and academic exchanges under ERASMUS+ from 2014–2020 (European Commission, 2023).

In July 2008, the country signed the Stabilization and Association Agreement (SAA), which came into force in June 2015.⁵ Approximately at the same time, the Interim Agreement on Trade with the EU came into force. Although still not member of the European union, the EU is the country's most significant trade partner with €9.6 billion made in trade in goods in 2020, while in the same year the EU's Foreign Direct Investment (FDI) in BiH was €228 million (European Commission, 2023).

In February 2016, BiH submitted its application for EU membership. Three years later, in May 2019, the European Commission issued its Opinion in which it identified 14 key priorities that BiH must fulfill in order to continue its path to EU membership. These key priorities cover the areas of the rule of law, fundamental rights, democratization, and the functionality of the country, as well as the public administration reform (EC Opinion, 2023). The EU has been clear that unless BiH meets the key priorities, it cannot start the EU accession negotiations. In the 2021 annual report on BiH progress by the European Commission, it is stated that the country "regarding the political criteria, legislative and executive authorities had a low output due to political polarization and the disruption caused by pandemic" (EC Annual Report, 2021, p. 6). No significant progress was made in 2022 despite "the public commitment of political parties to the strategic goal of European integration confirmed in Brussels in June 2022" (EC Annual Report, 2022, p. 1), as the EC annual report on BiH, highlights that "for most of the reporting period this commitment was not turned into concrete reform actions. Deep political polarization and disagreement among the main parties of the ruling coalition led to a standstill in the work of the democratic institutions and on reforms on the EU path" (EC Annual Report, 2022, p. 2). In the area of public administration reform (PAR) some progress was made, but there is still a plenty of work to be done for BiH to secure depoliticized and professional civil service. With regards to judiciary, no progress was made in the much needed rule of law reforms, while the trust of citizens is still low. When it comes to the fight against corruption and organized crime, BiH made no progress and

urgently needs to adopt the laws on the conflict of interest and public procurement.

These assessments lead to a conclusion that the weak rule of law is one of the biggest challenges BiH will need to overcome in the EU integration process. Given the slow progress in the reforms implementation outlined in the Opinion, it also seems clear that the EU integration process is not a priority for BiH politicians due to the ethno-nationalistic patterns of policy making (Stefano, 2018). EU enlargement policy and process in BiH has not yielded significant results despite its conditionality mechanism but has made the membership goal a 'moving target' (Blagovcanin, 2016).

The key sectors, the EU supported in BiH, with €530 million from 2014–2020 are "democracy and governance; rule of law and fundamental rights; environment, climate action and energy; transport; competitiveness, innovation, agriculture and rural development; education, employment, and social policies" (European Commission, 2023, par. 8). Paradoxically, more than 60% of this financial support has been allocated to the rule of law sector, which still remains very weak, fragmented and jeopardized by political pressures and corruption. In BiH, some 80% (from 67% in 2018) of all respondents surveyed in the June 2020 Balkan Barometer challenge the effectiveness of the legal system (Balkan Barometer, 2020).

The above briefly elaborated key developments are an integral part of the overall evolution of the EU-BiH relationship and enlargement policy, including the following key milestones:

1997–2007: The trajectory of Bosnia and Herzegovina leading to the European Union membership began in 1997, when the EU adopted a regional approach, and determined the political and economic criteria that the country must fulfill in order to become a full member of the Union. A year later, the EU-BiH Consultative Task Force was formed, confirming the EU commitment to accept five Western Balkan countries into its membership. Already in the second half of 1999, the European Union proposed a new framework for pre-accession cooperation with the WB countries, including Bosnia and Herzegovina, as potential candidates, known as the Stabilization and Association Process (SAP). The process was officially accepted by the European Union and the Western Balkans countries at the summit held in Zagreb in November 2000, and additionally

⁵ It took seven years for the country to ratify the Stabilization and Association Agreement.

strengthened three years later at the summit held in Thessaloniki, thus confirming the EU perspective of these countries. Meanwhile, in 2001, the European Union launched the CARDS program, specifically intended for SAP countries. At the end of 2003, the European Commission carried out the first assessment of the institutional capacities of Bosnia and Herzegovina and set 16 key priorities, i.e. preconditions for opening negotiations on the signing of the Stabilization and Association Agreement. The first partnership for Bosnia and Herzegovina was adopted by the European Union in 2005. Around the same time, negotiations on the SAA were initiated on the recommendation of the European Commission. The agreement was signed on June 16, 2008.

2008–2018: In early 2008, Bosnia and Herzegovina, within the framework of the new European partnership, signed the Instrument for Pre-accession Framework Agreement (IPA), and in the same year the dialogue with the EU regarding visa liberalization began. Two years later, a visa-free regime was established for all citizens of Bosnia and Herzegovina who travel to Schengen countries, provided they possess a biometric passport. Until the entry into force of the Stabilization and Association Agreement (SAA) on June 1, 2015, there were no significant developments in Bosnia and Herzegovina on its path to the membership in the European Union. Less than a year later, on February 15, 2016, BiH submitted an application for membership in the EU and by the end of the same year received the Questionnaire from the European Commission. Two years later, at the EU–Western Balkans summit held in Sofia, the leaders of the EU member states confirmed the European perspective of the countries of the Western Balkans. Around the same time, Bosnia and Herzegovina submitted answers to the European Commission's Questionnaire.

2019 – up to date: In early 2019, the European Commission determined 14 key priorities that BiH must adopt as a condition for opening negotiations on EU membership. A year later, the European Commission adopted an economic and investment plan to aid the countries of the Western Balkans and bring them closer to the EU. The year 2022 was marked by the award of candidate status to Bosnia and Herzegovina (EU Delegation to BiH, 2023).

Bosnia and Herzegovina has noticeably come a long way, from the end of the war until today, to become part of the family of European countries. While the country has been continuously facing serious existential problems for several decades now,

including numerous transition and reform processes, the relationship of the European Union towards the membership of BiH as well as the other countries of the Western Balkans, is characterized by the absence of much-needed consensus. That was the case at the end of the nineties of the last century, and it is still the case today, despite the fact that the membership of Bosnia and Herzegovina and the remaining countries of the Western Balkans would bring much-needed security and political stability to the old continent (Bieber, 2011).

Despite the lack of European consensus, the fact remains that Bosnia and Herzegovina is still far from a functional democracy, the level of corruption at all levels of government is at a worrying level, human rights are violated, and the country is still facing serious divisions and a dysfunctional government and institutions. The process of building the state is far from over, the country is continuously in a state of political and institutional crisis, and the heated ethno-nationalist and secessionist rhetoric threatens the peace and stability of the country, and therefore the whole of Europe (Mišević, 2016). This situation resulted in a complete apathy of the local population, seriously endangering political participation and the political culture of the country, which has the potential to be the driving force of innovation and change in society. In addition, society faces poverty, inequality, and social insecurity, which ultimately cause widespread pessimism. By introducing and, if necessary, imposing European values and standards, the country would finally move on and replace the status quo with dynamic reform processes. In order for this to happen, a stronger engagement of the European Union is needed because the BiH political elite has proven to be insufficiently committed. "Thereby, the meaning of the 'Europe'-paradigm is reduced to a political phrase, an empty promise of a better future" (Džihic and Wieser, 2008, p. 72). Bosnia and Herzegovina, as well as the other Western Balkan countries, need stronger support from the European Union itself, so that the local population does not feel isolated from Europe and to avoid the additional strengthening of ethno-nationalist forces in Bosnia and Herzegovina (Lazinica, 2022).

Although two-thirds of the BiH population (70%) support the country's entry into the European Union, the opinion of the EU public about BiH's entry into the EU is slightly different. According to the Eurobarometer survey (2018), BiH's accession to EU enjoys the support of almost half (48%) of the European population. So far, numerous empirical stud-

ies have been conducted on the factors that shape public opinion in the European Union in relation to further enlargement. In addition to socio-economic factors, an important factor is identity, especially in relation to the countries of Eastern Europe, which during the Cold War were part of a completely different political, economic, social, as well as the value system. Studies have shown that among EU citizens who have a strong sense of national identity, who show religious intolerance, anti-immigration attitudes or fear of losing national identity and cultural unity, they are largely opposed to further enlargement. Research has also shown that these factors differ in relation to potential candidate countries.

CONCLUSION

The biggest enlargement challenges, the Western Balkan countries including Bosnia and Herzegovina, are facing are of economic nature and the lack of genuine and deep economic reforms, that is, the inability of the countries of the region to meet the obligations of the EU's single economic market. In the political and legal sense, the biggest challenges for all the countries of the Western Balkans are lack of strong rule of law with the widespread corruption and the lack of functionality and the stability of democratic institutions. The entire region should carry out fundamental political and economic reforms, including public administration reform, and ensure respect of human rights.

Despite generous support, governance and institutions of Bosnia and Herzegovina remain weak mainly due to the lack of political will of the established political elites, poor coordination and technocratic approach on one hand, and the lack of readiness by the EU to truly lead the process, while insisting on the local ownership. The focus of the EU work in BiH for the previous decade has been the socio-economic reforms (the so-called Reform Agenda) but no serious economic reforms have taken place and social trust is very low due to the constant divisive and inflammatory rhetoric and deep divisions within the BiH society. The EU or international community cannot impose the reforms and the local authorities would rather keep the status quo than undertake the painful changes. Thus, the top to bottom enlargement policy approach the EU has tried to implement in early pre accession and accession stages does not seem to work but there is no capacity nor momentum to do the bottom to top changes either.

The EU is often perceived as too slow and technocratic both politically and financially, even though the EU is the biggest investor and trading partner in BiH, people do not recognize it as such, and local citizens, particularly the youth, are leaving the country and are increasingly fatigued by the EU integration process. Still, a vast majority of BiH people are in favor of the EU future. This creates the impression that the „EU helps BiH to stay afloat, while adjourning the European perspective of the country„ (Bargués and Morillas, 2021, p. 1331).

It can be concluded that the EU with its enlargement policy is still the single largest actor in BiH despite the current increasing influence of Russia and China in the region. With the current political and constitutional crisis in BiH and the war in Ukraine, it is obvious that the EU enlargement policy should reconsider its approach in BiH as to how to bridge the gap from Dayton to Brussels, since the local political elites are extremely slow with the needed structural reforms and the country seems to be the slowest in the region with snail steps towards the EU.

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ORIGINAL RESEARCH PAPER

BOSNIA AND HERZEGOVINA IN THE EUROPEAN UNION INTEGRATION PROCESS: SYSTEMIC LIMITATIONS TO PROGRESS IN THE RULE OF LAW

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ABSTRACT

This paper critically examines the systemic limitations impeding the progress of the rule of law in Bosnia and Herzegovina (B&H) from the perspective of the European Union (EU). Despite significant efforts and investments by the EU to foster democratic governance and the rule of law in B&H, progress has been inconsistent and fraught with challenges. Through a comprehensive analysis of policy documents, legal frameworks, and qualitative interviews with key stakeholders, this paper identifies three primary systemic barriers: entrenched ethno-political divisions, the complexities of the post-conflict legal landscape, and the intricate governance structure of B&H. The article also explores how these barriers are exacerbated by external influences and internal political dynamics, which often hinder both EU efforts and the local adoption of necessary reforms. Additionally, the research delves into the EU's policy approach towards B&H, assessing its effectiveness in addressing these systemic issues. The paper argues that EU strategy in this field needs to be more attuned to the specific political and social context of B&H that is also marked by an ongoing peace process, i.e. implementation of the Dayton Peace Accord (DPA), as the two processes increasingly end up in a friction due to different priorities and mandates in B&H. The findings contribute to broader understanding of deficiencies of systemic processes and their impact on democratization in post-conflict societies, particularly in the B&H. Results of the analysis focuses on the the need for a more nuanced and context-sensitive approach in promoting the rule of law and democratic reforms in B&H.

Keywords: European Union, Bosnia and Herzegovina, EU acquis, rule of law, Dayton Peace Accord



MAP SOCIAL SCIENCES

Volume 4

ISSN: 2744-2454/ © The Authors.
Published by MAP – Multidisciplinary Academic Publishing.

Article Submitted: 15 January 2024
Article Accepted: 09 February 2024
Article Published: 12 February 2024



Publisher's Note: MAP stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.

<https://doi.org/10.53880/2744-2454.2024.4.137>



HOW TO CITE THIS ARTICLE

Čakal A., Ramić Mesihović L. (2024). **Bosnia and Herzegovina in the European Union Integration Process: Systemic Limitations to Progress in the Rule of Law.**

MAP Social Sciences, 4, 137-148.

doi: <https://doi.org/10.53880/2744-2454.2024.4.137>



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Introduction

Countries aspiring to join the EU are required to follow long and demanding process of harmonization and compliance in accordance with the *Acquis Communautaire*. Negotiations on EU membership is obligatory integration process of the candidate country to the EU. Accession negotiations evolve the terms under which candidate countries comply with the conditions of the EU. Progress of B&H in the rule of law evolves at slow pace towards European Integration. Numerous EU conditions defined in negotiation chapters require comprehensive involvement of B&H and European representatives. By signing the Stabilization and Association Agreement (SAA) between member states, B&H undertook the obligation to coordinate its legislation with the EU *acquis* covered by the agreement (DEI, 2013). Under the SAA vital priority for B&H is obligation to develop a National Plan for the Adoption of the *Acquis* (NPAA) which includes all levels of government to align with the implementation of the EU *acquis* (European Commission, 2022). Firmly by the requirements in respect to public administration reform and 14 priorities that come out of the *Avis* on the level of preparedness of B&H to join the EU, there is also an ambition for B&H to adopt an overall Integration Programme (PI).

Alignment of B&H with chapters of EU *acquis* related to the rule of law is related to both Chapter 23 in the area of judiciary and fundamental rights, justice, freedom and security and Chapter 24 justice, freedom and security. They are at the core of EU Enlargement Policy. The European Commission regularly monitors each country effort towards fulfillment of the criteria and the accession process evolves through different stages until the candidate country is fully considered able to join EU (European Commission, 2023). Therefore, the EU is committed to provide guidance and support the country in undertaking the necessary reforms on its path towards European Integration (European Commission, 2019). The key conditions that B&H needs to fulfill are contained in number of documents in the framework of the European Court for Human Rights which imply that in order for B&H to become full member of the EU it has to change necessary constitutional deficiencies (Čakardžić, 2022).

Until now, B&H has achieved some level of preparation to align with the EU *acquis* and to comply with European requirements. However, further progress is required which continues to create gaps in proper functioning of the country. Ultimately, the EU aims to support accomplishment of these policies of B&H in improving its efficiency and quality in

accordance with the required rules and standards. However, B&H has demonstrated numerous systemic and political limitations in the alignment process. The establishment of the OHR as the highest authority is responsible for overseeing the implementation of the civilian aspect of the DPA and also the developments on the rule of law which is fundamental requirement for reform changes (OHR, 2015).

In December 2022, B&H was granted the status of a candidate country for EU membership accompanied by a recommendation for implementation of eight necessary steps to strengthen the rule of law, fight against corruption, migration and fundamental rights which require future implementation. In the upcoming period is expected formation of the institutions to focus on the implementation of these condition (Slobodna Evropa, 2022).

Literature Review

Extensive number of articles, documents, guidebooks and reports have been published related to negotiation chapters of the EU. The most relevant piece of literature is defined in the 35 chapters of the *acquis Communautaire*. The additional focus includes the reports of the European Commission report on the B&H integration process for membership to the EU, 2022. "Guidebook on the 23 and 24 negotiation chapters. What we negotiate" deeply elaborates necessary process and conditions required on the path towards membership. (Suljević; Hodović, 2016). The European Commission launched the "EU Initiative to enhance the monitoring of the Rule of Law in B&H that provides causes for lack of its insufficient implementation along with monitoring of any reform changes (European Commission Expert Report, 2019). Additionally, it includes analysis on the latest progress in all sectors of B&H Report 2022 (European Commission, October 2022). Harmonizing the legislation, regulations and procedures of aspiring country for membership takes a long and painstaking process of integration (Sinanović, 2014).

The EU advocates for promotion of human rights, democracy and the rule of law as an essential object which are further elaborated in "The EU Role in Promoting Human Rights and Democratization in Third Countries (European Commission, 2011). The latest European Commission report on progress of B&H for 2023 states necessary changes of constitutional and electoral reforms in accordance with European Convention on Human Rights. Even though B&H has achieved notable improvement in

the Foreign affairs with the EU, still no progress has been made to tackle corruption as well as regarding the economic criteria, the country is at early stages of establishing functional market economy (Briljavac, 2023).

Additional necessary fulfillment of the reform changes are clearly outlined in an article of "Europska integracija – Bosna i Hercegovina postala kandidatkinja za EU" in order to open negotiating chapters (Orešković, 2022). B&H complex constitutional structure also lacks progress in judiciary sector. The conditions are outlined in 2019 by the European Commission in form of three vital programmatic documents on B&H as Opinion (Avis), following Analytical report and "The Expert Report of Law Issues in B&H known as Priebe Report, emphasizing rule of law as key priority requiring comprehensive reform (Weber, 2021). The importance of the structured dialogue was launched in 2011 with the intention of enabling B&H politicians to implement decisions towards better functioning of the judiciary (Sinanović, 2014).

Theoretical framework

During the negotiation process of the EU of candidate countries social constructivism has significant approach in dealing with interesting aspects of European integration process. Social constructivism relies on that social group constructs things for one another collaboratively creating a small culture of shared artefacts with shared meanings (Moodle, 2015). Therefore, social constructivism relies on that individuals act collectively to reconstruct the environment through their actions and behavior. Therefore, its importance is included in numerous areas of study in the EU in which states are more willing to cooperate collectively at EU level. Constructivism is constructed on social ontology which argues that human agents do not exist independently from their social environment, and its united system of meanings as 'culture' in broad terms (Risse, 2019). One of the prominent core constructivists Alexander Wendt focuses on the role of identities and interests of international actors (Silva, 2022). His approach elaborates those roles by providing practical implications for recognizing and predicting future of the international relations (Daniyah, 2023).

Wendt fundamental concept of constructivism argues that "structures of human association are determined primarily by shared ideas rather than material forces, whereas identities and interests of purposive actors are constructed by these shared ideas rather than given by nature" (Palan,

2000). Wendt's theory of constructivism is related to European integration by focusing on the influence of ideas and cognitive frames on decisions making process within the EU (Ruszkowski, 2019). Constructive features of social institutions of the EU are not based only on constraining behavior, but it also affects interest, identities and preferences of actors (Risse, 2019).

EU also promotes number of normative values which are constituted as peace, democracy, freedom, human rights, rule of law, equality, social solidarity, sustainable development and good governance (Manners, 2008). Therefore, Manners believes that the EU values produce different identity to other actors involved in the international system. While member states created the EU, they are also influenced by its norms, regulations, conditions and common values and modes of behavior. Ultimately, constructivism is beneficial in the context of European politics as it has impact on how different actors make decision collectively at European level.

Methodology

a) Research Problem

The purpose of the research paper is to elaborate necessary conditions outlined in the negotiating chapters of the EU in order for B&H to successfully join membership in a limiting context imposed by the process of the DPA implementation. The research question is: "What are the requirements outlined in the negotiating chapters of the EU that BiH must fulfill for successful membership, within the constraints of DPA implementation?"

b) Sources of the Data

Primary sources of information include interviews with active-decision makers from B&H. Content of the interviews is used as a primary source of information. The ten responders answered per three questions related to the rule of law in B&H by e-mail.

Secondary sources include desk research, studies of documents and daily developments, including media statements and other relevant information. Participants in the interview are mainly representatives of the parliaments of the Federation B&H and the Republika Srpska. Additional participants included are vice-presidents, delegates, an advisor, an independent political activist, an editor in chief and a councilor.

c) Data Collection

Data are collected and processed with a combination of qualitative and quantitative analysis techniques. Information would be gathered from the relevant documents, reports, articles, professionals and experts in the field and other related information that are looked into through content analysis.

d) Data Analysis

The method used for the purpose of this research article is qualitative with included in-depth analysis of the given topic. Engaging with policy-makers, civil society representatives, and other stakeholders through interviews or focus groups can provide valuable perspectives on the practicalities of meeting EU requirements within the DPA's constraints. This method allows for the collection of nuanced views and insights into the political and social dynamics affecting integration efforts. Content analysis involves the systematic reading of main requirements from the relevant EU negotiating chapters and related legal texts to identify specific requirements BiH must meet. Content analysis helps in understanding EU expectations and the extent of alignment required with the EU acquis.

Results

The question provided to ten respondents was related to three the most significant obstacles that slow down the process of integration of B&H into the EU. Majority of responders agree on presence of insufficient will towards reform changes such as the rule of law and judiciary. Minority of responders view obstacles such as expensive state administration, high corruption, and lack of reform changes in the defense sector. Second question of interest referred if provisions of the DPA limit entry of B&H to the EU.

Majority of respondents believe that certain provisions of the DPA make path towards the EU difficult because it created complicated administrative structure, lack of jurisdiction, justice and security.

Conversely, one of the respondents is convinced that only after joining the EU that all shortcoming of DPA would come to an end. However, related to benefits of B&H joining the EU membership, which was the third question, all of the responders believe that European membership would bring numerous benefits the most vital rule of law, prevention of corruption, the country with European living standards, equal rights and economic quality.

Furthermore, B&H would achieve a suitable place in the European family among other democratic countries, based on the system of development and values.

Negotiating process

Initial stage in negotiating process is screening or analytical examination of the acquis. The Commission is responsible to provide detailed examination and evaluate policy chapters of each candidate country and to examine the level of preparedness. The progress of the negotiations depends on the speed of reform changes and alignment with EU laws in each country. No negotiations on any individual chapter are closed until every EU government is satisfied with candidate process (European Commission, 2019). Therefore, each country has sufficient time period for opening and closure of negotiations and Council of the EU concludes every decision. The whole negotiation process is only fully concluded once every chapter has been closed. In December 2022 B&H was granted the status of candidate country.

In order to open EU accession negotiations initially B&H must significantly advance implementation of 14 key priorities. These priorities include ensuring that the elections are conducted in accordance with European standards, along with improvement of the constitutional reform, judiciary, strengthening the fight against corruption, and organized crime and improved control of border management (Orešković, 2022). Additional conditions include strengthening the protection of human rights, freedom of expression and media, along with protection of minorities and changes in public administration reforms (Orešković, 2022).

Taking into consideration length of negotiating process of the countries in the region Serbia opened 22 out of 35 chapters, while Montenegro opened 33 out of 34 chapters. Croatia became member on July 2013 of the EU while negotiated for six years until complete closure of all the chapters. Albania and North Macedonia have been waiting for opening of the negotiations, that were announced in 2022.

Rule of Law Related EU Acquis Chapters

Chapter 23 Judiciary and Fundamental Rights is one of the most important and complex chapters of the negotiation process based on the principles included in the article 2 of the Treaty of EU. The Chapter was officially opened on 18 December 2013 at the Intergovernmental Conference in Brussels and aims to maintain and develop the EU

in different sectors of freedom, security and justice to create effective judiciary system and equality. The Chapter is structured into three key divisions, judiciary, the fight against corruption and fundamental rights (European Commission, 2012).

Fight against Corruption

This particular area has been of vital interest of the EU since the opening of the negotiations. Primary goal of the EU is that potential candidate countries solve the issue of corruption, before joining the full membership (Hodović; Suljević, 2016). However, corruption presents profound challenge to already B&H complex state system and its stagnant reforms which contribute to the continuous widespread corruption. Despite that anti-corruption bodies are increasingly involved to tackle high corruption; the indicators show otherwise which further affects proper functioning of the state. Moreover, there still exists limited commitment or political will to solve the ongoing issue.

The European Commission and Group of States against Corruption (GRECO) has recommended numerous requests for B&H to provide efficiency to curb the corruption as one of the most important conditions outlined (European Commission, 2023). Throughout the years numerous attempts have been made to control this issue in different state sectors especially in employment and among political elites. However, most of these attempts remained ineffective. In its annual report for 2022 GRECO emphasized that importance of access to information is vital in ensuring public transparency to tackle harmful acts of corruption. GRECO president Martin Mrčela stated: "Governments should guarantee the overall principle of transparency of public documents in practice."

Any expression to the rule of public disclosure should be limited to a minimum and be thoroughly justified. When it comes specifically to public procurement, public scrutiny and access to official documents are key to effectively preventing corruption" (Council of Europe, 2023). Corruption takes various forms ranging from the embezzlement, fraud, nepotism, bribery, extortion and money laundering which makes it difficult to control corrupt practices in a single indicator (UNDP, 2015). Disadvantages of corruption are numerous as it undermines the system and weakens the progress of the country.

The most affected are the vulnerable citizens of the society for which corruption creates gaps

and social injustice towards slow economic growth and less space and interest of trade and investment for foreigners. The most undermined is the rule of law and citizens trust in the state institutions along with reputation of the state, representing one of the most difficult forms of crime to suppress (CSS, 2015). Therefore, corruption is harmful to society, democracy and individuals and affects the rightful functioning of the institutions as well as their ability to deliver effective public policies and quality public services (European Commission, 2023).

The EU requests that every country is responsible to introduce specific plan and program of anti-corruption measures, which would enable to tackle corruption in each state sector. All member states are obliged to fight corruption as it undermines proper work of democratic institutions along with the rule of law. Member states need to ensure that law enforcement and prosecutors have appropriate means to fight corruption (European Commission, 2023). Corruption is hindrance to sustainable economic growth, diverting resources from productive outcome, affecting the public spending and creating social gaps (European Commission, 2023). It is important for all countries to establish separated institutions which will fight against corruption.

Every country is responsible to deal with its best means to insure effectiveness of the institutional form. Establishment of the institutions that will define the policy and implementation of the anti-corruption policy. The fight against corruption includes numerous forms such as detection, prosecution and sanctioning of corruption. Initial and the most important is prevention which implies removal at the very stage all risks and threats which cause or promote signs of corruption. Therefore, initial prevention reduces the possibility of corruption as well as its reappearance. Lastly, repression implies the prosecution and removing from position or sanctioning those responsible for criminal misconduct (Hodović; Suljević, 2016).

Another effective way is to bring an awareness and reduce corruption through public campaigns that would focus on consequences and work of dysfunctional state sectors. Additionally, establishment of independent bodies would closely follow and investigate any corrupt activity (Hodović; Suljević, 2016). The strategy for prevention of corruption and coordination of the fight against corruption drafted the strategy to tackle corruption for 2022-2024 period and the implementation of Action Plan.

The Government of the Brčko District of B&H simultaneously adopted the same decision for the same time period. Even though state strategy to combat corruption is key priority of B&H towards integration into EU, there is still lack of adequate strategy at the state level. Since its stagnation and ongoing delay in the adoption of the document the lower levels have started to adopt their strategies to tackle corruption. In 2023 the EU introduced anti-corruption package which emphasizes communication as effective tool on the fight against corruption (European Commission, 2023). Anti-package provides deep insight into existing EU anti-corruption legislation and policies and reflects on necessary future of EU action. Secondly, EU proposed a new directive to tackle corruption. Directive includes strict rules and penalties for corruption offenses to ensure that criminal laws are fully implemented for successful prevention of corruption and to improve its enforcement. Third, the High Representative of the Union for Foreign Affairs and Security Policy with the assistance of the EU Commission proposes to complement the Common Foreign and Security Policy (CFSP) of rigid sanctions to fight corruption worldwide (European Commission, 2023).

Many EU member states are considered the least corrupt in the World. However, as included in the report of law there are many issues of concern for people across the EU as shown by Eurobarometer data. In 2022 statistics results on opinion of citizens on the corruption in their country, seven out of 10 Europeans (68%) believed that corruption was widespread in their country. About 31% believed that government means to tackle corruption were effective. Moreover, the leading companies based in EU (51%) believe that sanctions to criminal acts of corrupt people or business are unlikely to be reported to the authorities or prosecutors (European Commission, 2022).

Proposed directive obliges member states that adequate measures are put in place including effective rules on access information on conflicts of interest in the public sector, on assets of public officials and their connection with private sector. The Directive for combating corruption encourages member states to ensure the highest degree of transparency and accountability in public administration along with public decision making. Conduction of necessary action are important to raise awareness of negative consequences of corruption (European Commission, 2022). It requires to encourage civil society and community organizations to engage in anti-corruption efforts.

Furthermore, it provides coherent set of rules to successfully tackle corruption at national and EU level. In 2022 EU Commission report on B&H stated that political leaders and judicial institutions were ineffective to reduce the widespread corruption leading to ongoing increase of political inability to handle the issue. Furthermore, in May 2022 a State Level Law on the prevention of conflict of interest was rejected which emphasized lack of political will to rule of law and speed up process towards EU. Following non-transparent judicial follow up of corruption is greatly unsettled. Additional concern is related to low cooperation and coordination among anti-corruption bodies. In January 2023 the latest Transparency International report ranks B&H Corruption Perception Index (CPI) the lowest in the region with 34 score with further decline in the progress. This score ranks B&H same as the last year and the worst in the last decade.

B&H has not made any progress in the fight against corruption, mostly due to the political obstruction to change key reforms. Although the number of complaints in the anti-corruption sector has increased in 2021 compared to 2020, it still remains low from the number of complains issued in 2018. In order to tackle corruption, number of prevention bodies are established including the Agency for Prevention of Corruption and Coordination fight against corruption (AKIP) remains insufficient. Corruption prevention bodies at the entity and cantonal levels need to increase significantly to tackle corruption though some positive progress of anti-corruption comes from office of Sarajevo Canton. Collected analysis in 2021 in Sarajevo office reported 919 cases of corruption has been submitted mostly related to corruption in employment sector (European Commission, 2022).

Additionally, Tuzla Canton closely follows the steps towards better functioning of state progress and solving corruption. In May 2021, Tuzla Canton adopted legislation to establish anti-corruption office following in December adopted law on reporting of public officials (European Commission, 2022). For the period 2022–2003 the government of Sarajevo Canton adopted the strategy for the fight against corruption along with the Action Plan for the implementation of the strategy. Adoption was implemented by the Office for the fight against corruption and the quality management of the Canton in cooperation with the ministry of justice and administration. The effectiveness of the Strategy consists of several pillars related to transparency and strengthening of the institutions. Adoption of the document shows interest of the government to

initiate valuable project of value for the society. The adoption of this strategy is following up of the strategy from 2018 (Zugić, 2022).

Judiciary

Judiciary plays vital part in proper functioning of the state. B&H is at early stage of improvement in the area of judiciary (European Commission, 2022). In May 2022, the Parliament rejected the legislative amendments aimed at establishing a system to confirm asset declarations of judges, prosecutors and High Judicial Prosecutorial Council (HJPC) members which emphasizes lack of political will to the rule of law and to the countries of EU membership. In June 2022, the Interim Investigative Committee on the state of judiciary of the House of Representatives published the results despite the delays due to political stagnation. Clear evidence of continuous deterioration exists, and require urgent measures to strengthen integrity and reliance of the public in judiciary system. B&H is still required to adopt a new Justice Sector Reform Strategy for 2021-2027 and relevant action plan (European Commission, 2023). The new strategy needs to include important key reforms required by the EU Commission included in Analytical report and Expert Report on Rule of Law issues (Priebe Report, 2019).

Therefore, in B&H proper mechanisms of the strategy should include monitoring and reporting with possibility to adopt proper action (European Commission, 2023). B&H citizens have lack of trust in the rule of law institutions, in the delivery of justice, in public and personal security along with the international community particularly the EU as responsible for defending and promoting the rule of law (Weber, 2021). In the coming year B&H should adopt reform strategy on new justice sector and implement national war crimes strategy, mainly by appointing new supervisory body. Its needs to adopt amendments to the Law on the High Judicial Prosecutorial Council which would create a stronger system of judicial staff (European Commission, 2022).

Additionally, professionalism and expertise are key role of the judicial reform. Hence, the EU is committed to strengthening of professional education and training to enable proper work of judiciary. Introduction of special educational programs and education would strengthen work of the institution. In that regard, in 2003 B&H established a center for education of judges and prosecutors in the Federation of B&H and the Republika Srpska.

Efficiency of judiciary

In July 2023 was initiated strengthening the efficiency and proper functioning of the judiciary in B&H through establishment of the European Commission for the efficiency of Justice (CEPEJ). The implementation of the project focuses on the increase in the efficiency, better functioning and quality of the judiciary. The projects aim to support the judicial system of B&H in accordance with required rules and conditions developed by the European Commission. Furthermore, the project role is improved efficiency and trust in overall quality of the judiciary system including shortening of the duration of the procedure and reduced number of old cases in the court (Council of Europe, 2023).

Additional attention would be focused on the efficiency to collect, organize data of the judicial system of archives, statistics and new cases. Outlined procedures would be performed in close coordination with the (CEPEJ) project for the Western Balkans" Dashboard Western Balkans" with expertise and professional assistance in the judiciary field (Council of Europe, 2023).

Users of the judicial system will have significant importance from improved efficiency and proper functioning of the system. Program manager at the Delegation of the EU to B&H, Enrico Visentin emphasized that the project is a joint partnership between the EU, the Council of Europe and European Commission for judicial efficiency. This joint cooperation supports B&H to promote its path towards improvement. "This cooperation is key in promoting and preserving the principles of justice across our continent, further harmonizing legislation and establishing common standards, and enables the exchange of best practices among member states and countries of the Western Balkans in the EU accession process, stated Visentin (VSTV, 2023). B&H judicial problems are mainly reflected in lengthy judicial processes, and the lack of transparency and independence of the judiciary (Karović, 2019). In order to improve the efficiency of the judiciary the European Commission recommend to adopt the changes in the existing law on the High Judicial and Prosecutorial Council and also necessity to adopt the law on the High Judicial and Prosecutorial Council and law on the courts of B&H (Slobodna Evropa, 2022).

Among the eight priority conditions set by the European Commission for B&H also refers to changes in judiciary. Therefore, it is expected to make changes in the High Judicial and Prosecutorial Council as to adopt the new law on the High Ju-

dicial and Prosecutorial Council along with the law on the courts of B&H (Orešković, 2022).

Fundamental Rights

Fundamental rights within the Chapter 23 are considered important to civilization and the rule of law. The implementation of fundamental of rights must be completely guaranteed. This particular sector consists of numerous conventions, charters, protocols and declarations that must be part of a legal system of EU candidate countries. Specific topics that stand out and require special attention are related to anti –discrimination, the right to justice, fair trial of the citizens and the protection of their personal data. The protection and promotion of Fundamental rights is important principle of EU law and international law. The Charter of Fundamental Rights defines list of political, personal, civil, economic and social rights that should be equally applied all citizens in the EU. Another included priority is the right to remain free from discrimination regardless of ethnicity, age, gender equality, adequate healthcare and the right to fair justice system. All these rights must be fully respected and protected with regular promotion. Specific rights and freedoms of fundamental rights can be grouped into substantive chapters which include dignity, equality, freedom, citizens' rights and justice. The EU is committed to promoting human rights and democracy, effective guarantees of the rule of law and fight against poverty (European Commission, 2001).

In 1993, Vienna World Conference on Human Rights reaffirmed its commitment to strengthen and protect the rights of woman, children, including economic and social rights (UN, 1993). Protection of minorities is special emphasis of EU policy on Human rights. Article 6 of the Treaty on EU (TEU) applied to the European Convention for the Protection of Human Rights and Fundamental Freedoms. Additionally, article 14 of the (TEU) states that EU member states and potential candidate countries should comply with human rights without discrimination and requires that all of the rights and freedoms stated in the article must be followed and protected. The right of EU citizens is applied to each candidate country to comply with the conditions for exercising the rights of nationals of EU member states. These includes right to vote for local and European Parliament elections, the right to reside freely within the EU and diplomatic and consular protection.

Rights related to European Citizenship under Chapter 23 is included the right to free movement

and residence throughout the Europe without any act of the discrimination on the basis of nationality. Furthermore, the citizens right to vote in choosing their representative in the European Parliament, the right to diplomatic or consular protection. The right to petition to the European Parliament and the right to complain to European Ombudsmen about mal-administration by the EU institutions or body. The importance of citizens' rights allows to actively participate in the realization of numerous projects and to have benefits of EU membership.

Article 39 of the EU Charter of Fundamental Rights refers to right to vote and to stand as a candidate at elections to European Parliament. "Every citizen of the Union has the right to vote and to stand as a candidate at elections to the European Parliament in the Member State in which he or she resides, under the same conditions as nationals of that State. Members of the European Parliament shall be elected by direct universal suffrage in a free and secret ballot." While article 45 of the EU states that "Every citizen of the Union has the right to move and reside freely within the territory of the Member States. Freedom of movement and residence may be granted in accordance with the Treaties to nationals of third countries legally resident in the territory of a Member State".

EU emphasizes special attention to the rights of minorities of the EU enlargement process. Particular attention refers to Roma/Sinti communities as these population is widely exposed to discrimination. This relates to ruling European Court of Human Rights (ECHR) in case of Sejdić – Finci vs. B&H, that is focusing on "unconstituent" minority population and their dissatisfaction from being ineligible to stand for elections of the Presidency and the House of Peoples of Parliamentary Assembly because of their ethnic origin. The ECHR published a report stating that B&H has violated 19 judgements on rights guaranteed by the European Convention on Human Rights (ECHR).

Rulings on cases on human rights violations that are yet to be complied with, such as Sejdić–Finci, Zornić, Šlaku, Pilav and Pudarić, require constitutional amendments which still await resolution of equality among citizens. Political parties could not form joint agreement for constitutional reforms in accordance with the European Convention on Human Rights despite the negotiations and support from EU and US. Therefore, B&H still lacks accomplishment in adopting a comprehensive policy framework on the promotion and enforcement of human rights such as non-discrimination and protection of minorities. The Law on the Human Rights

Ombudsman still requires amendment to strengthen its independence and effectiveness. Therefore, full implementation of Constitutional court decisions has yet to be fully enforced.

Chapter 24 includes justice, freedom and security which is the most requested and consists of 11 areas of negotiations of wide range of issues starting from the EU borders control, to the visa, fundamental rights, drug related criminal, custom cooperation and police asylum and external immigration issues of fight against organized crime and terrorism, judicial cooperation in criminal and civil matters. The creation of these policies is included in the Treaty on the Functioning of the EU Articles (67-89). B&H has achieved some level of success in the implementation of the EU *acquis* in this field in particular on key priority on managing migration and asylum (European Commission, 2022). EU key challenges will be focused on migration and preparation of capacities for rightful servicing of asylum seekers and their protection. In this regard each candidate country is obliged to comply within the framework of the community law in this area along with its full implementation. B&H has taken further significant steps have towards implementation of a sustainable migration management system.

However, despite the EU support and advocacy to stabilize migrants in the country, B&H authorities have failed to adequately manage the responsibility in hosting asylum seekers migrants across the country (European Commission, 2022). The lack of management is neglected among entities and cantons under the full supervision of state authority. B&H authorities are requested to comply with the procedures provided by the EU Agency for asylum (EUAA) in accordance with Common European Asylum System (CEAS) and EU standards and to extend validity of 2020-2021 road map for stronger cooperation (European Commission, 2022). According to the article 3 of the Treaty of the EU it sets out as the objective that Union shall offer its citizens an area of freedom, security and justice without internal frontiers in which the free movement of persons is ensured in conjunction with appropriate measures with respect to external border control, asylum, immigration and the prevention and combating of crime.

The effort of the Ministry of the Security has contributed to improve coordination and take over responsibility of illegal immigration which should include support of all levels of the government (European Commission, 2022). Therefore, the Council of Ministers is required to adopt a new strategy and action plan on migration and asylum for 2021-2025.

Moreover, judicial and police cooperation have constantly developed during European Integration which contributed to achievement of higher level of security within the EU. Various security challenges and threats such as international terrorism, organized crime and migration led to close ties between member states in combating this issue. In addition, constant cooperation of police, customs and other authorities is requested of the member states to strengthen law enforcement along with judicial cooperation to regulate criminal acts (Sinanović, 2014).

EU's Freedoms

The Charter of Fundamental Rights of the EU encompass the most important freedoms and rights enjoyed by the citizens of the EU. The Preamble of the Charter presents that 'the peoples of Europe, in creating an even closer union among them are resolved to share a peaceful future based on common values'. The union highlights universal values of human rights, freedom, equality and solidarity. It is built on the foundation of democracy and the rule of law.

The rights of the individual are placed at the center of its activities by establishing the citizenship of the Union and by creating area of freedom, security and justice. The Preamble emphasizes the importance of the preservation and the development of these common values, while simultaneously respecting the diversity of cultures and traditions of the peoples of Europe, as well as the national identity of the member states. Regarding the interpretation of rights and principles, any restrictions to rights and freedoms in the Charter must be provided for by the law and respect for those rights and freedoms.

Asylum

Asylum is considered a fundamental right of the EU adopted in 1951 Geneva Convention on protection of refugees. Since 1999, the EU established a Common European Asylum system (CEAS) for member countries to focus on providing joint control and protection for refugees (European Commission, 1999). In the Article 78 of the Treaty on the functioning of the EU (TFEU) provides a specific legal basis for implementing the principle of international protection. It states "In the event of one or more Member States being confronted by an emergency situation characterized by a sudden inflow of nationals of third countries, the Council on a proposal from the Commission, may adopt provisional measures for the benefit of the Mem-

ber States concerned. It shall act after consulting the European Parliament" (asylumaccess, 2021). In 2023, newly published report of the EU Agency for Asylum (EUAA) revealed that EU member countries received around 996,000 asylum applications in 2022 which is 53% increase over 2021 year (Asylum Report, 2023). Implementation of effective asylum procedures remains complex. The main issue lies in the insufficient facilities and staff of the Foreign Affairs and Border Police to register asylum entry in short period of time (European Commission, 2023).

Negotiating chapter includes External border and Schengen that is considered as one of the fundamental principles of the EU to enable free movement of people, goods and services. Freedom of movement would not only boost tourism and business, but has also enabled cross border workers and students to communicate with ease. Schengen agreement also ensured collective security which eliminated internal border control. Additionally, establishment of the Schengen Information system (SIS) enabled member states to share information and strengthening regional security. It is recommended that B&H should adopt the second-generation road map for cooperation with EUAA (2023–2025). The previous road map (2020–2022) was only partially implemented (European Commission, 2023). Asylum procedures and mechanism should be strengthened to ensure faster processing of their request and to ensure that people in need of international protection obtain it (European Commission, 2023).

Structured Dialogue on Justice

The EU structured dialogue is of special importance in the judiciary and sectors related to fight against corruption and judiciary reform. It was initiated in 2011 as a desire to start talking about the rule of law and efficient judicial system as soon as possible towards the harmonization of Chapters 23 and 24 before the agreements were opened. The establishment of the dialogue is formed in the framework of the Stabilization and Association Process and requires the engagement and the responsibility of the local authorities to reach an agreement on reforms in numerous sectors (EEAS, 2015).

Integration of B&H into the EU would only be achieved through effective changes of reforms, tackled corruption and proper functioning of judiciary system. Already in 2011 representatives of the EU presented recommendations of required reform changes to B&H authorities. The recommendations were emphasized on the judicial reform system at the state level which remains among key priorities.

The agenda of the structured dialogue is reviewed by all 27 member states through debate and assess the information proposed by the Commission which agree on certain "positions" and "conclusions" of relevance. Solely at this stage is the position of the EU consolidated (EEAS, 2015).

Additionally, recommendation was especially focused on the comprehensive analytical review on the prosecution of those responsible for criminal offenses. Since the dialogue initiative slight progress has been made in the preparation of the rightful legislation in the context of reform of the High Judicial and Prosecutorial and Court of B&H. Special priority in dealing with criminal offenses would be based on resolving war crime cases. Following 2013 report of the European Commission on the progress of B&H it was stated that "The structured dialogue on the judiciary produced a number of concrete and positive results with a growing number of recommendations that have either been fully fulfilled or their implementation is on the right path". Since EU recommendations fairly good progress has been achieved in processing war crimes and work on the reform of the state level judiciary.

However, B&H still has long way of reform changes, while has made limited progress in the fight against corruption and organized crime (European Commission, 2013). In order to reach successful changes of reforms complete engagement and responsibility of members of judiciary along with local institutions is of vital importance. In 2014 report on the progress of B&H emphasizes range of problems of institutions and non-compliance with the law. European Commission report stated that slight progress has been made in the area of judicial reform system emphasizing that structured dialogue in the judiciary remains crucial plan for consolidating the consensus and should be extended to all issues of the rule of law which would lead to opening of negotiating chapters 23 and 24 to EU membership (Sinanović, 2014).

Fight against organized crime

Organized crime possesses major threat to European citizens, organizations and institutions. Criminal activities are present in European countries and often include cross-border criminal operations. EU estimates that about 70% of criminal activities are active in more than three member states. Therefore, in May 2021 the EU adopted priorities to strengthen the fight against serious and organized crime. The priorities are expected to implement between 2022 and 2025 year within the European multi-disciplinary platform

against criminal threats (EMPACT). B&H has some initial level of preparation in the prevention of fight against corruption and organized crime. Still is evident continued lack of progress at this level.

Conclusion

Accession talks in the process of candidate countries towards EU membership remain crucial. Each candidate country is obliged to engage in the opening of negotiating chapters to further fulfill necessary conditions to membership. However, the procedures have created strict conditions that create demanding and long-term negotiation process. Time period of accession depends of the several factors such as on the fulfillment of the conditions and reforms.

The progress towards opening of the negotiation chapters evolves relatively slow as B&H fight to tackle corruption is ongoing and it significantly affects the rule of law, judiciary and proper functioning of the overall administration. Hence, the European Commission regularly monitors, directs and gives recommendations on the fulfillment of conditions and annual reports on development in the country. Fulfilling accession negotiations is an endeavor that requires effort of all state institutions in the country, the involvement of society and communities along with daily information of citizens for successful outcome. B&H along with neighboring countries have established centers for education of judges and prosecutors in both entities which significantly contributes to better efficiency of the judiciary and enables justice and security.

The rule of law is one of the values of EU and it is essential for existence of fundamental rights and civil liberties. Therefore, when the rule of law is undermined proper decision making, independent courts and laws are put in danger. In order to prevent these occurrences, the B&H representatives need to act in accordance with EU treaties for functional overall system. B&H is currently faced with numerous challenges which cannot be accomplished without constitutional changes. As the majority of the interview responders agree the most significant obstacle that slows down the process of B&H to EU membership is due to political stagnation of reform changes. For the candidate country to become full member of the EU must change its legal system and harmonize the legislation of rights and obligations that are binding for all EU countries.

Towards such path many reform changes are required in the area of democracy, rule of law,

fundamental rights, judiciary, and public administration, economic and other segments of society. The additional issue which prolongs the integration to the EU is related to the violation of human and civil rights, among other, due to the DPA constitutional and legal framework, remain a serious limiting factor for fulfilment of conditions towards EU integration process. Ultimately, long and strenuous challenges remain towards integration which require decisive politicians and functional institutions for all citizens.

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ORIGINAL RESEARCH PAPER

IS A PHD AN ENTRANCE TICKET FOR AN EXECUTIVE BOARD POSITION?

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ABSTRACT

This article deals with the question of whether many years of academic training can be the foundation for a successful management career. An analysis of all ATX, DAX and SMI-listed companies was carried out and the highest level of education of all executive board members was analysed. Statistical analyses were used to establish the connection between education and the position and function on an executive board. In addition, it was also analysed whether there is a statistical correlation between the composition of the board of directors and gender. There is a relationship between an academic education and the likelihood of being able to pursue a career on an executive board. However, a PhD is not necessarily a guarantee. Currently, gender also has a significant influence on management careers. This article provides an in-depth insight into the main stock indices in the German-speaking world. It should also serve as motivation that a proper academic education is a solid basis for one of the most sought-after jobs in a public limited company.

Keywords: PhD, Doctor of Philosophy, executive board member, Index, Indexes, managerial career



MAP SOCIAL SCIENCES

Volume 4

ISSN: 2744-2454/ © The Authors.
Published by **MAP** – Multidisciplinary
Academic Publishing.

Article Submitted: 18 January 2024
Article Accepted: 26 February 2024
Article Published: 27 February 2024



Publisher's Note: **MAP** stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.

<https://doi.org/10.53880/2744-2454.2024.4.149>



HOW TO CITE THIS ARTICLE

Rendl L., Just R. M. (2024). *Is a Phd an Entrance Ticket for an Executive Board Position?*. MAP Social Sciences, 4, 149-160. doi: <https://doi.org/10.53880/2744-2454.2024.4.149>



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INTRODUCTION

a) Requirements for a successful management career

A question that many ambitious talents ask themselves at the beginning of their career revolves around the key factors for becoming a successful manager. This is a question that many ambitious talents ask themselves at the beginning of their career path, many times even earlier, when deciding on the best education for their desired career. No one is born as the perfect manager, if such a person even exists. Being a good and successful manager requires the same learning and practice as many other skills.

Furthermore, there is no perfect education for becoming a successful manager. Besides business administration, most academic programs do not teach management as a special skill (Malik, 2006, p. 68). Many real-life examples have proven that successful managers come from different paths or backgrounds.

The Harvard Business Review Magazine regularly publishes a list of the top-performing CEOs of the world. In 2014, unsurprisingly, the list was headed by Jeff Bezos, the founder, and by that time, CEO of Amazon (Ignatius, 2014). Although Bezos went to the famous and highly regarded Princeton University, he did not graduate in economics, he graduated with a Bachelor of Science in Engineering (Jackson, 2023).

Another famous example is Jack Welch, the former CEO of General Electric, who ranks as one of the most successful and influential managers of the twentieth century. He also has a technical background without many economic skills in his college education (Collingwood & Coutu, 2002). He graduated with a PhD in chemical engineering (Welch & Byrne, 2001, p. 15f.).

The ideal profile of a manager has been researched very precisely over the last decades (Malik, 2006, p. 33). As a result of this extensive research, one can also find a catalog of criteria to become a successful manager. Executive search consultants, recruiters, or employees of human resources management have a very clear idea of the required skills, knowledge, personal characteristics, competencies, etc. of managers (Malik, 2006, p. 34).

In the last few years, the working world has been changing constantly. The recent Corona pan-

demic has significantly increased the speed of establishing a new working environment. With the beginning of the pandemic and the start of the lockdowns, enterprises, even those with a more conservative approach, were forced to establish remote working almost over night (Wortmann & Böhrnsen, 2022).

With the end of the pandemic, the working environment has changed profoundly. In this context, the term "the new normal" can often be found. The combination of working from the office and remotely, from home or sometimes from anywhere, is nowadays well established (Corpus, 2021).

Besides this significant change in terms of how and where to work, there is also a significant shift in terms of generations and, therefore, requirements and expectations regarding skills, education, experience, attitude, and many more.

The general level of education in Austria, Germany and Switzerland has been researched very intensively and is the basis of regular statistics. For example, in Austria, "Statistik Austria", the national institute of statistics, publishes on an annual basis, very detailed statistics about the level of education in Austria.

Therefore, the number of students, their fields and the average duration of their studies has been under constant surveillance. It has been seen that since 1981, when 4.5% of the Austrian population held a university degree, this number had almost quadrupled in 2020 by which 19.1% of Austrians had finished their studies (Astleithner et al., 2023). Since all this data already exists, this article wishes to explore a possible correlation between holding an academic degree and having a successful career in management.

However, success is a term that is not easily defined. For the purpose of this research success is defined on the basis of the level of hierarchy achieved by an individual within a company. Naturally, there are many factors that influence a (managerial) career such as personal skills, attitude, networks but also education. An academic education certainly is a good start, but it remains to be seen whether the type of academic degree held influences the likelihood of a career in management.

In terms of academic education, there are significant differences between a bachelor's degree, a master's degree, and a doctoral degree. It starts with the requirements that are needed to

start a specific education, followed by the content and focus areas which are different, as well as the graduation conditions.

The aim of this paper is to research the composition of the Board of Directors of companies that are listed on the Austrian (ATX), German (DAX), and Swiss Stock Exchange (SMI) in terms of the academic degrees of its members to test the following hypotheses:

H1: There is a significant relationship between an academic degree of a PhD title and the probability of becoming a board member in a listed company in Austria, Germany, or Switzerland.

More specifically, not only whether there is a link between a PhD and a position on an executive board is examined, but whether there is a link between a PhD and the position of CEO.

H2: There is a significant relationship between an academic degree of a PhD title and the probability of becoming a CEO in a listed company in Austria, Germany or Switzerland.

b) Austrian Trade Index (ATX)

The Austrian Trade Index (ATX) is the most important stock index in Austria. It is the underlying value of many options and future contracts traded on the Vienna Stock Exchange and shows the price development of the Vienna Stock Exchange's blue chips in real time. It is a good indicator of the development of the Austrian market as a stock market barometer for the Vienna Stock Exchange.

The ATX contains the shares of the 20 largest Austrian companies that are listed on the stock exchange. Because the ATX is a price index, its price is determined by the prices of the 20 stocks included. As a result, dividends and other capital distributions are not included in the index. The ATX's price is, thus, determined solely by the price changes of the index members.

In March and September, the composition of the Austrian Traded Index and the weighting of the stocks it contains are checked and adjusted. Only shares from companies listed in the prime market segment are considered. To be included in the ATX, a share must be one of the top 25 most liquid shares in the prime market, as well as rank among the top 25 in terms of market capitalization. Each time the index is adjusted, a maximum of three shares can be exchanged. The shares included in the ATX are

weighted based on their market capitalization in free float.

The ATX was launched on January 2nd, 1991, with a starting value of 1,000 points. Index levels are calculated retrospectively but are available through December 31, 1985 (ATX aktuell, 2023).

c) German Stock Index (DAX)

The German stock index DAX is the leading index of the German stock exchange. In its current form it debuted on the Frankfurt Stock Exchange in June 1988. The Hardy Index from 1959 and the Börsen-Zeitung-Index from 1981 were the index's forerunners. The initial price of 1,163.52 points resulted from defining the 1987 closing price as 1,000 points.

The DAX 40 index represents and reflects the performance of the 40 largest German companies in terms of market capitalization and stock market turnover. As a result, it is regarded as an indicator of the overall development of the German stock market. The DAX contained 30 stocks until September 17, 2021, when the number of stocks included was increased to 40. The DAX stock selection and weighting are reviewed twice a year (in March and September) and updated as needed.

Listing on the Frankfurt Stock Exchange's Regulated Market, where companies must meet specific international transparency requirements, is required for inclusion in the DAX. This includes the submission of quarterly reports, the holding of an annual analyst conference, and the publication of ad hoc announcements in English, among other things.

Every trading day, the German stock index is calculated during Xetra trading hours between 9.00 a.m. and 5.30 p.m. Following the end of Xetra trading, the price will be based on the Frankfurt Stock Exchange floor prices between 5.00 p.m. and 8.00 p.m. in the L-DAX (Late DAX) and 8.00 a.m. to 9.00 a.m. in the L/E-DAX (Late/Early DAX) (DAX heute aktuell, 2023).

d) Swiss Market Index (SMI)

The SMI (Swiss Market Index) is the most important stock index in Switzerland. The SMI was established on June 30, 1988. Its starting point at the time was 1,500 points. The SMI has only had a fixed number of 20 stocks since 2007. Prior to that, the number of stocks listed in it could vary greatly.

The SMI is Switzerland's blue-chip index, consisting of the 20 most liquid Swiss companies, which also correspond to the SMI's 20 largest companies. The companies listed in the SMI account for approximately 85 percent of the market capitalization traded on the Swiss stock exchange. As a result, the SMI and its performance are regarded as indicators for the entire Swiss stock market. The SMI, like the Dow Jones, is a price index. As a result, the index level represents the average price of the stocks it contains. Dividend payments are not included in the index. The index is also available as a dividend-adjusted performance index known as SMIC.

A share must meet certain criteria to be included in the SMI. Securities listed in the SMI must have a large market capitalization as well as a high trading volume. Market capitalization and trading turnover are weighted equally, and a ranking of stocks in the SMI is created based on these two criteria. The SMI includes the titles that hold the highest positions in the ranking. The composition of the SMI is reviewed twice a year and, if necessary, adjusted. The adjustments are made after trading has ended on the third Friday of March and September.

Every trading day between 9.00 a.m. and 5.30 p.m., the SMI is traded, and the index level is recalculated in real time every second. At 5.20 p.m., the final auction will take place. The preliminary opening occurs between 6.00 a.m. and 9.00 a.m. Trading before the market opens serves to determine the theoretical opening price, but orders are only collected and not yet executed. After-hours trading occurs between 5.30 p.m. and 10.00 p.m., when orders can be entered but not executed (SMI aktuell, 2023).

After establishing the basic information regarding the indices used in this study, the next section explores the differences between the types of degrees included in this research.

e) Bachelor's Degree

A bachelor's degree can be obtained by completing a bachelor's degree program at a public university, a private university, a theological college, a course of study at a university of education, a university of applied sciences or a bachelor's degree program at a technical college. The bachelor's degree is a complete course of study that lasts at least six semesters, requires 180 – 240 ECTS points, and culminates in graduation.

The exact names of bachelor's degrees (for example, "Bachelor of Science") are determined by the universities or colleges. The title obtained by a bachelor's degree is appended to the end of the name (*Akademische Grade in Österreich*, 2022).

f) Master's Degree

A master's degree is obtained by completing a master's degree program at one of Austria's public universities, private universities, universities of education, or universities of applied sciences.

The master's program is a complete course of study that typically lasts at least four semesters, requires 90 to 120 ECTS points (minimum 60 ECTS points), and culminates in graduation. A bachelor's degree is required for admission to a master's program.

The exact names of master's degrees (for example, "Master of Science") are determined by the respective institution. The title obtained by a master's degree is also appended to the end of the name (*Akademische Grade in Österreich*, 2022).

g) Master of Business Administration (MBA)

Master's degrees in further education occupy a unique place among master's degrees. They are academic degrees that are earned after completing specialized training or additional education with a strong professional focus. A completed bachelor's degree, diploma degree, or master's degree, or an equivalent qualification, is required for admission. In terms of professional law, master's degrees in further education can be a professional requirement for admission to certain commercial activities and lead to a special academic professional qualification for the private labor market in some cases.

Even though they share some terminology, master's degrees in further education are not the same as master's degrees in regular studies (master's studies). The MBA program is a full course of study that typically includes 120 ECTS points and lasts at least four semesters (*Akademische Grade in Österreich*, 2022).

h) PhD (doctoral degree)

A doctoral degree is the highest academic degree to be achieved. In Austria, Germany, and Switzerland there is even a habilitation possible which offers the "Venia Legendi" – the permission for a professorship in a specific field of studies.

A PhD/doctoral degree can only be obtained by completing a PhD/doctoral program at one of Austria's public or private universities. In general, a PhD/doctoral degree can only be started after completing a master's degree or a similar education. The PhD program lasts at least three years and includes a set number of ECTS points that must be earned. The number of ECTS points earned is determined by the public or private universities themselves.

A dissertation is required as part of a PhD/doctoral degree, in addition to taking individual courses. Furthermore, public or private universities may require the completion of an oral defense, also referred as Rigorosum or several partial Rigorososums, or a dissertation defense. Titles obtained through PhD degrees come after the name, whereas those following doctoral degrees are placed before the name (*Akademische Grade in Österreich*, 2022).

Having established the various degrees available, the relationship between such degrees and the holder's professional career is the focus of the next section.

i) Effects of specific academic degrees on a professional career

For many years, people with specific academic degrees have been awarded leadership positions in businesses. It was rather usual for someone with a PhD (doctoral) degree to hold the most desirable positions, such as Chief Executive Officer (CEO). It appeared that becoming a board member of an index-listed firm was difficult without appropriate academic degrees.

However, it seems that, especially in Austrian companies within the banking and finance sector, press releases and newspaper articles give the impression that many CEOs have a PhD title.

Higher education in the last years has been seen as an instrument to compete on a global level (McAlpine, 2017). Therefore, it is not surprising that especially listed companies have strongly focused on employees with higher education. The role of PhD titles for a scientific career has been researched, but not the specific effects on a practical career outside science. In the past, especially within the last 15 years, there has been an increase in the involvement of public authorities through national policies and research funding councils through a restructuring of doctoral funding models (Lee,

2013). As a result of these new models, especially in Germany and Austria, several doctoral centers of interdisciplinary excellence have been created.

A doctoral degree in its intentional background should be a preparation for an academic degree. But reality shows a different picture. Internationally, more than 50 percent of all doctoral graduates leave the higher education sector (McAlpine et al., 2013).

It can be seen that the availability of a range of academic degrees is not necessarily a guarantee for graduates obtaining an executive position in the economic sector. Therefore, this study examines the relationship between such degrees and the actual number of people who achieve management positions. Before results can be presented, the following chapter introduces the methodology used in this research.

DATA AND METHODS

a) Participants

For this research the authors have analyzed 20 companies of the ATX, 40 companies of the DAX, and 20 companies of the SMI, a total of 80 companies was analyzed (variable: **index**). In terms of board members, the authors have analyzed a total of 498 persons.

The education of the board members has been classified into the following categories:

- No academic degree
- Bachelor's degree
- Master's degree (incl. MBA)
- Doctoral Degree (PhD)

There are many different academic degrees, but for the purpose of this research they were limited to the greatest possible distinction between the different academic levels and summarized (variable: **edu_lev**).

The positions and, above all, their designations differ from company to company. However, one can extract three superordinate designations. The CEO, chief executive officer, is the head of the Executive Board. In some cases, they are also referred to as the speaker of the executive board. In principle, they are responsible for the overall strategic direction of the company. Another, no less

important function, is the CFO, chief financial officer, who is responsible for the company's entire finances. All other functions are summarized in this article as executive board members. These are, for example, COOs, chief operation officers, CTOs, chief technology officers, or many other functions. These depend very much on the actual company. The size and staffing of the board also depend heavily on the purpose of the company and its overall size. Anything is possible, from a sole board member to just one CEO with a strong first management level and a large board with more than 10 members, for example.

Beside the specific academic degree that offers the best chances to get on the board of directors, there is currently an intensive discussion about the diversity of the composition of the managing board, also in terms of gender (Fleischer, 2022). Therefore, it is not surprising that the topic also caught the attention of empirical research in European countries as well as in countries overseas (Maida & Weber, 2022). Unfortunately, the number of women on the board of directors, at least in Austria, is still low (Mensi-Klarbach, 2017). Although there have been several initiatives, especially for companies with major state ownership, and the focus on this important topic is high, it seems that the number of women represented on management boards is growing very slowly and only marginally. It seems that ideas for the public sector, or at least for companies with major state ownership, do not find direct application within the private sector and the discussion about mandatory quotas is also no guarantee for success (Mensi-Klarbach & Seiersstad, 2020).

To gain an up-to-date overview of the situation in Austria, Germany, and Switzerland, the gender of the board members was also recorded to see whether this also influences a management career (variable: **gender**).

b) Instruments

The main instrument used was the data collection of all relevant data/variables from the annual reports of the stock listed companies. These were collected manually in Excel. These were then formatted and coded in Excel. Finally, the data set was transferred into SPSS and analyzed.

c) Procedure for data collection

The analysis is based on the companies listed in the ATX, DAX, and SMI indices in 2022. All data was extracted directly from the annual reports, or the data published by the companies on their websites in the Investor Relations or Financial Reports sections. In total, more data was collected than was necessary to test the hypotheses and answer the research questions. This offers the opportunity to build on this research in the future.

d) Method of data analysis

At the beginning, the descriptive statistics and the frequency statistics were carried out. Due to the fact that the level of education of the executive (variable: **edu_lev**), is an ordinal variable and the executive member position (variable: **position**) is a nominal variable, a cross-tabulation analysis was performed as the best solution. As a post-hoc test, a Chi-Square test was performed to see if there were any dependencies.

RQ1: Does gender have a statistical influence to become an executive board member?

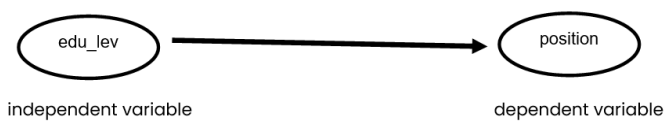
Table 1.
Variables overview of the research

name of variable	label	values	Type of variable
position	executive member position	1 = CEO 2 = CFO 3 = member	nominal
age	year of birth of the executive	scale	scale
gender	gender of the executive	1 = female 2 = male	nominal
edu_lev	level of education of the executive	1 = no academic degree 2 = Bachelor 3 = Master 4 = PhD	ordinal
charge	year since the executive is in charge	scale	scale
index	acronym of the index	1 = ATX 2 = DAX 3 = SMI	ordinal

In this research the dependent variable is always the executive position on the board, called “position”.

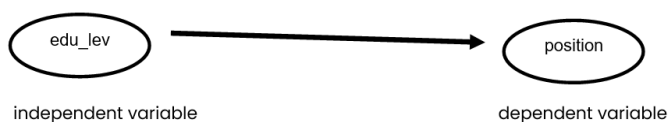
Hypothesis I: *There is a significant relationship between an academic degree of a PhD title and the probability of becoming a board member in a listed company in Austria, Germany, or Switzerland.*

Figure 1.
Relationship between independent and dependent variable



Hypothesis II: *There is a significant relationship between an academic degree of a PhD title and the probability of becoming a CEO in a listed company in Austria, Germany, or Switzerland.*

Figure 2.
Relationship between independent and dependent variable



At the beginning, all the statistical frequency analyses for the categorical and ordinal variables were done.

Table 2.
Frequency statistics of the research

index	N	%
ATX	85	17.1%
DAX	238	47.8%
SMI	175	35.1%
N Valid	498	100%
N Missing	0	0%
executive member position		
CEO	80	16.1%
CFO	68	13.7%
member	350	70.3%
N Valid	498	100%
N Missing	0	0%

gender of the executive		
female	103	20.7%
male	395	79.3%
N Valid	498	100%
N Missing	0	0%
level of education of the executive		
no academic degree	17	3.4%
Bachelor	40	8.0%
Master	301	60.4%
PhD	139	27.9%
Missing System	1	0.2%
N Valid	497	98.8%
N Missing	1	0.2%

For all scale variables, descriptive statistics were done.

Table 3.
Descriptive statistics of the research

	N	Minimum	Maximum	Mean	Std. Deviation
year of birth of the executive	489	1951	1985	1968.85	5.566
year since the executive is in charge	498	1988	2023	2018.09	4.944
Valid N (listwise)	489				

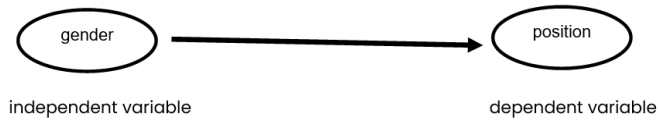
To address the first hypothesis, *there is a significant relationship between an academic degree of a PhD title and the probability of becoming a board member in a listed company in Austria, Germany or Switzerland*, the independent variable level of education of the executive (variable: **edu_lev**), which is an ordinal variable, must be analyzed using crosstab analysis and a Chi-Square test because also the dependent variable executive member position (variable: **position**) is an ordinal variable.

The second hypothesis, *“there is a significant relationship between an academic degree of a PhD title and the probability of becoming a CEO in a listed company in Austria, Germany, or Switzerland”*, requires the same analysis as the first hypothesis. The hypothesis is not formulated so openly but is specifically aimed at the position of CEO.

Research question I: *Does gender have a statistical influence on becoming an executive board member?*

Figure 3.

Relationship between independent and dependent variable



To answer the first research question, “Does gender have a statistical influence on becoming an executive board member?”, the method used was a crosstab analysis and a chi-square as a post hoc test. The independent variable gender of the executive member (variable: **gender**) is a nominal variable and the dependent variable executive member position (variable: **position**) is an ordinal variable.

RESULTS

Hypothesis I: *There is a significant relationship between an academic degree of a PhD title and the probability of becoming a board member in a listed company in Austria, Germany, or Switzerland.*

The cross-tables show that hypothesis 1 must be **rejected**. The p-value for the chi-square test was found to be $p = 0.027$.

Hypothesis II: *There is a significant relationship between an academic degree of a PhD title*

and the probability of becoming a CEO in a listed company in Austria, Germany, or Switzerland.

The cross-tables show that hypothesis 2 must be **rejected**. The p-value for the chi-square test was found to be $p = 0.027$.

Research question I: *Does gender have a statistical influence on becoming an executive board member?*

Gender **has a statistical influence** on becoming an executive board member. The p-value for the chi-square test was found to be $p = < 0.001$.

DISCUSSION

It is impossible to predict whether many years of education will result in a well-paid position. This article examined the relationship between tertiary education and the position on the executive board of a public limited company in the German-speaking world. Some of the best-paid and most sought-after jobs are in index-listed companies.

Thus, the first hypothesis (H1) was formulated as follows: *There is a significant relationship between an academic degree of a PhD title and the probability of becoming a board member in a listed company in Austria, Germany, or Switzerland.*

Table 4.

Executive member position and level of education of the executive Crosstabulation

			level of education of the executive				Total
			no academic degree	Bachelor	Master	PhD	
executive member position	CEO	Count	6	3	41	30	80
		% within executive member position	7.5%	3.8%	51.2%	37.5%	100.0%
		% within level of education of the executive	35.3%	7.5%	13.6%	21.6%	16.1%
	CFO	Count	0	4	46	18	68
		% within executive member position	0.0%	5.9%	67.6%	26.5%	100.0%
		% within level of education of the executive	0.0%	10.0%	15.3%	12.9%	13.7%
	member	Count	11	33	214	91	349
		% within executive member position	3.2%	9.5%	61.3%	26.1%	100.0%
		% within level of education of the executive	64.7%	82.5%	71.1%	65.5%	70.2%
Total		Count	17	40	301	139	497
		% within executive member position	3.4%	8.0%	60.6%	28.0%	100.0%
		% within level of education of the executive	100.0%	100.0%	100.0%	100.0%	100.0%

Table 5.

Executive member position and level of education of the executive Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	14.226a	6	.027
Likelihood Ratio	15.811	6	.015
Linear-by-Linear Association	1.476	1	.224
N of Valid Cases	497		

Note. 2 cells (16.7%) have expected count less than 5. The minimum expected count is 2.33.

Table 7.

Executive member position and level of education of the executive Chi-Square Tests

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	25.289a	2	<.001
Likelihood Ratio	35.601	2	<.001
Linear-by-Linear Association	25.025	1	<.001
N of Valid Cases	498		

Note. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 14.06.

According to the Chi-Square test, there is a significant relationship between the education level and the probability of being an executive board member. Only 3.4% out of all executive board members are without an academic degree. All others have at least a bachelor's degree. The majority, 60.6%, holds a master's degree. The highest academic degree held by 27.9% of all executive board members is a PhD.

The hypothesis can only be rejected, because the PhDs graduates are only the second largest group in the sample. The statistical correlation between holding a master's degree and becoming a board member in a listed company in Austria, Germany, or Switzerland is higher.

The second hypothesis (H2) was much more narrowly formulated and was aimed at the highest position on an executive board, the CEO: *There is a significant relationship between an academic de-*

Table 6.

Executive member position and gender of the executive Crosstabulation

			gender of the executive		
			female	male	Total
executive member position	CEO	Count	1	79	80
		% within executive member position	1.3%	98.8%	100.0%
		% within gender of the executive	1.0%	20.0%	16.1%
	CFO	Count	11	57	68
		% within executive member position	16.2%	83.8%	100.0%
		% within gender of the executive	10.7%	14.4%	13.7%
	member	Count	91	259	350
		% within executive member position	26.0%	74.0%	100.0%
		% within gender of the executive	88.3%	65.6%	70.3%
Total		Count	103	395	498
		% within executive member position	20.7%	79.3%	100.0%
		% within gender of the executive	100.0%	100.0%	100.0%

gree of a PhD title and the probability of becoming a CEO in a listed company in Austria, Germany or Switzerland.

To confirm or reject the hypothesis, the same statistical analysis as for hypothesis one was used. The Chi-Square test revealed a statistically significant relationship between the education level and the probability of being an executive board member. In the cross-tab, it is visible that 16.1% of all executive board members are CEOs. The highest numbers of CEOs are master graduates, the second PhDs. When comparing all groups within the educational level variable, it was found that non-academics have the highest probability to become CEO with more than 35.3%. Number two are the PhDs with 21.6% of all PhDs being CEOs. The largest group with master graduates as CEOs represents only 13.6% of all master graduates are CEOs.

This also means the second hypothesis must be rejected.

However, there is a strong relationship between an academic education and the likelihood of becoming an executive board member. Only 3.4% of executive board members have no academic education, in contrast to the Austrian average of 19.1% of people with an academic degree in 2020 (Astleithner et al., 2023).

Due to the highly topical nature of the subject of gender, a research question regarding this issue was added. RQ1: *Does gender have a statistical influence on becoming an executive board member?* In the Chi-Square test, there is a statistically significant relationship between the gender of an executive board member and the probability of being an executive board member. Only 20.5% of all executive board members are female. This group is underrepresented. Even worse is the ratio at the CEO level, only 1.3%, or one woman, is CEO of all index-listed companies in the German-speaking world. 16.2% of all CFOs are female. Thus, the research question can be answered positively as there is a clear connection between gender and the probability of becoming an executive board member.

In summary, it can be stated that, although scientific instruments could not proof the hypotheses, it is clear that a profound academic education and, therefore, also a PhD, always influence a person job opportunities positively. They might not be guarantees for a successful managerial career and a seat on the board of directors, but they are undoubtedly a vital investment in a key factor for a successful career: in oneself. The development of personal and technical skills and the attitude to challenge oneself and to strive for getting better every day, are essential steps in the right direction. Already long time ago, Socrates was convinced that “we cannot remain as we are”. It does not matter who one is or what one has done, everyone can improve (Holiday, 2022). These statements are as true today as they were in the past.

CONCLUSION

Many young talents are faced with the difficult decision of starting an academic career or going straight into professional life. It is not possible to say in advance whether the arduous and sometimes lengthy path of studying will be worth all the effort or not. This article considered the question: *Is a PhD an entrance ticket for an executive board?* Inevitably, this article was not only concerned with the highest academic degree of PhD, but also in general with the question whether an academic

education is a guarantee for a seat on an executive board of a publicly listed company in Germany, Austria or Switzerland. As already mentioned at the beginning, there are many factors in addition to academic education, which could not be discussed in this article.

One of the aims was to assess which academic degree offers the best chances of a promising management career. In the end, the most interesting finding question to be answered is whether engaging in a PhD degree is worth the effort.

As assumed, there is a significant relationship between a university education and a management career on an executive board. Master's graduates make up the largest group, followed by the actual target group of PhDs. Although it was assumed otherwise, both hypotheses had to be rejected. In both hypotheses, PhD graduates are the second largest group.

Hypothesis 1: “*There is a significant relationship between an academic degree of a PhD title and the probability to become a board member in a listed company in Austria, Germany, or Switzerland*”, must be rejected because the strongest relationship is visible in the category of the master's degree graduates. If one takes into account that far fewer students graduate with a PhD than with a master's degree and, therefore, the total number of available PhD graduates is lower, PhD executive board members are very highly represented.

Hypothesis 2 is similar to hypothesis 1 but is broken down even further to the highest management position in a stock corporation, the CEO. The results clearly show that master's degree graduates again represent the largest group of CEOs, but only in terms of absolute numbers. Relatively speaking, measured in terms of the different groups, the non-academics show the highest number. In the entire survey, there are only 17 non-academics, but 6 or 35.3% of them are CEOs. Factors that have certainly not been investigated play the overriding role here. 30 PhDs are CEOs and also represent the second largest group here, measured both in absolute and relative terms, which means 21.6% of all PhDs are CEOs, although only 16.1% of all executive board members are CEOs. If one considers all these factors and leaves out the factors that cannot be analyzed and which can influence a management career, an academic career as preparation or entry factor for a management career seems to be beneficial.

Due to the high degree of topicality and the data collected, a research question was added: “Does gender have a statistical influence on becoming an executive board member?” The data collected shows that gender influences management careers. The picture is very clear in the CEO position. There are currently, in the year 2022, more female graduates than male graduates in Austria. However, you have to look at the average year of the executive board member. Back then, there were fewer university graduates overall and fewer female graduates in general. Nevertheless, women are underrepresented in the index of listed companies analyzed. This will or should change over time.

RESEARCH LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

This article is aimed exclusively at the German-speaking world. Therefore, only the three most important indices (ATX, DAX, and SMI) with the most important listed corporations are included in the research content. Thus, the results do not necessarily have to be valid throughout Europe or worldwide. Other researchers can compare the results with other regions, for example the northern European countries with a different attitude regarding education or, especially, gender.

A second limitation is that the research in this paper includes no influence of the different university statistics such as graduation statistics by gender or graduation rate measured against the total population in the researched area. Also, the statistics influence other social differences concerning demographic change.

Further areas of interest could be whether a CEO with a PhD influences the success or turnover of a company positively or how the proportion of women on the executive board could be developed in the future. Moreover, the education of second-level managers could be examined.

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