Impacts of Transformational Leadership on Effective Implementation of CSR 2.0 – The Case of Croatia

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ABSTRACT

Lack of confidence in businesses, lack of transparency and new demands from various interested and responsible stakeholders calls for the application of new leadership styles that encourage simpler, faster and effective implementation of socially responsible practices in the organization. There are many definitions of leadership as it means different things to different people. Leadership is about setting vision, empowering, inspiring and influencing people and reaching the set goals. Leadership is not a synonym for management. Corporate social responsibility requires finding the appropriate balance of economic, ecological and socio-cultural determinants in any organizational system. It is important to develop and nurture leadership style that leads to healthy implementation of socially responsible practices and promotes positive organizational culture. Poor leadership brings a plethora of negative consequences. Transformational leadership, with more supportive and responsive leaders, boosts the transition towards Corporate Social Responsibility 2.0 or the so-called systematic or radical corporate social responsibility - a concept introduced and investigated by Visser (2012). This article analyses, evaluates and discusses CSR 2.0 and presents perspectives of senior level managers (hotel managers) on the concept of CSR 2.0. Hotel managers from the biggest Croatian hotel companies were interviewed. Author elaborates the applied leadership style and the interrelatedness of CSR 2.0 with the transformational leadership that can be seen as Leadership 2.0. Author further argues the importance of transformational leadership for the effective implementation of CSR 2.0. A set of required leadership competences for adopting and successfully implementing and/or reaffirming corporate social responsibility 2.0 is presented.

Keywords: Corporate Social Responsibility 2.0, Transformational leadership, tourism, Croatian hotel companies

INTRODUCTION

Leaders do not have to be great men or women by being intellectual geniuses or omniscient prophets to succeed, but they do need to have the "right stuff" and this stuff is not equally present in all people. Kirkpatrick and Locke (1991, p. 59)

Background

New style leaders or transformational leaders are more sensitive to global sustainability challenges. They recognize that poverty must be tackled with innovative strategies that build economic growth but on a sustainable way. They innovate, create, strengthen communities, tackle social problems and climate change and respect the environment. Transformational leaders recognize the importance of implementing socially responsible strategies in their ordinary business practices but overall, integrate them in their main corporate strategies. They promote large-scale structural and organisational change for the promotion of high living standards, high quality employment and social progress in general.

Research Objectives

Drawing on the above, the purpose of this paper is to investigate the relatedness between transformational leadership and CSR 2.0 in tourism. The novelty of this research is in testing the relationship between main characteristics of transformational leadership and main CSR 2.0 principles - creativity, scalability, responsiveness, glocality and circularity. (Visser, 2013) Authors further presented main leadership traits as seen by the interviewed hotel managers and interrelate them with key dimensions of corporate social responsibility 2.0. A set of required leadership competences for adopting and successfully implementing and/or reaffirming corporate social responsibility 2.0 is presented.

LITERATURE REVIEW

Leadership and The Trait Theory

Very many different views and opposite views on leadership and leader's characteristics are obvious. There are as many definitions of leadership as there are leaders. (Daskal, n/d) Even today there is no single leadership theory that can be applied in every case. (Stippler et.al., 2011) Leadership is a leader's most significant peculiarity and his developing in leadership contributes most greatly to

the organization. (Gao, 2013) In the work of Bensimon (2009) where she highlighted several definitions of leadership provided by presidents of different colleges, one shall be pointed. „*Leadership is the totality of the person*.“ According to Fiedler (2006, p. 371) leadership can be viewed as a problem of wielding influence and power for the existence of different types of groups. It is leader-member relations, task structure and position power that construct three important aspects in the total situation that influence the leader's role. Leadership is the ability to adapt the setting so everyone feels empowered to contribute creatively to solving the problems. (Smith, n/d) Leadership is the art of motivating a group of people to act towards achieving a common goal. (Ward, 2018) Leadership is realized through many small life decisions that leader makes throughout the day. (Catranis, 2017, p. 33.) Leadership is multidimensional in skills and orientation. (Gallos, 2008, p. 3)

There are even different classification of leadership. Gao (2013, p. 79) classifies leadership into: (1) *individual* - refers to that of an individual leader holding a certain post in an organization and that is influenced by a leader's peculiarity; (2) *group* - the join force of individual leaders at the same level in an organization and (3) *organizing*

- the join force of the group leadership at all levels and results from the interaction among all the individual leadership at the same levels and all the group leadership at distinguishable levels. Aligned with that Individual leaders shape strategy, execute decision, manage talent, develop future talent, and act with personal proficiency. (Ulrich, D. and Smallwood, N., 2012)

Kruse (2013), who has written several books on leadership, underlines clearly what leadership is not: (1) Leadership has nothing to do with seniority or one's position in the hierarchy of a company; (2) Leadership has nothing to do with titles; (3) Leadership has nothing to do with personal attributes; (4) Leadership isn't management. The point number one is a clear opposite opinion from the Gao's (2013) view of individual leadership. It cannot be neglected that many leaders do not hold formal positions in the organisation whilst at the same time we have evidences where authoritative people are not showing any leadership characteristics. However, the differences in defining leadership have been marked by Hunt (2004) who arguments that the definition of leadership will depend on one's conception of leadership that is linked to various factors, including among others the nature of reality and ontological issues, stakeholder perspectives, and

levels-of-analysis issues. Leadership can be identified across contexts and cultures. (Keohane, 2010, p. 24).

Goleman (2000) outlines six leadership styles that spring from different components of emotional intelligence: (1) *Coercive leaders* demand immediate compliance; (2) *Authoritative leaders* mobilize people toward a vision; (3) *Affiliative leaders* create emotional bonds and harmony; (4) *Democratic leaders* build consensus through participation; (5) *Pacesetting leaders* expect excellence and self-direction; (&) C*oaching leaders* develop people for the future.

Caramela (2017) distinguishes four ways that good leaders achieve success: (1) Bettering their environment; (2) Knowing their team and themselves well; (3) Maintaining a positive attitude and (4) Building a next generation of leaders.

Three main leadership theories (models) can be identified: trait approach, style approach (behavioural that distinguishes task behaviours and relationship behaviours) and contingency approach. (Nordhouse, 2009) The forth approach – contemporary leadership theories has been evolving recently.

One of the oldest theoretical perspectives on leadership is often associated with Thomas Carlyle's and Francis Barton's „Great Man" theory of leadership where the importance of innate attributes (especially by people of the higher class) have been argued. Accordingly, a leader must be born with a certain set of personality attributes for them being impossible to develop. Great Man theories evolved into the trait theories of leadership later. These theories mostly disregarded the point whether traits were inherited or acquired as some could be inherited whilst others could be learnt. The focus was put on how traits influence leadership. Proponents of the trait theory listed five main characteristics of leaders: (Philips, 2009, p. 5) (1) power; (2) intelligence; (3) persuasion; (4) personality and (5) charisma. One of the earliest researches on individual traits was conducted by Bird in 1940 who listed 79 traits that were identified in 20 researches but only 5% of the listed traits were common to four or more researches (Geiger, 1967). It was, even at that time, obvious that the certain list of stable and enduring traits for good leaders is difficult to be strictly defined. Mann (1959) identified six personality traits that distinguish leaders from non-leaders: intelligence, masculinity, adjustment, dominance, extraversion, and conservatism. The universality of leadership traits was questioned.

Many of the early scholars on leadership theories disregarded the importance of situation because of the opinion that the certain traits are easily transferable across very many different situations. Stogdill (1948, 1974) became sceptical on trait theory and supported more the importance of interaction between the individual and the social situation and his studies have shown that both traits and situational variables contribute to leadership.

In his paper published in 1948 he reviewed more than a hundred leadership studies (between 1904 and 1947) in which some attempts have been made to determine the traits and characteristics of leaders across 27 groups of factors. He found 8 traits that distinguish an average individual in leadership role from an average group member: intelligence, alertness, insight, responsibility, initiative, persistence, self-confidence and sociability. In his findings he pointed out that no guarantee exists that an individual possessing the above listed traits will surely become a successful leader. It is different traits relevant to situation that are important. This made him conclude how difficult it is to identify an agreed set of leadership attributes that would guarantee leadership success. However, in his second survey he validated the idea that leader's characteristics make a significant part of leadership. In his second survey he identified 10 traits associated with leadership: achievement, persistence, insight, initiative, self-confidence, responsibility, cooperativeness, tolerance, influence and sociability. (Nordhouse, 2010, p. 17). Kirkpatrick and Locke (1991) list six traits on which leaders differ from non-leaders: (1) *drive*: achievement, ambition, energy, tenacity, initiative; (2) *leadership motivation*: personalized vs. socialized; (3) *honesty and integrity*; (4) *self-confidence*; (5) *cognitive ability*; (6) *knowledge of the business* and (7) *other* traits: charisma, creativity/originallity, flexibility. Kouzes and Posner (2012) identified the top four traits associated with good leadership: being honest, forward-looking, inspiring, and competent.

Nordhouse (2010, p. 18) summarized main studies of leadership traits identified by researchers from the trait approach.

Table 1. The Summary of Trait Research Studies

Stogdill (1948)	Mann (1959)	Stogdill (1974)	Lord, DeVader and alleger (1986)	Kirkpatric and Locke (1991)
Intelligence Alertness Insight Responsibility Initiative Persistence Self-confidence Sociability	Intelligence Masculinity Dominance Extraversion Conservatism Adaptability	Achievement Persistence Insight Self-confidence Responsibility Cooperativeness Tolerance Influence Sociability	Intelligence Masculinity Dominance	Initiative Motivation Integrity Confidence Cognitive ability Task knowledge

Source: Nordhouse, P. G. (2010, p. 18)

Trait approach was again revived with the emphasis put on charismatic and transformational leadership. As Nordhouse (2010) concludes, the trait approach began with an emphasis on identifying the qualities of great persons and the inborn attributes, followed by qualities that could be learnt. Than it shifted to include the impact of situations on leadership, and, currently, has shifted back to reemphasize the critical role of traits in effective leadership.

Transformational Leadership

Transformational leadership has been proved as successful in many business settings. It has gained the popularity during 1980s. The concept of transformational and transactional leadership was introduced by Burns (1978) who used the term "transforming leadership" whilst Bass (1985) elaborated further Burns's theory and introduced several modifications particularly in viewing and measuring transformational and transactional leadership as separated concepts. Burns (1978) explained transformational leadership as a process in which "*leaders and followers help each other to advance to a higher level of morale and motivation*" whilst at the same time the process was characterized as beneficial for the organisational life and the life of people engaged in the organisation. Thomson et. Al. (2016) define transformational leadership as a leadership style that promotes effective change management and organizational transformation. Transformational leaders pay attention to individual and personal

differences in needs for development and growth and provide necessary resources to help followers to realize their dreams. (Zenab Kazmi and Naaranoja, 2013, p. 74). Bass and Avolio (1995) introduced factor analysis later upgraded through the Multifactor Leadership Questionnaire (MLQ Form 5X) or the most popular survey used in measuring transformational and transactional leadership.

Transformational leaders achieve superior outcomes by using the „*4I model*": (Bass, 1985) (1) *idealized influence (charisma)* - leaders act as role models, are willing to take risk, are consistent, show high levels of integrity and ethics. Charismatic leaders display conviction, take stands, and appeal to followers on an emotional level (Judge and Piccolo, 2004, p. 755) ; (2) *individualized consideration* – leaders act as coaches or mentors for giving individualized attention to the professional development of each and every follower and offering them tailor made new learning opportunities (Bass et.al., 2003); (3*) intellectual stimulations* – whilst addressing organizational problems leaders involve followers and require from them creative and innovative solutions to the identified challenge (Bass et.al., 2003) and (4) *inspirational motivation* - involving followers in the development of a preferred vision for the future, communicating clear expectations, and by demonstrating a clear commitment to the shared goals and vision of the group or team (Wolinski, 2010). Six key behaviours associated with transformational leaders are: (Podsakoff, MacKenzie, Moorman and Richard, 1990, p. 112) (1) identifying and articulating a vision; (2) providing an appropriate model; (3) fostering an acceptance of group goals; (4) high performance expectations; (5) providing individualized support and (&) intellectual stimulation. Transformational leadership is multidimensional and different relationships exists between the dimensions. (Deinert et.al., 2015, p. 13) These researchers directly linked the 5 Big personality traits or the Big 5's (neuroticism, extraversion, openness to experience, agreeableness and conscientiousness) with the 4 sub-dimensions of transformational leadership (The Bass's 4I model) and proved differential relationships between the five personality traits and the four sub-dimensions of transformational leadership. Hence, extroversion, openess, agreeblenes, conscientiousness were all positively related to transformational leadership but not all of them were strongly linked with each sub-dimension of transformational leadership as some relationships were more significant. They found non-

significant links between neuroticism and transformational leadership and all its sub-dimensions. So, different combinations of the personality traits are differentially related to the transformational leadership behaviours and they suggest a separate examination of transformational leadership sub-dimensions. According to Hyatt (n/d) leadership 2.0: (1) *embraces change* because of new leaders being on the cutting edge of experimentation; (2) *demonstrates transparency* for old-style leaders being opaque; (3) *celebrates dialogue* for new-style leaders listening more than talking; (4) *employs collaboration* for new-style leaders enjoying teamwork; (5) *practices sharing* because new-style leaders freely share their contacts, insights, time, energy and money; (6) *welcomes engagement* for new-style leaders don't care much about hierarchy and (7) *builds community* because new-style leaders get great satisfaction from working together and building a sustainable community. Accordingly, leadership 2.0 is strongly related to transformational leadership as the above outlined characteristics of leaders go hand in hand with the Basses 4I (Bass, 1985) model and 6-dimensional model as outlined by Podsakoff et. al. (1990).

Varios benefits transformational leadership brings on the organisational but personal level as well – for those closely linked with internal organisational environment (employees). Transformational leadership contributes to higher levels of employee satisfaction. (Mujkić et. al., 2014) A significant relationship between transformational leadership and employee motivation was proved in the research of Ahmad et.al. (2014). Following on that, the empirical results of the research conducted by Al Zefeiti (2017) indicate that transformational leadership behaviours (core transformational leadership, providing individualized supports, intellectual stimulation, and setting high performance expectation) have a significant impact on contextual performance whilst core transformational leadership and providing individualized supports have a significant impact on task performance. Judge and Piccolo (2004) found that transformational leadership has positive, nonzero relationships with the following leadership criteria: (a) follower job satisfaction, (b) follower leader satisfaction, (c) follower motivation, (d) leader job performance, (e) group or organization performance, and (f) rated leader effectiveness. The evidence has showed that transformational leadership facilitates knowledge sharing among

employees by enhancing followers' perceived team goal commitment and perceived team identification. (Liu and Li, 2018) Garcia-Morales, Lloréns-Montes and Verdú-Jover (2008) analysed the direct and indirect influence of knowledge and innovation as mediating variables on the relation between transformational leadership and performance. Their study has demonstrated that transformational leadership affects slack knowledge, absorptive capacity, tacit knowledge, organizational learning and innovation. Stimulating the relations between these intermediate variables permits the creation of positive synergies that improve organizational performance. The relationship between creativity and transformational leadership was in the focus of the research conducted by Zenab Kazmi and Naaranoja (2013, p. 77) whose research has proved that creativity is positively linked with the individual differences through transformational leadership. They provided basis for the implementation of "transformational leadership" as being the attractive management choice amongst the other management choices. Transformational leadership was investigated in the paper of Leithwood (1992) where he argumented that transformational leadership contributes to maintaining collaborative culture in settings like educational

institution. However, the effectiveness of transformational leadership varies depending on the cultural values of an individual. (Spreitzer, Hopkins Perttula and Xin, 2005)

A Harvard study of S&P 500 and Global 500 firms that evaluated the ability of leaders to strategically reposition the firm found some common characteristics of the most successful transformations: (Scott and Evan, 2017) (1) Transformational CEOs Tend to be "Insider Outsiders"; (2) They Strategically Pursue Two Separate Journeys; (3) They Use Culture Change to Drive Engagement, (4) They Communicate Powerful Narratives About the Future; (5) They Develop a Road Map *Before* Disruption Takes Hold.

Transformational leadership can inspire workers to embrace change by fostering a company culture of accountability, ownership and workplace autonomy. (White, 2018) In the next section author will investigate further the relationship between transformational leadership and corporate social responsibility as the micro aspect of sustainable development.

Transformational Leadership and Transformational CSR

There have been various initiatives in defining corporate social responsibility mostly for the focus they have selected as central, the issues that particular country or organisation wants to highlight and the priorities of key issues within one organisation. In tourism, it was mostly environment seen as the most important dimension of corporate social responsibility as it is, obviously, crucial for the development of tourist product. (Golja, 2008, Krstinić Nižić and Golja, 2009) However, it is becoming more evident that, on the priority list, social and cultural dimension of corporate social responsibility is getting high attention. For instance, Croatian tourism and hotel companies are putting enormous efforts in providing higher standard for their employees, invest in their professional development and in providing them decent quality of life.

Corporate social responsibility has been defined by the European Commission (2011, p. 6) as the responsibility of enterprises for their impact on society. An excellent review of definitions of corporate social responsibility has been provided in the work of Hamidu, Md Haron and Amran (2015, p. 85) where they summarized main dimensions of each definition from different periods and identified 6 core characteristics of CSR (voluntary, internalizing or managing externalities, multiple stakeholder orientation, alignment of social and economic responsibilities practices and values and beyond philanthropy. The main dimensions are as follows: 1) 1950's – 1960's - *philanthropy* (religious & humane philosophies, community development, unregulated philanthropy, poverty alleviation and obligation to the society); (2) 1970's – 1980's - *regulated CSR* (extension of CSR commitments, CSR as symbol of Corporate citizenship, stakeholder relationship management, corporate reputation, socio-economic priorities, bridging governance gap, stakeholders rights and legal & ethical responsibilities); (3) 1990'2 – 21st century - *instrumental/strategic CSR* (competitive strategy, environmental protection, sustainability, internationalisation of CSR standards and transparency & accountability).

Velsor (2009) concluded that very little theoretical and empirical research on the leadership aspect of CSR exists. Waldman, Siegel and Javidan (2003, p. 6) believe that transformational leadership theory represents a prominent example of the neo-charismatic paradigm that may provide new possibilities for the upper

echelons perspective in general, and the understanding of corporate social responsibility in particular. Several researches pointed the positive link between transformational leadership and CSR. (Du, Swaen, Lindgreen and Sen, 2012) Waldman, Siegel and Javidan (2004) found a positive correlation between transformational leadership and strategic corporate social responsibility. Wabitsch (2014) proved that transformational leadership motivates managers for CSR in meetings, because it enhances trust, understanding and commitment to CSR. The differences between transformational and transactional strategies as reflected in the work of Castello', Lozano and Barbera' (n/d) lay in their main purpose and key role in developing changes in the organisation. They see transfomrational strategies as those providing innovations, inspirations and morality to managers whilst transactional as those that consolidate the CSR inititiave through meeting and responding to stakeholders' reactions to changing expectations. (Castello', Lozano and Barbera', n/d, p. 4, 8)

Transformational leaders are more sensitive to: (UN Global Compact and Accenture, 2013, p. 52): (1) environmental and social issues and bear in mind their importance for the success of their business; (2) climate change issues, water security, growth and employment; (3) philanthropy which is seen only as one little aspect of corporate social responsibility but not its core dimension; (4) engaging investors on sustainability; (5) partnership with different stakeholders in the community (NGOs and ohers); (6) measuring ans rewarding sustianability in employee performance assessments and remuneration.

In the same report (UN Global Compact and Accenture, 2013, p. 16), seven themes enabling leading companies to achieve value creation and impact on global sustainability challenges were detected: (1) realism and context – understanding the scale of the challenge and the opportunity; (2) growth and differentiation – turning sustainability to advantage and value creation; (3) value and perfromance; (4) technology and innovation – new models for success; (5) partnership and collaboration – new challenges, new solutions; (6) engagement and dialogue – broadening the conversation; (7) advocacy and leadership – shaping future systems. This is allligned with the Visser's DNA model of CSR 2.0 presented in the table that follows. (Visser, 2013, p. 150)

Table 2. Visser's model of CSR 2.0

DNA Code	Strategic goals	Key indicators
Value creation	Economic development	Capital investment Beneficial products Inclusive business
Good governance	Institutional effectiveness	Leadership Transparency Ethical practices
Societal contribution	Stakeholder orientation	Philanthropy Fair labour practices Supply chain integrity
Environmental integrity	Sustainable ecosystems	Ecosystem protection Renewable resources Zero waste production

Visser is one of the strongest critics of traditional corporate social resposnibility model and holds opinion that the different kind of CSR is needed if we are to reverse the current direction of the world's most pressing issues in the social, environmental, ethical and econimic ecosystems. (Visser, 2012) Visser (2013, p. 18) distinguished several business ages (greed, philantrophy, marketing, management, responsibility) and associated them with stages of CSR (defensive, charitable, promotional, strategic, systematic), the preveled modus operandi (ad hoc interventions, donations, public relations, management systems, business models), key enablers (investments, projects, media, codes, products) and stakeholders (shareholders, government & employees, communities, general public, shareholders & NGOs/CSOs and regulators and customers).

METHODOLOGY

The study provides a combination of theoretical and empirical research. The theoretical framework summarizes main points of the leadership trait theories, underlines and arguments main characteristics of transformational leadership, as well as those connected to CSR 2.0 although scarce (according to authors presumptions) and highlights some of the benefits transformational leadership brings on the level of the organisation and on the personal level.

In the empirical research authors will examine the links between main characteristics of transformational leadership and leadership traits to main principles of CSR 2.0 (Visser, 2013). Authors will present main leadership traits as seen by the interviewed hotel managers and interrelate them with key dimensions of corporate social responsibility 2.0 in order to conclude about the strength of relationship of that particular trait and CSR 2.0 – in general and specific to particular dimension.

Based on the literature review, and the main principles of CSR 2.0 (Visser, 2013) the following hypothesis were tested:

1) Transformational leadership is positively related to corporate social responsibility in general

2) Transformational leadership is positively related with main principle of CSR 2.0 – creativity

3) Transformational leadership is positively related with main principle of CSR 2.0 – scalability

4) Transformational leadership is positively related with main principle of CSR 2.0 – responsiveness

5) Transformational leadership is positively related with main principle of CSR 2.0 – glocality

6) Transformational leadership is positively related with main principle of CSR 2.0 – circularity

The sample consisted of 17 hotel managers from different destinations in Istria: Rabac, Poreč and Rovinj and from three different hotel companies.

RESULTS AND DISCUSSION

Following this cue, we set out to examine the relationship between transformational leadership traits and main principles of CSR 2.0 as seen by interview hotel managers from the sample.

In the following scheme we will present the most important leadership traits as seen by the hotel managers from the sample. Hotel managers were asked to rank 13 leadership traits authors singled out as important for CSR 2.0. Authors will comment on their relatedness with main CSR 2.0 principles: creativity, scalability, responsiveness, glocality and circularity. (Visser, 2013, p. 146)

Schema 1. The most important traits of good leaders according to hotel managers' opinion
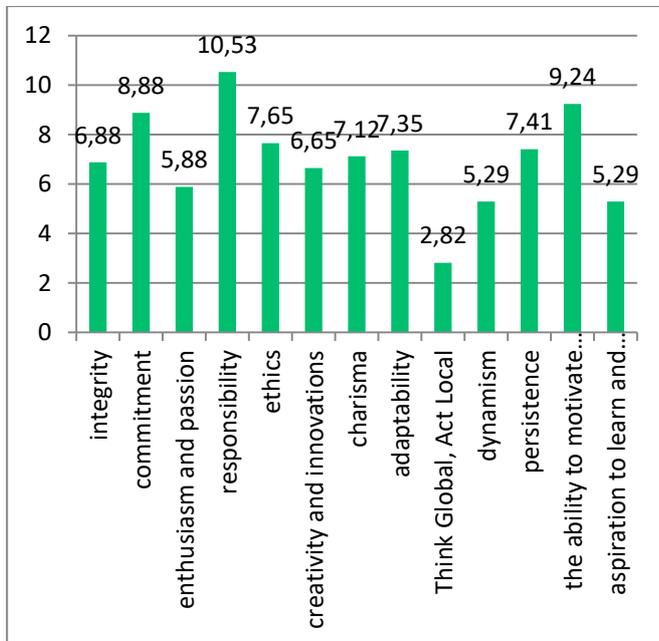
Source: author's research and analysis

The most important leadership traits for hotel managers are: (1) responsibility, (2) the ability to motivate and empower employees, (3) commitment, (4) ethics and (5) persistence.

Responsibility is strongly related with all of five principles of CSR 2.0: creativity, scalability, responsiveness, glocality and circularity. **The ability to motivate and empower employees** is strongly related with Creativity – one of the principles of CSR 2.0. We need more creativity to foster positive changes in the social, economic and environmental spheres. Creativity cannot be nurtured by standardization. If companies are accepting various standards and

implementing them in their business models, two things can happen – managers go strictly by the book, with no experimentation at all and managers can become creative about how to trick the system (Visser, 2013, p. 164). Creativity means taking risks and recognizing opportunities. In hotel business it can be considered as important trait in leading the innovations in tourism sector that will attract new customers that take care of socially responsible tourism product/experience in a tourist destination. Creative managers foster creativity spirits in their followers and empower them to strengthen their will and ambitions in finding innovative solutions to current challenges. When it comes to competition, we must recognize the importance of several tourist destinations on the Mediterranean that compete with Croatia for the same source markets. It is Northern African destinations (Tunis and Morocco), Turkey, Greece, Spain, France and Italy. **Commitment** can also be strongly associated with creativity because leaders should be able to show their commitment to creative and innovative projects that derive from their "*Think Global, Act Local*" mind-set. In line with mentioned, the principle of glocality comes evident. Leaders need to respect the environment and the society were they operate and be able to combine international standards,

views, latest developments (in technology, general trends in tourism) with local tradition whilst nurturing cultural identity of the tourist destination and its people. Scalability is another CSR 2.0 principle that can be linked to responsibility and commitment. It is scalable projects in tourism that we need in tourism to make stronger positive changes in the environment towards sustainable development. New ideas of sustainable projects in tourism should go to scale. In tourism it means that sustainable and innovative projects need to be implemented in other destinations as well in order to create scalable changes in the society and in the sector. For the case of Croatia, hotel managers and leaders from the sample can replicate their ideas in other destination by firstly, communicating progress to the senior management of the hotel company, proving the success of sustainable innovation and then enthusiastically being open to distribute ideas and aspirations to other hotel managers in different destinations where the hotel company operates (i.e. Northern Croatia, Dalmatia and Dubrovnik). Hotel managers from the sample are highly aware of the importance of knowing the **ethical boundaries** of the organisation. It is code of ethics and the exemplary behaviour of people at the top that prevent unethical behaviour. Minor

ethical lapses can have major impacts, and it is good that hotel managers have recognized it as important. Ethics permeates through every aspect of socially responsible business and it is built in every CSR 2.0 principle. **Persistence** helps to keep up the work. It helps a leader to confront challenging situations that affect his work. Persistence is the ability to work on solutions and work towards success. Persistence is strongly correlated with creativity, scalability and circularity. Tourism is very much climate-dependent. Although not contributing much to the general emission of carbon-dioxide, out of the 5% of contribution, majority derives from transport. It is tourism managers and leaders that need to foster changes and implementation of sustainable and alternative transport choices – at first amongst its followers. It is leaders that need to be creative and persistent in making positive changes in the environment through improving their business practices and implementing not management systems but innovative solutions in the following areas: a) tourism products/services/experiences, b) process/technology and c) institutional environment. Though countries are increasingly committed to respecting international environmental standards, environmental performance benchmarking assessments show that deforestation,

overfishing, and air and water pollution continue to reduce the global natural capital. (World Economic Forum, 2017, p. 6).

When asked to rank the level of importance of different leadership traits using the Likert scale (1 – 7), hotel managers from the sample, see responsibility as extremely important trait for leaders (76,47%). The ability to motivate and empower employees is seen as very important by 47,06% of hotel managers and extremely important by 47,06% of managers. Commitment is very important for 47,06% hotel mangers and extremely important for 35,29% hotel managers. Ethics is perceived very important for 47,06% of hotel managers whilst extremely important for 29,41% managers.

Hotel managers were asked to determine the importance of various key dimensions of CSR of the future (CSR 2.0). The results are presented in the scheme that follows.

Schema 2. The importance of various CSR 2.0 dimensions
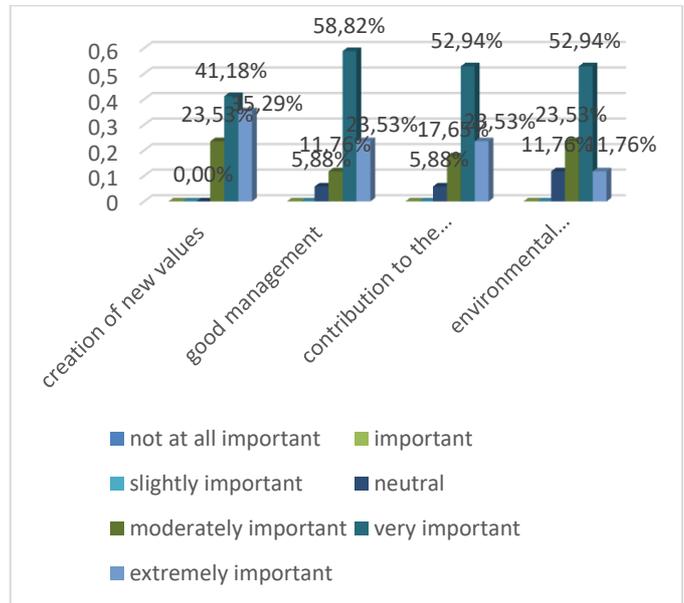
Source: author's research and analysis

Based on the obtained responses, hotel managers believe good management to be very important dimension of the CSR 2.0 (58,82%). Two second most important dimensions are contribution to the society and environmental protection and improvement of the quality of ecosystem. When taking into account the scores managers associated to different dimension and the appropriately applied weight (based on the Liker scale), the results are:

1. creation of new values
2. good management
3. contribution to the society
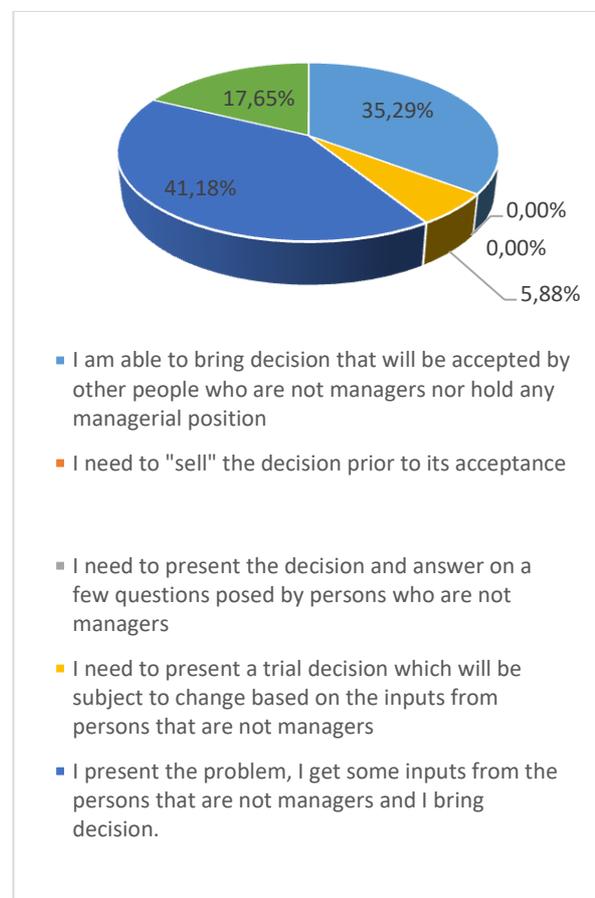4. environmental protection and improvement of the quality of ecosystem.

The above results are much related to the previously mentioned leadership traits associated with transformational leadership. Creating new values is aligned with the principle of creativity, whilst good management with responsiveness, scalability, circularity, glocality and creativity in its nutshell. Value creation fosters economic development. Good governance targets higher institutional effectiveness. Contribution to the society is mostly linked with the principle of glocality and circularity. It means stronger involvement of different stakeholders in the business thinking process and decision-making process. Environmental protection and improvement of quality of ecosystems is mostly linked with scalability and circularity and it contributes to more sustainable ecosystems.

When asked to characterize their leadership style, 41,18% of hotel managers pointed that they firstly present the problem, get inputs from persons that are not managers and then bring decision. It is obvious that, whilst applying the mentioned leadership style, managers have a slightly higher power and influence than others in the organization that do not hold managerial positions. 35,29% of hotel managers are able to bring decision that will be accepted by other people who are

not managers nor hold any managerial position meaning that managers have the complete power and influence to control the decision-making process in the organization. In the context of CSR 2.0, stronger engagement of employees in the decision-making process is more favourable for empowering employees and fostering their overall satisfaction.

The complete results are presented in the scheme that follows.

Schema 3. The main characteristics of leadership style of hotel managers in Istria

- I am able to bring decision that will be accepted by other people who are not managers nor hold any managerial position
- I need to "sell" the decision prior to its acceptance
- I need to present the decision and answer on a few questions posed by persons who are not managers
- I need to present a trial decision which will be subject to change based on the inputs from persons that are not managers
- I present the problem, I get some inputs from the persons that are not managers and I bring decision.

CONCLUSION AND SUGGESTIONS

Ever since Croatia got its independence, for almost three decades, tourism has become one of the largest and fastest-growing economic sectors in the country. According to the Croatian Central Bank statistics, tourism currently contributes with 19,6 (preliminary data for 2017). (Ministry of Tourism of The Republic of Croatia, 2018) According to World Travel and Tourism Council (2017) the total contribution of travel and tourism to Croatian GDP was 24,7 in 2016 whilst the direct contribution was 10,7% of GDP and tourism generated 138.000 jobs directly (10% of total employment). Ministry of Tourism of The Republic of Croatia, just recently, has ordered the creation of Tourism Satellite Accounts for Croatia. A Satellite Account is a term developed by the United Nations to measure the size of economic sectors that are not defined as industries in national accounts. For instance, tourism is an amalgam of industries such as transportation, accommodation, food and beverage services, recreation and entertainment and travel agencies. (UNWTO, n/d) With this measurement technique, it will be possible to calculate the exact economic contribution of tourism in terms of revenues, contribution to GDP, to employment etc.

Tourism in Croatia has experienced expansion and diversification (on the supply but demand side as well). Tourism has contributed towards employment and economic growth, as well as to development in rural areas, and even less-developed areas such as Slavonija, Lika and Gorski Kotar (war-hit places). Istria is a great example tourism creating new opportunities and leading transformations of rural and deserted areas. Creative industries, cultural tourism (culture, eno-gastronomy) transformed inland part of Istria and opened the hidden beauty of inland Istria to tourists. It is not mass tourism that is leaving traces in that part of Istria but sustainable and special interest tourism.

A very wide range of interested stakeholders provide service in this, cross-sector industry of experiences and stories. Hotel companies play an important role in shaping the growth and development of tourism in particular Croatian destinations but with multiple of impacts of the branding of tourism on the national level. Human resources and their level of education play an irreplaceable role in the development of tourism in Croatia. This crucial factor is becoming particularly important in terms of current unfavourable and negative demographic trends Croatia

faces as well as the gradual aging of the population in general.

In the table that follows authors will summarize main principles of CSR 2.0, link them with leadership traits associated with transformational leadership and suggest possible applications for more efficient implementation of CSR 2.0 in tourism in Croatia.

Tabel 3. Principles of CSR 2.0 and transformational leadership traits with possible applications in tourism (shift towards CSR 2.0)

Principles of CSR 2.0 according to Visser (2016, p-146)	Explanations of principles of CSR 2.0	Leadership traits contributing to various principles of CSR 2.0	Applications for tourism in Croatia
Creativity	*"Business creativity need to be directed to solving the world's social and environmental*	1. Responsibility 2. The ability to motivate and empower employees 3. Commitment	• Need to foster innovations and creative thinking from the bottom. • Innovations on the three level: product/se

problems." (Visser, 2012, p. 10)	4. Ethics 5. Persistence		rvice/experiences, processes and institutions. • Need for meaningful investments in human capital by fostering their empowerment, through education, capacity-building for human resources development, system of mentorships – mutual learnings and sharing of experiences, professional orientation and motivation, life-

| | | | | long learning opportunities, developing work-life balance programs for employees in tourism etc.
• Collaboration with schools and faculties in providing employment service to students and education of parents.
• Need for the efficient promotion of different professions in tourism in cooperation with local, | | | | | regional and national government bodies.
• Clear definition of career pathways in the tourism industry in Croatia and efficient promotion.
• Co-financed and fully-financed study programs in tourism and hospitality management in cooperation with local universities or development of its own study programs that will |

Scalability	*"The need of projects that will be scalable (go to scale)."* (Visser, 2012, p. 10)	Responsibility Persistence Ethics	• Foster the use of organic and ecological products in the hotels in each and every destination the same hotel company operates. • Best CSR practices that can be applied on the wider scale in tourism. Sharing of experiences and accommodating them to different cultural ecosystems and spheres in various destination. • Constant education				of customers and employees on responsible practices.
				Responsiveness	The need for transformative responsiveness that will question whether the industry and the particular business model is part of the solution or part of the problem we face.	Responsibility Ethics	• Creating the culture of leadership. • Responding to the serious challenges of sustainability like environmental and eco-system degradation, land use, saturation, waste generation and other negative effects on the environment that are inherent to the tourism

			industry. • Fostering transparency through communication (corporate social responsibility reports, sustainability reports or integrated reports). • Strengthening internal and external communication.	heritage in creation of tourism products/experiences. • Respect of local identity and strive to strengthen the local differences, habits and customs.
Glocality	"*Think Global, Act Local*!"	Responsibility Commitment Scalability Ethics	• Application of worldwide accepted good management practice to local conditions. • Implementation of cultural and natural	
Circularity	The constant feeding and nourishing community and employee wellbeing.	Responsibility Persistence	• Self-sufficient and sustainable hotels. • Invest in employees	

The sample consisted of 17 hotel managers from different destinations in Istria: Rabac, Poreč and Rovinj and from three different hotel companies. Sample size is the main limitation of this study.

For this reason, it is difficult to find significant relationships from the data. This is why authors have not used statistical tests as they normally require a larger sample size to ensure a representative distribution of the population. Authors will further extend this research for few more months in order to obtain more significant dana and be able to test it using adeguate statistical tests.

On the other side, this is the first study that applied the principles of CSR 2.0 in the context of tourism and the study where the argumentation for application of different leadership traits required by transformative leaders is provided in the context of their relatedness with main principles of CSR 2.0 always within the tourism sector.

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