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## **Role of Transformational Leadership on Employee's Job Satisfaction: the Case of Private Universities in Bosnia and Herzegovina**

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### **Abstract**

The impact and type of effective leadership has a significant role in the improvement of organizational performance. This study has been conducted to indicate the importance of transformational leadership style on employees' job satisfaction. The aim of this study is to describe the relationship between transformational leadership and employees' job satisfaction at private universities in Bosnia and Herzegovina. A sample of 150 employees responded to a three-part instrument from two private universities in Sarajevo, the capital city of Bosnia and Herzegovina. Factor analysis, means, standard deviations, correlation and regression analysis were used to analyze the data. The findings determined that a moderate, positive and significant relationship exists between the dimensions transformational leadership and employees' job satisfaction for both work of nature and operating condition. This study suggests that leaders at the private universities should pay more attention to findings new analytical ways for old problems and describing the demand of followers.

**Keywords:** Transformational leadership; Job satisfaction and Bosnia and Herzegovina.

### **1. Introduction**

In today's business environment, organizational performance has been very crucial in order that organizations have been able to compete against their rivals. Therefore, a plenty of researchers have studied factors which influence the performance of organizations in business. Most of the findings in these studies have referred to the employee behaviors. At this point, one of the most important employee behaviors in affecting organizational performance is job satisfaction of employees. Job satisfaction is a concept that concerns how an employee feels about a given job (Shin and Reyes, 1991). The studies which are related to job satisfaction generally indicate that if employees have good feelings about their job and are satisfied with their job, they will have a huge contribution to the organization. Thereby, identifying the determinants of job satisfaction attracted attention in many studies (Cohrs, Abele, and Dette, 2006).

Leadership has a distinct place in influencing job satisfaction. Pool (1997)'s research supported this by suggesting that leadership behavior is a predictor of job satisfaction. According to Bateman and Organ (1983), there is a strong relationship between satisfaction and supervision.

The basis for this relationship is that supervisors in the organization represent the most direct source of variance in events that influence positive affect of employees. Moreover, from other leadership types, transformational leadership has been one of the most important determinants. Because, transformational leadership, as newly and more common model within current leadership styles, provide an opportunity that enriches the cooperation for leader, follower, and their success. Team performance within organization and high satisfaction with high motivation driven leaders are the primary characteristics of transformational leadership (Avolio, Bass, & Jung, 1999). When transformational leaders who give special attention to their followers and care their needs more, the followers are more likely work towards achieving longer-term goals in order to meet the leader's expectations. Thus, this situation results in increased job satisfaction (Walumbwa, Orwa, Wang, Lawler, 2005). On the other hand, although abundant studies show the relationship between transformational leadership behaviors and employees' job satisfaction (Podsakoff, MacKenzie, Moorman, and Fetter, 1990), there is a scarce literature which stress on transformational leadership components and job satisfaction relationship.

However, many empirical studies about the relationship between leadership styles and employees' job satisfaction have been conducted in different sectors such as banking sector (Awanleh & Al-Dmour, 2004; Belias & Koustelios, 2014), health sector (Kuzey, 2012; Lorber & Savic, 2012 and Peltier & Dahl, 2009). But, limited literature has focused on this relationship in education sector. For example, in Amorosso (2002)'s study, it is proposed that the higher job satisfaction of employees at educational institutions is strongly interconnected with leadership style. Among education organizations, whether there is strong relationship between job satisfaction of the employees at higher education institutions and leadership styles or not has awaken curiosity today. Universities which are from higher education institutions have become a role model in reforming leadership styles and its quality. The focus point for these types of higher education organizations is transforming the behaviors and visions of the leaders and their follower. Rapid changes in transforming the practical experience with knowledge had been settled down at universities by role model leaders. "Knowledge work will dominate the 21<sup>st</sup> century. It requires more envisioning, enabling, and empowering leadership, all of which are central to transformational leadership" (Bass, 1997; p. 131). On the other hand, even though the researches regarding transformational leadership and employees' job satisfaction relationship at universities have been done in developed countries, there is a scarcity of literature in developing countries.

One of these developing countries is Bosnia and Herzegovina (BiH). BiH, as one of the former Yugoslavian countries, has experienced several big measured wards in its own region. It has been authorized under the control of big states: Ottoman Empire, Austria-Hungarian Empire, and Yugoslavia. Thus, Bosnia as a multi-ethnic society had big-scaled changes in its close history in the political, economic, cultural and educational context. Today, this inter-cultural relations and different ethnicities are counted as richness, weakness, and obstacles of BiH with different political structure such as federal rotation system. Along with rooted public institutions, private initiatives in business have been established since 2000's. Educational sector especially higher education in BiH has also encountered these developments. While this transitional country has eight rooted public universities, there are 38 private universities which have been established in last decade. Organizational structure and managerial part of these private universities in this small country has to be developed and enriched in the context of employee satisfaction in work and leadership styles. Thus, this paper will explore relationship between employees' job satisfaction and transformational leadership styles at private universities in BiH.

## Literature review

### 1.1. Job Satisfaction

Job satisfaction has been defined many times in a different way (Omar & Hussin, 2013). In general, the concept of satisfaction is defined as one of the factors of overall pleasure of the performed job. This descriptive aspect needs to identify an employee with pleasure in the context of job satisfaction (Bota, 2013). According to Locke (1976), job satisfaction has been defined "as a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences" (Shrivastava & Purang, 2009; p. 65). This pleasurable and positive emotion direct the employees

for higher satisfaction. Thus, workplace and conditions are the most distinguished items to reach higher job satisfaction.

Nowadays, workplace and work conditions have more effective with globalization, technologies, economics situation (Shrivastava & Purang, 2009). Both have significant effect for higher job satisfaction. That is why suitable workplace and good conditions are needed for the wellness of employees. Thus, the significance of higher job satisfaction is mostly based on workplace and its conditions with the management of organization (Bota, 2013). More satisfied employees are mostly part of accomplished organization by highly motivated management structure. For the managerial structure of an organization, principals/leaders have inevitable effect on employee's job satisfaction. (Judge, Bono, & Locke, 2000). In this context, leadership and behavior of leaders have a significant effect on satisfaction of employees (Mirkamali, Thani, & Alami, 2011; Omar & Hussin, 2013).

### 1.2. Leadership

In general, the concept of leadership refers to be in interaction of superior with employee in every day (Belias & Koustelios, 2014). The leadership is defined by Yukl (2006) as a process of influencing others and dealt with concept of what needs and how to do. Northouse (2007) has defined leadership as a process that contains influencing groups in order to achieve a mutual goal. Thus, content of leadership includes group context, goal success, and purpose sharing between leaders and their followers (Northouse, 2007). Fry (2003) claimed that leadership is the way of a strategy which leads inspirations, motivates and enriches the development of followers. This strategy is concluded with mentioned content of leadership in order to classify leadership. Recent findings of Luthans and Doh (2012) on leadership has been classified into three groups as Bass concluded the most interested efforts for Leadership: Transformational that refers to visionary sense with mission who are able to motivate their followers, Transactional that refers to "individuals who exchange rewards for effort and performance and work on a something for something basis" (p. 473); and Charismatic that refers to someone who can explore how individuals may have abilities to work by inspiration and motivation (p. 473). These are the new trend for universalism of leadership and human behaviors. In this approach to the leadership, according to Marn (2012), the leadership defined in Hackman and Johnson's book as "human communication which modifies the attitudes and behaviors of others in order to meet shared group goals and needs" (p. 28). In terms of this definition, he pointed out that leadership might be differentiated transformational and transactional as they are most common ones; and both transformational and transactional are based on human moral, behaviors, employees in organizational climate as early leadership theorist argued, and ethics (Marn, 2012). This article will focus on transformational leadership due to transformational leadership is the most useful, effective, and common types for higher job satisfaction, as well as the most suitable leadership style for the relationship between leaders and their followers.

### 1.3. Transformational Leadership

The importance and role of transformational leadership has been well-described by Burns who is political scientist, over the time of 20 years ago as "an interconnected progress between leader and his/her followers" (Jack & Rudnick, 2007). It has been one of the most dominant and influenced leadership types since 1980's (Lim & Ployhart, 2004). According to Burns, leaders and their followers are in interaction and they help each other in transforming way of leadership in order to reach a higher level of motivation (Jack & Rudnick, 2007). Transformational leaders encourage their followers to have responsibilities to get higher organizational performance (Marn, 2012). Therefore, "after studying thousands of international cases, Bass found that the most effective managers were transformational leaders" (Luthans & Doh, 2012: p. 474). In Bass' study, transformational leadership was also categorized for the first time as idealized influence (charisma) through which leader moves the follower beyond immediate self-interests, inspiration, intellectual stimulation, or individualized consideration (Bass, 1999). Transformational leadership types are developed by Luthans and Doh (2012) stated as idealized influence (charisma: can be also measured by two group as attributed and behavior), inspirational motivation, intellectual

stimulation and individualized consideration. These transformational leadership dimensions can be summarized shortly as follows:

1. Idealized influence (attributed and behavior): “Leaders are admired, respected, and trusted” (Boerner, Eisenbeiss, & Griesser, 2007: p. 16). This type of leaders deals with the admiration of their followers; it is also called “source of carisma”. They enjoy loyalty, trust, and pride in their followers (Luthans & Doh, 2012).

2. Inspirational motivation: It refers to the capacity to motivate followers to reach high expectations (Marn, 2012). Leaders who are in this category have ability in explanation of their vision, beliefs, and mission clearly. Thus, they can make easy statement about what needs to be done (Omar & Hussin, 2013).

3. Intellectual stimulation: Leaders can easily direct their followers to find a new solution for old problems as well as encouraging them to be innovative in problem solving (Marn, 2012). Approaching old situation in a new way and no public critics on follower’s mistake are the key elements for this dimension of transformational leadership (Boerner, Eisenbeiss, & Griesser, 2007).

4. Individualized consideration: The leaders who have this dimension are able to describe and develop each of their followers' demands (Luthans & Doh, 2012). Bass (1985) delineates it as "the degree of personal attention and encouragement of self-development a leader devotes to the employees" (Marn, 2012; p 28).

Aforementioned dimensions of transformational leadership are mostly associated with job satisfaction in analyzing a relationship between leaders and their followers. The effect of transformational leadership on job satisfaction of an organizational group has been clearly defined in many studies (Givens, 2008). One of them is Avolio and his associates (1999) study. They mention that transformational leadership can provide how leaders can get success and relationship with their group so that it sounds as positive effect for an organization. By this way, transformational leadership enhances group awareness, renders people encouragement possible for good of employee’s job satisfaction (Bryant, 2003).

#### 1.4. Relationship between Transformational and Job Satisfaction

Many studies which have examined leadership styles and job satisfaction have concluded that there is a strong relationship between transformational leadership and employee’s job satisfaction and these two variable are correlated positively (Medley & Larochele, 1995; Leary, Sullivan & Ray, 1990). They also stress that transformational leadership is the best way to identify interaction between employee and supervisor and it has a key role for being a part of fostering and stimulating information exchange for creation of highly satisfied employees in an organization, which contributes to the accomplishment of an organization (Lim & Ployhart, 2004; Ash, 1997; Marn, 2012).



Figure 1. Conceptual Framework

According to previous researches, success of an organization is mostly associated with work of satisfied employees. Therefore, most of them focus on the factors which foster high job satisfaction. One of these factors is transformational leadership. Literature demonstrates highly positive interaction between the dimensions of transformational leadership and subordinates' job satisfaction (Omar & Hussin, 2013). This interaction has also significant role for educational organizations (Leary, Sullivan, & Ray, 1990). For instance, Bass (1990), Wilkins & Balakrishnan (2013), and Basham (2012) stated that studies on transformational leadership in higher education suggest organizations to consider these leaders as organizational role models. In this way,

intellectually inspired atmosphere by transformational leaders in higher educational institutions provides trust and cooperation among employees and thus increases job satisfaction (Wilkins & Balakrishnan, 2013; Baltaci, Kara, Tascan, & Avsalli, 2012; Sohail & Delin, 2013). Higher educational institutions which have these satisfied employees with their job can provide high quality education for the students (Riaz & Haider, 2010; Northouse, 2007; Ngadiman, Eliyana, & Ratmawati, 2013). This study will examine the relationship between job satisfaction and transformational leadership at private universities in Bosnia and Herzegovina.

According to the literature mentioned above, the hypotheses are as follows:

H1: Idealized influence (attributed) has a positive influence on employees' overall job satisfaction at private universities in BiH?

H2: Idealized influence (behavior) has a positive influence on employees' overall job satisfaction at private universities in BiH?

H3: Inspirational motivation has a positive influence on employees' overall job satisfaction at private universities in BiH?

H4: Intellectual Stimulation has a positive influence on employees' overall job satisfaction at private universities in BiH?

H5: Individualized Consideration has a positive influence on employees' overall job satisfaction at private universities in BiH?

## **2. Methodology**

### **2.1. Research Design and Instrumentation**

A two-page questionnaire with three sections was used to collect data for the study. The first section included 20 questions about transformational leadership. A Multifactor Leadership Questionnaire (MLQ) developed by Avolio and Bass (1995) was conducted to measure respondents' perception about transformational leadership behavior toward their superiors. Transformational leadership consists of five dimensions that represented by 20 items. Each of them contains four items; idealized influence (attributed) illustrates 'instills pride in me for being associated with him/her', idealized influence (behavior) illustrates 'talks about their most important values and beliefs', inspirational motivation illustrates 'talks optimistically about the future', intellectual stimulation illustrates 're-examines critical assumptions to question whether they are appropriate', individualized consideration illustrates 'spends time for teaching and coaching'. It was used in several studies and their reliability was from 0.81 to 0.94 (Avolio et al., 1999; Bass, 1999).

Second part was designed to measure Overall Job Satisfaction developed by Udge, Bono, & Locke (2000). It measures the employees' job satisfaction. It was also used in some studies. The reliability of this scale was  $\alpha = .92$  (Judge, Bono, & Locke, 2000). In all scales, the questions were measured with a five-point Likert scale, with scale anchors ranging from 1 (strongly disagree) to 5 (strongly agree).

Finally, the last part consisted of the respondents' demographic information such as age, gender, position in concerned institution, educational degree, their experience in current work and total work experience.

### **2.2. Sample and Procedure**

The target group of respondents included employees from academic and administrative staff of private universities in BiH. A total of 150 questionnaires were distributed to selected private universities. 120 of them responded to the survey, resulting in an 80 percent response rate. The questionnaire included both English and Bosnian versions. The back-translation method (Brinlin et al., 1973) was adopted to translate the survey from English to Bosnian. The translators were experts in a university's language translation department. Any items that looked ambiguous or difficult to understand were corrected before distribution.

A summary of the sample properties was given in Table 1. 55.8% of the respondents were male. Regarding age, the largest age group (30%) was 31-35 years with. A big part of the participants (41.7%) had master degree due to reason that more than half of the respondents were from academic staff with 60.8%. In terms of the work experience, 74.2% of them were employed for less than 5 years in current position and more than half (52.5%) had experience for less than 5 years in total. The data, especially, the descriptive analysis of the data, were analysed using SPSS (v. 20) software packages. The results are presented in the next section.

Table 1: Sample Characteristics

Variable	Demographics	Number	Valid percent
Gender	Male	67	55.8
	Female	53	44.2
	Total	120	100
Age	20 years or below	0	0
	21-25 years	11	9.2
	26-30 years	30	25
	31-35 years	36	30
	36-40 years	25	20.8
	41 years or above	18	15
	Total	120	100
Position	Academic staff	73	60.8
	Administrative staff	47	39.2
	Total	120	100
Degree	High School	16	13.3
	Bachelor Degree	38	31.7
	Master Degree	50	41.7
	Doctorate Degree	16	13.3
	Total	120	100
Experience in current job	Less than 5 years	89	74.2
	5-10 years	30	25
	10-15 years	1	0.8
	More than 15 years	0	0
	Total	120	100
Experience in total	Less than 5 years	63	52.5
	5-10 years	35	29.2
	10-15 years	7	5.8
	More than 15 years	15	12.5
	Total	120	100

### 2.3. Data Analysis and Results

The construct validity of two scales was checked with exploratory factor analysis by analysing the initial factor structure (Churchill, 1979). From two variables, the transformational leadership scale with 20 items were analysed firstly. Following a three-step process, a clear structure of dimensions and items was achieved. In the analysis, principal component analysis was used as the factor extraction method, and the varimax method was used for the component rotations. After the three runs, three items in this scale was removed from further analysis due to cross-loading on two components. Item excluded from analyses are "treats me as an individual rather than just as a member of a group", "considers me as having different needs, abilities, and aspirations from others" and "helps me to develop my strengths". Thus, 17 items with five dimensions emerged.

The remaining factor structure is presented in Table 2. One indication of the reliability of the dimensions is that the Cronbach alpha value exceeds .70 mostly (Nunnally, 1978). Secondly, job satisfaction scale was analysed. In this analysis, two dimensions emerged in convenient with the literature: nature of work and operating conditions (Spector, 1985). The Cronbach alpha value in this variable was also more than 70 mostly.

Table 2: Results of Exploratory Factor Analysis

Components and Items	Components					Cronbach's Alpha
	1	2	3	4	5	
TRANSFORMATIONAL LEADERSHIP						
Idealized Influence (attributed)						0,792
1. instills pride in me for being associated with him/her	0,812					
2. acts in ways that builds my respect	0,783					
3. goes beyond self-interest for the good of the group	0,769					
4. displays a sense of power and confidence	0,666					
Idealized Influence (behavior)						0,837
5. gets me to look at problems from many different angles		0,873				
6. suggests new ways of looking at how to complete assignments		0,786				
7. seeks differing perspectives when solving problems		0,759				
Inspirational Motivation						0,715
8. talks optimistically about the future			0,808			
9. talks enthusiastically about what needs to be accomplished			0,683			
10. articulates a compelling vision of the future			0,657			
11. emphasizes the importance of having a collective sense of mission			0,551			
Intellectual Stimulation						0,715
12. considers me as having different needs, abilities, and aspirations from others				0,832		
13. treats me as an individual rather than just as a member of a group				0,676		
14. helps me to develop my strengths				0,633		
15. considers the moral and ethical consequences of decisions				0,503		
Individualized Consideration						0,623
16. expresses confidence that goals will be achieved					0,695	
17. re-examines critical assumptions to question whether they are appropriate					0,695	
JOB SATISFACTION						

Nature of Work						0,838
1. Most days I am enthusiastic about my work	0,904					
2. I feel fairly satisfied with my present job	0,847					
3. I find real enjoyment in my work	0,845					
Operating Conditions						0,674
4. Each day at work seems like it will never end		0,88				
5. I consider my job to be rather unpleasant		0,848				
Extraction Method: Principal Component Analysis.						
Rotation Method: Varimax with Kaiser Normalization.						

The correlations between dimensions have always been good indicators of the discriminant validity of scales. In checking this, means from the items making up each dimension were created and the bivariate correlations were analysed. The correlations among the variables and descriptive statistics for them can be found in Table 3. As expected, nature of work dimension of job satisfaction is significantly correlated with all transformational leadership variables.

Table 3: Means, standard deviations, and correlations of study variables

Variable	Mean	S.D.	1	2	3	4	5	6	7
Job Satisfaction (nature of work)	4.00	.88	1						
Job Satisfaction (operating conditions)	3.97	.89	.172	1					
Idealized Influence (attributed)	4.06	.73	.370**	.170**	1				
Idealized Influence (behavior)	4.14	.75	.331**	.235**	.502**	1			
Inspirational Motivation	4.14	.76	.331**	.235**	.502**	1.00**	1		
Intellectual Stimulation	3.86	.87	.281**	.130	.316**	.240**	.240**	1	
Individualized Consideration	3.88	.87	.328**	.135	.371**	.348**	.348**	.529**	1

N = 120

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

Regression analyses were carried out to test the hypothesized relationships between the dimensions of transformational leadership and job satisfaction components. The results are summarized in Table 4. All five dimensions of transformational leadership were found to be significant and positively related to job satisfaction (nature of work and operating conditions). In testing Hypotheses 1, 2, 3, 4 and 5, the transformational leadership dimensions regressed on job satisfaction's two dimensions. Coefficients for idealized influence (attributed) (.370), idealized influence (behavior) (.331), inspirational motivation (.331), intellectual stimulation (.281), individualized consideration (.328) and nature of work job satisfaction were satisfied.

Table 4: Regression analysis of transformational leadership and job satisfaction

Criterion Variables	Job Satisfaction			
	Nature of Work		Operating Conditions	
	Std. Beta		Std. Beta	p-value
Transformational Leadership				
1. Idealized Influence (attributed)	.370		.170	.000
2. Idealized Influence (behavior)	.331		.235	.000
3. Inspirational Motivation	.331		.235	.000



4. Intellectual Stimulation	.281	.130	.002	.158
5. Individualized Consideration	.328	.135	.000	.142

Note: N = 120;  $p < .05$ ,  $R^2$ , Beta = Standardized beta coefficients

Secondly, job satisfaction of employees with operating conditions was also regressed on transformational leadership dimensions. Results were satisfactory mostly. Namely, the relationship between idealized influence (attributed) (.170), idealized influence (behavior) (.235), inspirational motivation (.235) and operating conditions job satisfaction was significant and positively related. These findings supported H1, H2, and H3. But, the relationship between intellectual stimulation (.130) and individual consideration (.135) and operating conditions job satisfaction was not significant. Thus, these findings did not support H4 and H5.

Table 5: Summary of Hypotheses Results

H1	Idealized influence (attributed) has a positive influence on employees' overall job satisfaction at private universities in BiH?	Supported
H2	Idealized influence (behavior) has a positive influence on employees' overall job satisfaction at private universities in BiH?	Supported
H3	Inspirational motivation has a positive influence on employees' overall job satisfaction at private universities in BiH?	Supported
H4	Intellectual Stimulation has a positive influence on employees' overall job satisfaction at private universities in BiH?	Not Supported
H5	Individualized Consideration has a positive influence on employees' overall job satisfaction at private universities in BiH?	Not Supported

#### 4.1. Discussion

The purpose in this study was to examine the perceptions of transformational leadership behaviors on employees' job satisfaction at private universities in BiH. The findings showed that transformational leadership has a positive relationship on employees' job satisfaction. In particular, the dimensions of transformational leadership and job satisfaction were positively correlated with each other and the relationship between them was significant mostly. So, this study obtained evidence to support the use of transformational leadership to enrich and increase employees' job satisfaction in work in convenient with others (Voon & Ayob, 2011; Thamrin, 2012; Tesfaw, 2014; Sohail & Delin, 2013; Riaz & Haider, 2010; Omar & Hussin, 2013).

According to results, all hypotheses were positively correlated with nature of work - job satisfaction. On the other hand, even though first three dimensions of transformational leadership were significant and positively correlated with operating conditions – job satisfaction, intellectual stimulation and individualized consideration were insignificant with it. These findings show that employees are highly satisfied with specific goals in working place: nature of work. But, their work assignment, operating condition, should be re-checked for higher job satisfaction. Bosnian context may be a reason for this result. BiH is a transitional country and economic situation in this country is weak and the unemployment rate is very high. So, people do not have so many alternatives to work. Under this condition, employees do not like their job and job content mostly. However, the structure and tracking procedure of jobs have been developed after the conflict ended in 1995. And, the private universities have been established in the last decade in this transitional country. Employees at these universities are not experienced mostly as it can be seen in demographic results of the study. At this point, the managers of administrative units and head of departments at these universities should organize some trainings in order to improve their managerial skills.

They should also be more careful for choosing the most suitable job and task for their employees. This enables the organizational unit of the employees to be more productive.

Although intellectual stimulation and individualized consideration dimensions have positive relationships with job satisfaction, they are weak. Leaders should pay more attention to be innovative and problem solver for intellectual stimulation characteristic and they should also be more sensitive on employees' encouragement of self-development for individualized consideration

characteristic. Leaders should be a role model in creation of new ideas and in taking their followers' ideas and demands into consideration in universities' decision making process. Thus, it may help the incensement of employees' job satisfaction (Tesfaw, 2014).

To sum up, transformational leadership style, generally, has a positive effect on employees' job satisfaction at private universities in BiH. So, this research model can be used for other institutions such as public universities and governmental institutions in BiH so that managers can develop their managerial and leadership skills.

#### 4.2. Limitations and Further Research

This research is limited to only two private universities in BiH. Having small size of respondents is also limitation of this research. Collecting data from other private universities in BiH can give more reliable results in future studies. Moreover, in this study, the data was collected from only full-time employees at the universities. It may not be deemed suitable for a proportional transformational leadership model. Part-time employees can be included in future studies in order to overcome that issues. Future studies should also focus on the private and public universities in BiH and findings of these universities should be compared.

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