


Managerial Interpersonal Competencies - Benefiting from Learning Organization Characteristics in SMEs

Ivan MATIĆ¹

¹ University of Split, Cvite Fiskovića 5, 21000 Split, HR;  imatic@efst.hr

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Abstract: To succeed in today's ever-changing business environment, enterprises must rely heavily on their own abilities to learn and manage acquired knowledge. In this sense, the concept of learning organization has been proposed as an ideal type of organization for competing and surviving in the contemporary, highly demanding business environment. The presumption that employees will be more open to discussions, new ideas, to acknowledge and correct their own mistakes in a favorable and supportive work environment implies that managers potentially play significant roles in developing such environments. The behavioral approach that managers take in interpersonal dynamics with their subordinates stands out as a particularly important factor in developing favorable work environments for learning and change, i.e., encouraging employees to engage in, for them, often risky and unpleasant processes of learning and changing their initial ideas, standpoints and eventually mental models. In the relevant literature, these topics have been explored a number of times in large enterprises, while they are, with a few exceptions, mostly neglected in the case of small- and medium-sized enterprises (SMEs). Therefore, the purpose of this paper is to investigate the role that managers' interpersonal competencies (MIC) have in the emergence and the development of learning organization characteristics (LOC) in their enterprises. In addition, this paper investigates the effects of the interrelationship between MIC and LOC on overall managerial effectiveness in order to gain a deeper insight into the potential managerial and organizational benefits of the dynamics between MIC and LOC. To provide answers to the stated research agenda, empirical research has been conducted on the sample of 87 employees and managers from Croatian SMEs. Collected data were processed via SPSS 23.0 and Microsoft Excel. Results obtained suggest that there is a significant interplay between MIC and LOC and that LOC may play a positive mediating role in the effect of MIC on managerial effectiveness.

Keywords: managerial interpersonal competencies; learning organization; managerial effectiveness; SMEs; PROCESS macro mediation analysis.

Introduction

In today's highly demanding business environment, learning and knowledge have become cornerstones in enterprises for competing and surviving in global markets. According to Shin et al. (2017, p. 1), competing in the contemporary business environment, which is characterized by increasing uncertainty and rapidly changing technologies, demands that organizations rely on the knowledge, skills, and experience of all of their employees by becoming learning organizations. In the context of the transitional economy, in which enterprises, unlike in the previous economic system, are suddenly faced with radically new, highly demanding market conditions, the imperative to become learning organizations is even more important for their survival (Matić & Juras, 2018). However, the ideal type of organization, a learning organization able to continuously learn, adapt and transform, does not emerge or develop overnight. In this sense, Garvin (1993, p. 91) emphasizes that the most successful examples of building learning organizations are products of carefully cultivated attitudes, commitments, and management processes that have accrued slowly and steadily over time. Building a learning organization requires a significant evolution of organizational culture in which management and leadership development—more precisely a development of managerial and leadership competencies for designers, teachers, and stewards—plays a crucial role (Senge, 1990a). Despite numerous insights and recipes proposed by academics from various perspectives, the understanding of the way in which a learning organization, an organizational

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philosophy, and phenomenon, develops and changes over time, is still limited and even less supported by empirical research (Santa, 2015, p. 252).

The empirical research on MIC, as one of the potential, organizational behavior-related factors in building a work environment that is supportive and facilitating for learning emergence, is limited. Coetzer et al. (2019, p. 421) emphasize that a scarce, but growing body of literature on the manager's role in facilitating employees' learning (Döös et al., 2015; Ellström 2012; Hughes 2004; Wallo 2017) suggests that managers can have a significant impact on learning in the workplace through developmental interventions such as coaching (Beattie et al., 2014) and through creating conditions in the work environment that are conducive to learning (Ellinger, 2005). With that in mind, a number of authors (Argyris & Schön, 1974; Edmonson & Moingeon, 1998; Riege, 2005; Song et al., 2009; Crouse et al., 2011; Marsick, 2013; Froehlich et al., 2014; Santa & Nurcan, 2016; Örtenblad, 2018; Asher & Popper, 2021) argue that the interpersonal communication and interpersonal competencies of employees and managers can represent major constraints to learning emergence and knowledge sharing or, on the other hand, can provide significant boosts to the development of organizational learning and finally to the development of a learning organization. Although presumably affecting their closer work environment, broader organizational settings and dynamics, overall managerial effectiveness, and ultimately organizational performance (Dulewicz & Higgs, 2004; Chong, 2013; Pichler et al., 2014; Wang et al., 2022), the effects of MIC on various organizational phenomena, including LOC, are still unclear and demand additional in-depth research.

Keeping in mind that SMEs generally have different circumstances and competencies compared to larger enterprises (Jansson et al., 2017), all above stated relationships and effects are especially questionable and specific in SMEs. Namely, SMEs exhibit different managerial characteristics from larger organizations (Ates et al., 2013). For instance, compared with large enterprises, managerial competencies play a much larger role in the performance and competitiveness of SMEs because of the concentration of decision-making power in managers' or owners' hands in an SME environment (Man et al., 2002). Furthermore, SMEs are, on one hand, more flexible, agile, and open to new ideas, while on the other hand, the development of a learning organization requires adequate commitment, attitudes, and management processes over longer periods of time, which young and smaller enterprises often do not have.

According to Bratianu et al. (2020, pp. 155-158), SMEs have even better chances of becoming learning organizations than large enterprises because they develop smaller inertial forces to oppose change (Bratianu, 2015; Kotter, 2008), and due to their increased socialization processes. The same authors emphasize that SMEs have dynamic management and more flexibility in learning development than large enterprises, but they need well-defined managerial philosophy about knowledge as a strategic resource and knowledge dynamics as a driving mechanism for organizational learning. Contrary to large enterprises, many SMEs are unaware or lack understanding of the need for organizational learning and its impact on firm performance, thereby showing inertia and difficulties in adopting the systematic practices necessary for the context of a learning organization (Mahmud & Hilmi, 2014, p. 218). One major disadvantage for SMEs in becoming learning organizations is their limited resources in terms of working capital, people, business skills, and strategic planning and proper management of these resources (Ali, 2004 as cited in Tseng, 2010, p. 42). Tseng (2010) has shown that if an SME has more than 10 years of operation and a larger number of employees, then it will have a higher level of learning organization practices. In addition, the more successful the SMEs are, the higher their level of learning organization practices.

Although the concept of a learning organization has more relevance for developing countries because of its developing effects (Bhaskar & Mishra, 2017), most research on learning in an organization have been conducted in large enterprises in post-industrial societies such as the US, Japan, and Western European countries, while there were only a smaller number of significant empirical studies being conducted in different (transitional) economies, other institutional contexts

and other types of organizations (Tsui-Auch, 2003, p. 201). Furthermore, research in the area of organizational learning and learning organization focuses on large enterprises, while issues relating to these concepts in SMEs are ignored or marginalized (Matlay, 2000, p. 202). Almost 20 years since Matlay's notion (2000), the topic of learning in SMEs, although vital, is still an ignored area of research, as emphasized by Short (2019) in her Editorial for the *Special Issue of Human Resource Development International* devoted to learning in SMEs. On the other hand, although seen as a critical factor for SME's innovation processes and overall performance (Bayarçelik et al., 2014), there are only a limited number of studies on the influence of managerial competencies, especially MIC, on SMEs performance and success in developing countries (Laguna et al., 2012; Sidek & Mohamad 2014; Dzansi et al., 2019). Thus, there is even scarcer empirical research in the literature on the relationship between MIC and LOC in SMEs, especially in transitional economies.

Therefore, the main research questions to which this paper tries to provide answers are the following:

1. What is the role of MIC in the emergence and the development of LOC in the SMEs of a transitional economy?
2. By boosting LOC development in their enterprises, are the managers of SMEs in transitional economies more effective?

In order to provide answers to these main research questions, the following research hypotheses are formulated:

H1 – In a transitional economy's SMEs, MIC has a positive effect on LOC.

H2 – In a transitional economy's SMEs, LOC has a positive mediating role on the effect of MIC on overall managerial effectiveness.

By testing stated hypotheses and providing answers to the main research questions, the author aims in this research to contribute to the existing literature by investigating the dynamics between two widely known and discussed concepts (MIC and LOC) in new, scarcely researched contexts of the transitional economy and its SMEs.

To achieve these research objectives, this paper is organized as follows. In the second section of the paper, the author discusses the most important theoretical contributions related to the concepts of learning organization and MIC, leading to the development of the research model and its operationalization. The third section presents a methodological approach used in the paper, as well as the research sample's main characteristics. In the fourth section, the most important findings of the empirical research are presented and discussed. At the end of the paper, the author outlines the major conclusions, limitations, and future research directions derived from conducted research.

Theoretical background

Learning organization

The contemporary business environment is in a state of continuous change with thorough and profound change ever more frequent. According to Garvin et al. (2008, p. 2), in such conditions, organizations that cultivate tolerance, foster open discussion, think holistically and systematically, and in which employees are skilled at creating, acquiring, and transferring knowledge, will be able to adapt to the unpredictable more quickly than their competitors. The described ideal organization is implied with the concept of learning organization: an organization that facilitates the learning of all its members and continuously transforms itself (Pedler et al., 1991, p. 1). In this type of organization, people continually expand their capacity to create the results they truly desire, new and expansive patterns of thinking are nurtured, collective aspiration is set free, and people continually learn to see the whole together (Senge, 1990a, p. 3). The learning organization has been identified as an ideal model of organization in which learning develops, behavior improves, and a

climate is created that facilitates learning (Gil & Carrillo, 2016; Opengart, 2015; Santa & Nurcan, 2016; Sicilia & Lystras, 2005, as cited in Gil et al., 2019, p. 21).

Although it is one of the most popular concepts in management and organizational studies literature in the last three decades, the importance and value of which has been strongly and continuously emphasized (Santa, 2015), the concept of a learning organization still does not meet the expectations of its founders. The reasons for this can be found in two problems: recommendations that were hard to implement, with a focus on CEOs and executives rather than on lower management where actual organizational work takes place, and in the lack of standards and tools for assessing the progress in achieving the ideal of a learning organization (Garvin et al., 2008, p. 2). Namely, in his research, Phillips (2003) found a significant conflict of perception among CEOs, human resource and learning development managers, line managers, and employees in the importance and extent of the implementation of learning organization principles. These differences point to areas needing remedy if organizations are to develop learning organization behaviors. Similarly, Weldy and Gillis (2010, p. 467) noted that the results of their research also indicated variations in the perceptions of organizational members from different organizations on the adoption of the dimensions of a learning organization. These results indicate that transitioning to a learning organization is a process that takes some time and will not result in equivalent outcomes. Therefore, it is not surprising that, even after 30 years of history, the concept is still in constant development, and its popularity among researchers in organizational studies does not decline.

Difficult to define, conceptualize and practically measure, the concept of a learning organization has been approached and discussed from many different aspects and has been described in one or as a combination of the following four different versions of descriptions: learning at work, climate for learning, organizational learning and learning structure (Örtenblad, 2018, p. 152). While the core construct remains "elusive" (Friedman et al., 2005), it is actively in use as well as promising in its practical and theoretical implications (Hoe, 2019 as cited in Törmänen et al., 2021, p. 3). Consequently, there are multitudes of different conceptualizations of what exactly are the desirable characteristics of an organization with a highly developed learning context, i.e., an organization in which learning takes place continuously and in which newly acquired knowledge is shared across the entire organization, with the ultimate goal of changing and adapting to the business environment. In this sense, the relevant literature differentiates several of the most influential conceptualizations of the learning organization concept and its dimensions—building blocks or disciplines, as labeled by the concept's founder, P. Senge (Table 1).

Listed conceptualizations show many overlaps between proposed dimensions. An organization that aims to be a learning organization needs to be a facilitator (learning at the workplace, tools, and opportunities for learning), a learning unit (organization learns as if it were an individual; organizational memory), and the end process (organization rests upon learning by its employees, group learning, organic structure, learning structure) (Örtenblad, 2018, p. 153). In this sense, as a basis for developing research instruments and conducting the empirical research presented in this paper, the author of this paper follows the widely known conceptualization of Pedler et al. (1991), which is regarded by many relevant authors as one of the most complete (Mak & Hong, 2020).

Managerial interpersonal competencies (MIC)

The previous discussion has emphasized the importance of a number of elements in everyday organizational life for the development of a learning organization, which are closely related to interpersonal dynamics between employees and between employees and managers. Therefore, the approach that managers take in their everyday behavior towards their subordinates, with the aim of achieving defined goals, can be regarded as an important factor in setting the stage for organizational learning to emerge and learning organizations to develop. Among the number of managerial abilities and skills needed to perform an everyday job, the ability to demonstrate supportive behavior, which would be interpreted by the employees as encouraging and

developmental for them, stands out as a potentially very important element in building a stimulating learning work environment.

Table 1. Most influential conceptualizations of learning organization and its dimensions

Author(s)	Learning organization dimensions
Senge (1990b)	mastery of five disciplines needed in order to become a learning organization: (1) system thinking, (2) personal mastery, (3) mental models, (4) building shared vision, and (5) team learning.
Pedler et al. (1991)	eleven areas through which learning organization occurs: (1) learning approach to strategy, (2) participative policymaking, (3) informing, (4) formative accounting and control, (5) internal exchange, (6) reward flexibility, (7) enabling structures, (8) boundary workers as environmental scanners, (9) intercompany learning, (10) learning climate, and (11) self-development for everyone.
Watkins & Marsick (1993)	seven dimensions of learning organization: (1) leadership for learning, (2) system connection, (3) embedded system, (4) continuous learning, (5) dialog and inquiry, (6) empowerment, and (7) team learning.
Goh (1998)	five strategic building blocks of learning organization: (1) clarity and support for mission/vision, (2) transfer of knowledge, (3) shared leadership and involvement, (4) an experimenting organizational culture, and (5) teamwork and cooperation, supported by two major supporting foundations: (1) organization design that supports learning, and (2) employee competencies and knowledge acquisition.
Garvin et al. (2008)	three building blocks: (1) a supportive learning environment, (2) concrete learning processes and practices, and (3) leadership behaviors.
Farrukh & Waheed (2015)	five critical factors which must be present in the organization to become a learning organization: (1) innovation, (2) facilitative leadership, (3) information sharing, (4) self-development, and (5) empowerment.
Santa & Nurcan (2016)	eleven domains of learning organization conceptual model: (1) learning, (2) strategy, (3) vision, (4) culture, (5) power, (6) politics, (7) structure, (8) technology, (9) processes, (10) leadership, and (11) change.
Shin et al. (2017)	five critical elements and organizational processes central to the development of a successful and sustainable learning organization: (1) establishing and communicating a clear sense of direction and purpose, (2) empowering employees at all levels, (3) accumulating and sharing internal knowledge, (4) gathering and integrating external information, and (5) challenging the status quo and enabling creativity.
Serrat (2017)	four subsystems or drivers of a learning organization: (1) organization, (2) people, (3) knowledge, and (4) technology.
Örtenblad (2018)	four aspects of learning organization (conceptualization): (1) learning at work, (2) climate for learning, (3) organizational learning, and (4) learning structure.
Gil et al. (2019)	four basic dimensions of learning organization: (1) leadership, (2) culture, (3) structure, and (4) opportunities for learning.

Initiated primarily by McClelland in the 1970s through the concept of the competency, nowadays competencies are seen as characteristics of people that differentiate performance in a specific job or role (Kelner, 2001; McClelland, 1973), a measurable pattern of knowledge, skills, abilities, behaviors, and other characteristics (KSAOs) that differentiate high from average performance (Wu & Lee, 2007, p. 500). According to Boyatzis (2008, p. 6), competency is defined as a capability or ability, a combination of related but different sets of behaviors organized around an underlying construct, called intent. When it comes to managers and leaders, the same author (2006, p. 124) emphasizes that competencies have been shown to differentiate outstanding managers and leaders from their less effective counterparts. In this sense, managerial competencies are activities, knowledge, skills or attitudes, and perhaps also personal characteristics, necessary to improve management performance (Martina et al., 2012, p. 132).

For decades, organizations, in their effort to become high-performing, and researchers, in their effort to understand and conceptualize this concept, have both been trying to identify a set of managerial

competencies that successful managers should possess. Relevant literature is overwhelmed with proposed various competency models that try to list a desirable set of managerial competencies. Research published over the 30 years shows that outstanding managers appear to require the threshold clusters of competencies (expertise and experience, knowledge, an assortment of basic cognitive competencies) and the clusters of competencies differentiating outstanding from average performers (cognitive competencies, emotional intelligence competencies, and social intelligence competencies) (Boyatzis, 2008, in Martina et al., 2012, p. 132). Furthermore, Chong (2013, p. 345) emphasizes that managers must possess a range of personal competencies as well as task-specific competencies for effective job performance (Bergenhengouwen, 1996), supplemented with the ability to effectively manage the varying perceptions and expectations of others, i.e., social interaction competencies and performance. In this sense, Wang et al. (2022) emphasize that interpersonal competencies are particularly crucial in contemporary business environments as they contribute significantly to effective social interactions and functioning in organizations. In accordance, Katz's classification (1955)—even after more than 60 years still one of the most influential classifications of desirable managerial competencies—differentiates managerial competencies into three general domains. All three domains—conceptual, interpersonal, and technical—are necessary to a different extent on all levels of management hierarchy. In this regard, and building upon Katz's work, Dulewicz and Higgs (2004) emphasize that a large number of authors have identified four categories of managerial competencies: cognitive, behavioral, emotional, and motivational.

MIC is undoubtedly critical for effectively managing and leading others and to get things done in organizations (Pichler et al., 2014). As a generic type of competency, MIC is applicable to all levels of management and is transferrable between organizations and across industries (Mencel et al., 2016). Relevant studies show that this group of competencies, compared to the other two (conceptual and technical), are very important, if not the most important for managerial effectiveness, especially for leadership effectiveness (Dulewicz & Higgs, 2004). MIC refers to competence demonstrated toward subordinates and peers, in terms of communication, forming and maintaining relationships, and showing concern for the feelings and desires of others (Kaiser et al., 2011, p. 82). As a combination of self-managing, supporting, motivating, teamwork, communication, leadership, listening, empathy, and managing conflict (Beenen & Pichler, 2016; Huerta et al., 2021), these competencies also stand out as inevitable elements in modifying employees' perceptions, standpoints, and interactions with other members of the organization, leading to the removal of learning-related constraints and consequently to the emergence of learning.

In developing research instruments and conducting empirical research, the author of this paper chose to build on previously mentioned conceptualizations and their propositions of various aspects of MIC.

Methodology

In order to provide answers to the main research questions, empirical research was conducted. A specially designed questionnaire was used as the research instrument. Apart from the introduction section, with questions related to demographic and control variables, the questionnaire contained two sections related to the main research constructs. A widely recognized conceptualization of learning organization by Pedler et al. (1991) served as a foundation for questions related to LOC (section 1). Section 2 of the questionnaire, related to MIC, was based on the relevant literature's most important theoretical contributions (discussed influential conceptualizations). An additional question related to the superordinate manager's overall effectiveness was also included at the end of the questionnaire. All questions related to the researched constructs were in a form of closed-type questions with Likert's 5-point scale.

The empirical research encompassed 87 employees and managers from 21 Croatian SMEs (up to 250 employees). A convenience sampling strategy, based on the availability and willingness of SMEs

to take part in the research was implemented. Upon request to the SMEs, and received approvals, the questionnaires were sent for completion to employees and managers of SMEs. SME employees and managers needed to provide answers to questions about the learning context in their enterprises and the behavior and effectiveness of their supervisors. For the collected data to be included in the final research sample, a general requirement was that at least one manager and at least two regular employees per SME fill-out the questionnaire entirely. On average, 1.38 managers and 2.76 employees completed the entire questionnaire and returned it. Collected data were enrolled and processed in SPSS 23.0, which also, together with Microsoft Excel and Microsoft Visio, served as a tool for presenting obtained research results.

As Likert-type scales were used, Cronbach's Alpha coefficient for internal consistency and reliability was calculated, as suggested by Gliem and Gliem (2003, p. 88), and reported in Table 2. Cronbach's Alpha coefficients are above .7, and are therefore acceptable, according to George and Malery (2003, p. 231) and Nunnally and Bernstein (1994). Hence, items and scales used in the empirical research are consistent measures for the concepts of LOC and MIC.

Table 2. Reliability statistics (Cronbach's Alpha) for measurement scales (N=87)

	Number of items	Cronbach's Alpha	Interpretation
Learning organization characteristics	15	.926	Excellent
Managerial interpersonal competencies	6	.909	Excellent

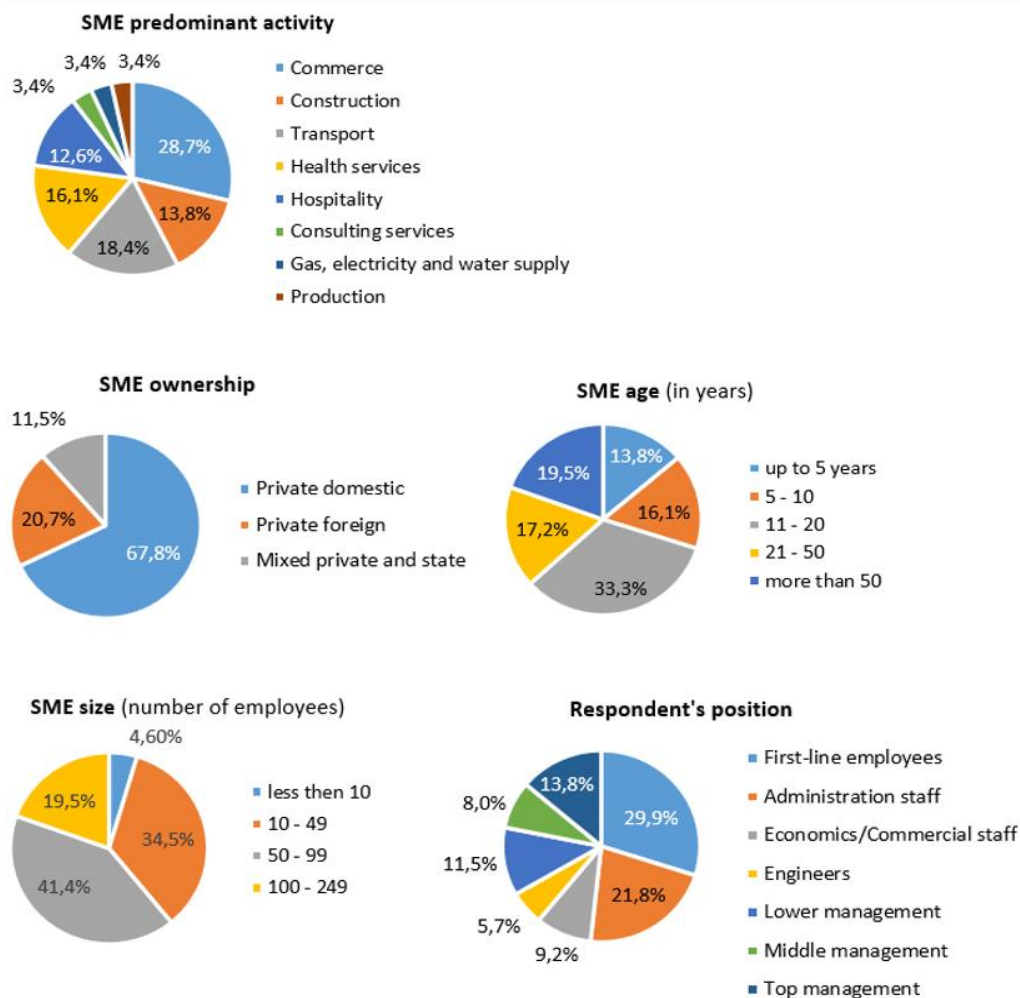


Figure 1. Characteristics of the research sample (N=87)

All researched enterprises in the research sample (Figure 1) fall into the category of SMEs, according to the definition by the European Commission (EC, 2003). Respondents from enterprises with 10 to 49 employees and those with 50 to 99 employees together account for three-quarters of the research sample (34.5% and 41.4%). As expected, larger medium-sized enterprises (from 100 to 250 employees) have a smaller share in the research sample (19.5%), whereas micro-enterprises (with less than 10 employees) account for only 5% of the research sample. Almost all SMEs were privately owned (88.5%) and predominantly domestically privately owned (67.8%). Commerce is the predominant activity of SME that is most present in the research sample (28.7%), followed by transport (18.4%) and health services (16.1%). SMEs that are 11–20 years old stand out with 33.3% of respondents in the sample, whereas the rest of the sample is in favor of older SMEs (above 20 years old, 36.7%), compared to those younger than 10 years (29.9%). Finally, respondents from the research sample occupy all types of jobs in the SMEs, from first-line employees (29.9%), administration staff (21.8%) to various levels of management hierarchy (33.3%).

Findings

MIC in researched SMEs

Presentation of the most important results starts with descriptive statistics for the main research constructs—MIC and LOC. In this sense, Figures 2 and 3 show the mean values for MIC. MIC in SMEs is at a moderate to a high level of development (3.61), and at a slightly higher level in small enterprises (3.74), compared to the same competencies in medium-sized enterprises (3.53). The results just presented indicate that MIC is at a higher level in enterprises that are smaller. The same can be said for all building dimensions—that is, specific MIC, which is all at a higher level of development in small enterprises, compared to the same dimensions in medium-sized enterprises. This is especially true for MIC of goals, communication, and conflict resolution, where these differences in mean values between small- and medium-sized enterprises are the largest. The MIC that are on the relatively lowest level (overall and in both size-types of enterprises) are motivation and self-assessment (3.47–3.61; 3.49–3.61), while goals and conflict resolution are developed the most (3.59–3.86; 3.57–3.83).

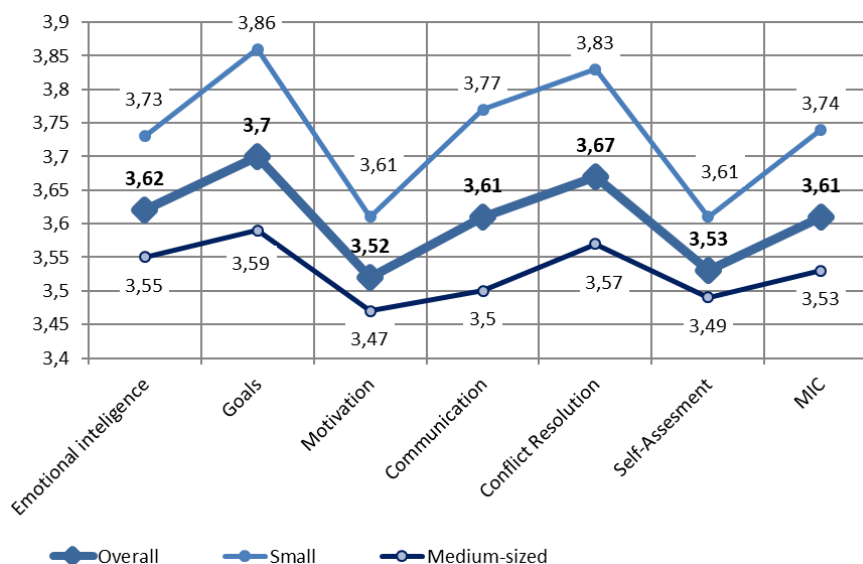


Figure 2. Mean values of MIC (dimensions and total) (N=87)

A closer look at MIC in SMEs (Figure 3) offers some additional insights. MIC vary in their development across various levels of management. In small enterprises, these competencies are the highest on the top and lower management levels, whereas, in larger (medium-sized) enterprises, the situation is opposite—that is, competencies are the highest on the middle management level.

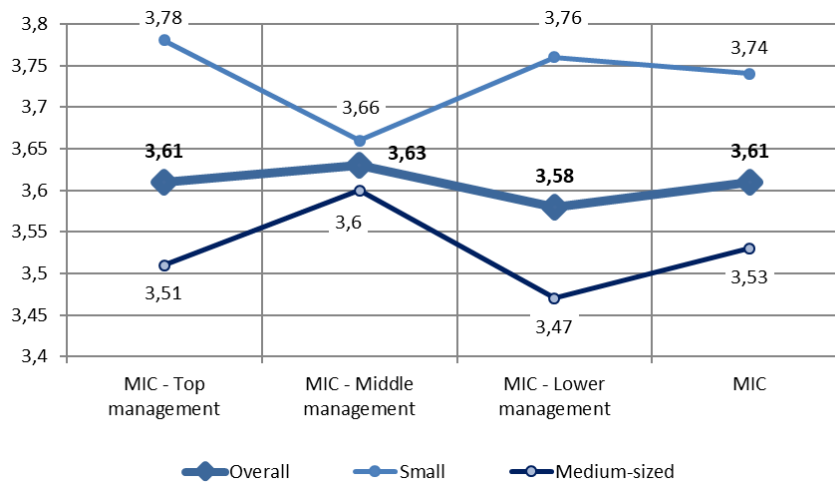


Figure 3. Mean values of MIC across levels of management (N=87)

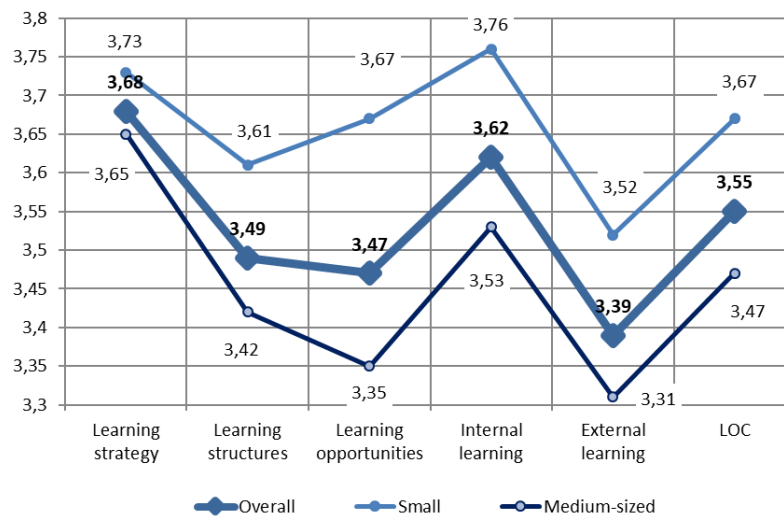


Figure 4. Mean values of LOC (dimensions and total) (N=87)

LOC in researched SMEs

Enterprises that are smaller will have an initial advantage in achieving the kind of organizational arrangements and philosophy that a learning organization requires. Results from Figure 4 speak in favor of this tendency by illustrating the extent to which researched SMEs have achieved that ideal type of organization. The overall level of development of the learning organization in the researched SMEs is at a moderate level (3.55), with small-sized enterprises closer to the high level of development of the learning organization (3.67), compared to medium-sized enterprises (3.47). These results suggest that small-sized enterprises are better at striving to become a learning organization. The characteristics of the learning organization that are developed the most, overall and in both sizes of enterprises, are learning strategy (3.68) and internal learning (3.62), while external learning is a characteristic that is at the lowest level of development (3.39). When comparing small- and medium-sized enterprises, the biggest difference is in learning opportunities (3.67 vs. 3.35), which favor small-sized enterprises. On the other hand, learning strategy is a characteristic that is at a very similar level of development in both enterprise sizes (3.73 vs. 3.65).

The relationship between MIC and LOC in researched SMEs

MIC is generally related to the characteristics of the work environment. Thus, LOC, as a part of the overall work environment, should be related to the level of development of these competencies and play a role in their impact on other organizational characteristics and phenomena. The initial correlation results (Table 3) indicate the existence of a strong positive relationship between these two constructs ($r > .7$; $p < .01$). LOC in researched SMEs does vary significantly due to variations in MIC of the same SMEs. This conclusion is valid for mutual relationships between all constituting dimensions of both constructs, however with moderate to strong relationship intensities.

Table 3. Correlation results between MIC and LOC (N =87)

Dimensions	1	2	3	4	5	6
Emotional intelligence	.595**	.575**	.419**	.483**	.623**	.648**
Goals	.579**	.572**	.421**	.519**	.625**	.651**
Motivation	.642**	.657**	.384**	.469**	.625**	.666**
Communication	.601**	.719**	.635**	.630**	.672**	.778**
Conflict Resolution	.425**	.582**	.397**	.541**	.609**	.616**
Self-Assessment	.570**	.537**	.352**	.427**	.593**	.599**
Managerial interpersonal competencies (MIC)	.686**	.731**	.522**	.615**	.747**	.794**
MIC – Top mgmt	.686**	.676**	.553**	.620**	.746**	.785**
MIC – Middle mgmt	.593**	.667**	.497**	.517**	.634**	.699**
MIC – Lower mgmt	.575**	.636**	.365**	.524**	.640**	.662**

1 - Learning strategy; 2 - Learning structure; 3 - Learning opportunities; 4 - Internal learning; 5 - External learning; 6 - Learning organization characteristics (LOC);

* $p < .05$; ** $p < .01$

Additional confirmation of the existence of a relationship between the two constructs was further provided by a K-means cluster analysis, which grouped the research sample into two clusters according to the values of MIC (Table 4). In cluster 1, characterized by high values for MIC, there are also high levels in the development of LOC; however, in cluster 2, characterized by moderate values for MIC, there are also moderate levels of development for LOC. The biggest differences in the mean values for the development of LOC between these two clusters are in the dimensions of internal and external learning. The smallest difference is in the dimension of learning opportunities.

**Table 4. Mean values of LOC in two different clusters
(according to K-means cluster analysis by MIC) (N =87)**

K-means cluster analysis	Cluster 1	Cluster 2
N	53	34
Valid	87	
Missing	0	
	Final cluster centers	
Emotional intelligence	4.07	2.92
Goals	4.14	3.01
Motivation	3.97	2.83
Communication	4.04	2.93
Conflict Resolution	4.11	2.99
Self-Assessment	3.96	2.85
Managerial interpersonal competencies (MIC)	4.05	2.92
	Mean values	
Learning strategy	4.01	3.16
Learning structure	3.96	3.09
Learning opportunities	3.71	3.14
Internal learning	3.82	2.72
External learning	3.91	2.80
Learning organization characteristics (LOC)	3.89	3.01

The results presented in Tables 3 and 4 provide valid confirmation that LOC in SMEs, as a part of the overall work environment, are closely related to the existing MIC. This particularly can be said for

MIC at the top management level, which of all three levels of management has the strongest relationship with LOC.

Another important research question that this paper attempts to answer is the effects of the mentioned interplay among MIC and LOC on managerial effectiveness. In this sense, a mediation analysis was conducted to test the potential positive mediating role of LOC in the effect of MIC on managerial effectiveness (Figure 5, Table 5). The results shown in Figure 5 suggest that MIC directly affects managerial effectiveness ($b = .39, p < .05$). There is a similar effect of the LOC on managerial effectiveness ($b = .37, p < .01$), which shows how much the learning context in an organization contributes and helps managers achieve their defined goals. On the other hand, MIC also strongly affects the learning context, i.e. the development of LOC ($b = .76, p < .01$). With all this in mind, the overall effect of MIC on managerial effectiveness through LOC is significantly higher ($b = .67, p < .01$), compared to the direct effect of the mentioned MIC on managerial effectiveness. In other words, the mediating effect of the LOC in the overall effect of MIC on managerial effectiveness is very significant ($b = .28$).

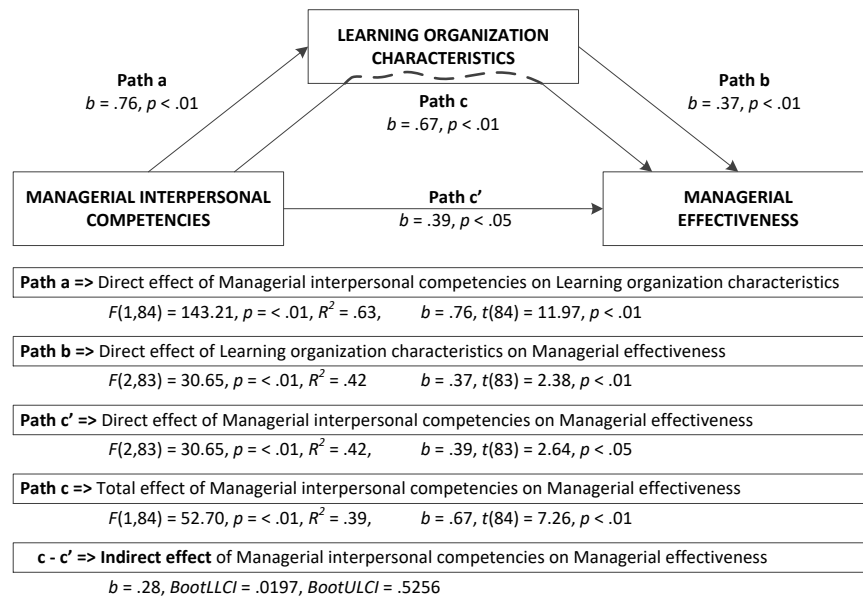


Figure 5. The interplay between MIC and LOC and their effects on managerial effectiveness (PROCESS mediation) (total) (N=86)

Overall, the results presented in Tables 3 and 4, and especially those in Table 5 and Figure 5, lead to the conclusion that MIC has a strong effect on LOC and have, through the mediating role of LOC, even stronger effect on overall managerial effectiveness, thereby confirming the H1 and H2 hypotheses of this paper.

When considering the mediating roles of specific dimensions of LOC in the effect of MIC on managerial effectiveness, similar conclusions apply, but only for some aspects of the LOC (Table 5). All LOC dimensions are under the strong influence of MIC ($.52 < b < .99, p < .01$), and of all of them, the learning strategy has the strongest effect on managerial effectiveness ($b = .42, p < .01$), followed by internal learning ($b = .29, p < .05$). Thus, these two dimensions of LOC do play statistically significant mediating roles in the effect of MIC on managerial effectiveness, with learning strategy having a stronger mediating role ($b = .30$), compared to internal learning ($b = .21$). The remaining dimensions of LOC do not affect managerial effectiveness ($p > .05$) and therefore do not play a (statistically) significant mediating role in the effect of MIC on managerial effectiveness.

Conclusions, limitations, and future research directions

Empirical research conducted in this paper provided answers to posted research questions, thus accomplishing the defined research objectives. In this sense, empirical research has provided a number of insights into the relationship between MIC and LOC in a transitional economy's SMEs, as well as into the mediating role of LOC in the effect of MIC on managerial effectiveness in those SMEs. By offering mentioned insights, this research represents a contribution in fulfilling the research gap on mutual dynamics of MIC and LOC, and their effects on managerial effectiveness, especially in the contexts of the transitional economy and SMEs (as emphasized by Matlay, 2000; Tsui-Auch, 2003; Short, 2019). Additionally, by collecting input on LOC from various levels of organization (regular employees and managers), this paper presents an additional contribution to relevant literature (Weldy & Gillis, 2010).

Table 5. The interplay between MIC and LOC and their effects on managerial effectiveness (ME) (PROCESS mediation) (dimensions) (N=86)

Mediation models' paths		Sub-models' (Paths) summaries	Effects
MODEL: MIC => Learning strategy (LStg) => ME			
Path a	Direct effect of MIC on LStg	$F(1,84) = 74.55$, $p < .01$, $R^2 = .47$	$b = .71$, $t(84) = 8.63$, $p < .01$
Path b	Direct effect of LStg on ME	$F(2,83) = 36.83$, $p < .01$, $R^2 = .47$	$b = .42$, $t(84) = 3.64$, $p < .01$
Path c'	Direct effect of MIC on ME	$F(2,83) = 36.83$, $p < .01$, $R^2 = .47$	$b = .38$, $t(84) = 3.16$, $p < .01$
Path c	The same as in overall model shown on Figure 5		
c - c'	Indirect effect of MIC on ME	$b = .30$, $BootLLCI = .1334$, $BootULCI = .4702$	
MODEL: MIC => Learning structure (LStc) => ME			
Path a	Direct effect of MIC on LStc	$F(1,84) = 31.45$, $p < .01$, $R^2 = .27$	$b = .52$, $t(84) = 5.61$, $p < .01$
Path b	Direct effect of LStc on ME	$F(2,83) = 27.74$, $p < .01$, $R^2 = .40$	$b = .16$, $t(84) = 1.45$, $p = .15$
Path c'	Direct effect of MIC on ME	$F(2,83) = 27.74$, $p < .01$, $R^2 = .40$	$b = .59$, $t(84) = 5.48$, $p < .01$
Path c	The same as in overall model shown on Figure 5		
c - c'	Indirect effect of MIC on ME	$b = .08$, $BootLLCI = -.0635$, $BootULCI = .2084$	
MODEL: MIC => Learning opportunities (LOpp) => ME			
Path a	Direct effect of MIC on LOpp	$F(1,84) = 106.34$, $p < .01$, $R^2 = .56$	$b = .99$, $t(84) = 10.31$, $p < .01$
Path b	Direct effect of LOpp on ME	$F(2,83) = 27.18$, $p < .01$, $R^2 = .40$	$b = .12$, $t(84) = 1.19$, $p = .24$
Path c'	Direct effect of MIC on ME	$F(2,83) = 27.18$, $p < .01$, $R^2 = .40$	$b = .55$, $t(84) = 3.94$, $p < .01$
Path c	The same as in overall model shown on Figure 5		
c - c'	Indirect effect of MIC on ME	$b = .12$, $BootLLCI = -.0969$, $BootULCI = .3372$	
MODEL: MIC => Internal learning (IL) => ME			
Path a	Direct effect of MIC on IL	$F(1,84) = 96.60$, $p < .01$, $R^2 = .53$	$b = .74$, $t(84) = 9.84$, $p < .01$
Path b	Direct effect of IL on ME	$F(2,83) = 30.11$, $p < .01$, $R^2 = .42$	$b = .29$, $t(84) = 2.24$, $p < .05$
Path c'	Direct effect of MIC on ME	$F(2,83) = 30.11$, $p < .01$, $R^2 = .42$	$b = .46$, $t(84) = 3.94$, $p < .01$

		$p < .01$, $R^2 = .42$	$t(84) = 3.43$, $p < .01$
Path c	The same as in overall model shown on Figure 5		
c – c'	Indirect effect of MIC on ME	$b = .21$, $BootLLCI = .0207$, $BootULCI = .4282$	
MODEL: MIC => External learning (EL) => ME			
Path a	Direct effect of MIC on EL	$F(1,84) = 51.14$, $p < .01$, $R^2 = .38$	$b = .86$, $t(84) = 7.15$, $p < .01$
Path b	Direct effect of EL on ME	$F(2,83) = 26.07$, $p < .01$, $R^2 = .39$	$b = -.02$, $t(84) = -.20$, $p = .85$
Path c'	Direct effect of MIC on ME	$F(2,83) = 26.07$, $p < .01$, $R^2 = .39$	$b = .69$, $t(84) = 5.81$, $p < .01$
Path c	The same as in overall model shown on Figure 5		
c – c'	Indirect effect of MIC on ME	$b = -.01$, $BootLLCI = -.1699$, $BootULCI = .1362$	

MIC in the small enterprises of transitional economies is at a higher level, compared to that of medium-sized enterprises. The same can be said for all building dimensions of MIC, especially for the MIC dimensions of goals, communication, and conflict resolution. Managerial jobs, in general, are predominantly oriented toward interacting and communicating with subordinates, peers, and superiors (Pichler et al., 2014), whereas the effective demonstration of MIC, given their nature, is closely related to work environment, close interpersonal contact with subordinates, communication channels, and organizational climate and culture. Therefore, it is not surprising that these competencies are at a higher level in SMEs with fewer employees. Consistent with Man et al. (2002) and Ates et al. (2013), highly influential SME managers have incomparably more opportunities to interact with subordinates and to demonstrate their competencies in smaller SMEs, in which the work environment is characterized by small teams, agility, flexibility, and where the most important values, assumptions, beliefs, performances, and achievements are well known to everyone. Differences in the levels of specific MIC dimensions indicate that SME managers are better at dealing with more formal aspects of their everyday dynamics with subordinates, such as presenting and discussing goals, creating a pleasant and effective communicating atmosphere, and resolving conflict in a win-win fashion. On the other hand, aspects of everyday dynamics with subordinates, which are more challenging for SME managers, are those that demand from them a critical evaluation of their own behaviors and the effects of these behaviors on others.

SMEs in a transitional economy exhibits a significant amount of LOC, leading to the conclusion that their behavior is to some extent comparable to that of a learning organization. In this sense, consistent with Bratianu et al. (2020), small-sized enterprises are better at striving to become learning organizations. Both types of SMEs (small- and medium-sized) put emphasis on the importance of LOC through adequate strategy development, an element that is indispensable as a driving mechanism for SMEs to get close to or to become learning organizations (Bratianu et al., 2020). Confirming the insights of Tseng (2010), Mahmud and Hilmi (2014) SMEs in transitional economies show deficiencies in adopting the systematic practices necessary for developing LOC, and one of the major reasons for this is the limited resources in the form of human resources, finances and time, leading to the overload of SMEs with short-term cash and payment problems (Ates et al., 2013). SMEs do not sufficiently support their orientation toward becoming a learning organization through established structure and systems, culture, and providing internal and external learning opportunities. On the other hand, internal learning is a cornerstone of learning organization development in researched SMEs. This is because it is less system-dependent and is predominantly based on individual learning and the sharing of this learning in teams and groups, thus achieving shared understanding and learning. However, for future learning and growth, research enterprises, especially medium-sized ones, which have much more resources available than small enterprises, need to invest and put in place adequate structure and systems, options, opportunities, and a culture of support, all of which will encourage and facilitate learning on all levels within the SMEs (individual, group, organizational, inter-organizational).

In researched SMEs, where MIC is present and demonstrated at a high level, the work environment tends to be characterized by a substantial existence of the vision of learning organization, opportunities to learn, and structures, mechanisms, and systems that facilitate and support the emergence and continuation of organizational learning. Further, in SMEs in which employees' motives, aspirations, and goals are respected, where critical thinking and reasoning, new ideas, and new ways of seeing and doing things are appreciated and encouraged, there will also be a closer and more people-centric approach to managing. Obtained evidence on MIC's strong effect on LOC in SMEs in a transitional economy expands the knowledge of the manager's role in facilitating employees' learning, the scarcity of which is highlighted by Coetzer et al. (2019). These results are in line with the viewpoints of a number of scholars, such as Argyris and Schön (1974), Edmonson and Moingeon (1998), Marsick (2013), Örtenblad (2018), Asher and Popper (2021). They argue that MIC, on one hand, can represent major constraints and, on the other, can provide a significant boost to learning emergence, knowledge sharing and finally to the development of a learning organization. Furthermore, these results provide additional support for the notion of Bayarçelik et al. (2014) that demonstrated management (including interpersonal) competencies play critical roles in learning and innovation processes and practices in SMEs by promoting the entrepreneurial activity, providing resources, being open-minded, and supporting collaboration. These insights are evident the most when it comes to communication as a dimension of MIC and to the top-management level, in which MIC has the strongest relationships with LOC.

In the context of a transitional economy, the demonstrated MIC in SMEs have a significant effect on overall managerial effectiveness and have an even stronger effect on LOC. Although MIC affects all LOC dimensions, only the learning strategy and internal learning mediate or translate that effect on managerial effectiveness. A well-formulated strategy by SME managers, which emphasizes and supports learning in the entire SME, and internal learning, which is fostered and encouraged by a devoted interpersonal approach of mentioned managers, help these managers to ultimately increase their overall effectiveness. These findings contribute to similar conclusions made by Dulewicz and Higgs (2004), Chong (2013), Pichler et al. (2014), and Wang et al. (2022) on the existence of MIC effects on a closer work environment, broader organizational settings, and dynamics, overall managerial effectiveness and ultimately organizational performance. The mediating effects of these two dimensions of the LOC are strong enough for LOC, in general, to play a significant and strong mediating role in the effect of MIC on overall managerial effectiveness.

The empirical research presented in this paper has several limitations. The first limitation is a relatively small sample size. Additionally, due to the use of a non-probability, convenience-sampling method, obtained results can be prone to volunteer bias. Another important limitation is the cross-sectional design of the research, whereas the results obtained from only one industry could prove to be more valid (Chatzoglou et al., 2011). Finally, although the presented empirical research does offer valuable input on the MIC, LOC, and managerial effectiveness in the transitional economy's SMEs from various organizational levels (regular employees and managers), the same respondents have provided answers on independent and dependent variables, possibly leading to a common-method bias.

With these limitations in mind, it would be useful to conduct similar research on larger sample sizes using a probability-based sampling method. In accordance with Weldy and Gillis (2010), it would be valuable to sustain a multilevel approach while conducting research on SMEs and to collect data on independent and dependent variables from more than one source. Additionally, the longitudinal research design is often emphasized as most adequate for testing and confirming cause-and-effect relationships. All this being said, the following promising future research directions in the context of a transitional economy's SMEs can be emphasized: 1) to provide more evidence on the benefits and costs of SMEs as learning organizations; 2) more endogeneity-free evidence on the effects of LOC on SME's overall performance; 3) insights into the possible pathways that SME can or needs to take in order to get closer to the learning organization; 4) more in-depth research on the role of a manager's emotional intelligence, as one of the key underlying constructs of MIC, for removing the

learning-related barriers of subordinates; and 5) more insights into the role of informal learning in enhancing one's job performance and the overall performance of SMEs.

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