

Management Styles and its Effect On organizational Performance: A leadership Perspective.

“The case of South American’s Industry”.

Jordi Chaparro Gonzalez¹ and Yehia Sabri Nawar²

^{1,2} University of West London,
London, United Kingdom

Abstract

The aim of this research is to try to shed some light in a topic which even being researched several times and by several researchers no clear conclusions have been found. The research begins from a literature review focusing mainly in which are the existent management’s styles and how they possibly affect the employee’s performance, but any empirical study have been able to demonstrate the accuracy of this conclusions. After the research and the data analysis obtained from the surveys it is possible conclude to answers to the question: Doe the management style followed have an effect in the employee’s performance? To achieve this findings there have been used descriptive statistics, a correlation analysis, a regression analysis and. The analysis confirmed that there is a correlation between certain management styles and the employee’s performance, with results that might not be the expected at the very beginning.

Keyword: Leadership, Organisational Performance, South-America, SMEs, Management styles.

1. Introduction

There are different management styles that can affect how the employee’s feelings, their motivation and their performance. After the analysis done in Chapter 4, the key findings showed that even if some of the management styles explained in this chapter should have a bigger influence in the employee’s performance, it does not. Another interesting finding is the fact that the management positions, which according to Judith G. Oakley [1], historically has always been a position occupied by man, in

Grentidem S.A Company is 60% of female managers and 40% of male managers. This fact can be an indicator of a change in this historical trend. On the other hand, the age distribution is the one that could be expected, more than 50% of the managers working for Grentidem S.A had been working for the company more than 10 years and were older than 40 years old demonstrating that loyalty is a quality of the Grentidem S.A managers.

Objectives:

- Asses how strong are the association between leadership and management styles and employee’s performance.
- Evaluate if in case that exist of relationship between management styles and employee’s performance, which is the best styles in order to get the best results.

2. Background

Grentidem S.A, which is known as Public Limited Company in the UK, or GSA as is known in Bolivia is a holding which main activity is to manage the wholes Grentidem different business. Propierty of Quintela family and managed by the executive president (2016) of the Holding Jordi Chaparro José started to develop their activities in Bolivia during the 2001.

Originally the objective of the Spanish holding in Bolivia was to develop a Multicinemas commercial centre taking advantage of the fact that it was an unexploded business in the country, being the first company in start a business with these

characteristics. It is worth to emphasize that on the whole country there were just 13 cinemas and the majority of them used a really old system compared with the European cinemas.

3. Literature review

Bernard M. Bass [2] conceptualized the concept of transactional and transformational leadership styles which included seven factors which he labelled charisma, inspirational, intellectual, stimulation, individualized, consideration, contingent reward, and management-by-exception and laissez-faire leadership. On the last review of this model, Bass noted that although inspirational and charismatic leadership were unique constructs, they were not empirically distinguishable so he reduced his original multifactor to six. This six factors and their operational definitions are: Charisma/inspirational that provides followers with a clear sense of purpose that energize them, is a more ethical model and build identification with the leader and their articulated vision. Intellectual stimulation- gets the employees to question themselves to try new ways of solving problems, encouraging them to question the methods previously used and improve them. Individualized consideration- focuses on understanding of each employee and works continuously to help them to develop to their full potential. Contingent reward- Clarifies what is expected from followers and what they receive if they meet expected levels of performance. Active management-by-exception- which focuses on monitoring task execution for the problems that might arise and correct those problems to maintain current performance levels and increase it. Passive- Avoidant leadership- the objective is to make the employees be able to react only after problems have become serious to take corrective action and this way avoid making decisions at all.

In addition to this six factor models, and based in them, researchers have test eight alternative models which are briefly explained below.

Null model: This model says there is no systematic variance associated with the survey instrument so it is unable to produce consistent structure.

One leadership factor: An individual exhibits or does not exhibit leadership, even that, all the survey respondent are expected to show a general or global leadership factor.

Two correlated factors active vs passive leadership: suggested by Bycio [3] , indicates that a simple factor structure may underlie the surveys, so a new factor has had to be described, named as active vs. passive leadership. Leaders are active while they work to develop their employee's potential using

exchange relationships, stimulate them to think by themselves and inspire them to new heights of performance as well as individual feedback. They become passive-avoidant when they only react to problems to correct them. Two correlative factors: active constructive vs. passive- avoidant leaders: based on the alternative two- factor model explained above, in this one it is expected that all the transformational leadership and transactional contingent reward leadership factors would load on one primary factor, while other items represent corrective and avoidant leadership will load on a second factor. Three correlated factors: transformational vs. transactional vs. passive-avoidant leadership: the first factor comprises all of the transformational components. The second one, is comprised of transactional leadership in the form of contingent reward and active the management-by-exception factor. Both of these transactional factors represent a clear delineation of expectations, enforcements and agreements. For last, the third factor consists of items that tap into leadership that is passive in correcting mistakes. Four correlated factors: transformational vs. contingent reward vs. active management-by-exception vs. passive leadership. The first item is composed of all the transformational components. Transactional contingent reward and management-by-exception leadership comprise two separate factors. The contingent reward factor is represented in terms of constructive and positive exchanges with followers, while the representation of active management-by-exception is represented by a corrective orientation towards exchanges with followers. The leader operates as the monitor of the process. The fourth factor represents a passive and avoidant orientation towards leading others. The leader will just intervene to correct or make decisions. Five correlated factors: laissez-faire vs. transactional. Vs. one transformational leadership factor: A five factor model has emerged in prior research using a pilot version of the survey but with a largely male sample executives according to Howell & Avolio [4] , Howell & Avolio reported evidence for three transactional factors, and a single transformational leadership factor. Six correlated factors: passive vs. management-by-exception vs. contingent reward vs. three transformational factors. This six correlated factors model is based in on Bass's original six factor model that includes intellectual stimulation, individualized consideration, inspirational leadership, contingent reward, management-by-exception(Active only) and passive- avoidant leadership.

Seven correlated factors: laissez-faire vs. passive management-by-exception vs. active management-by-exception vs. contingent reward vs. three

transformational factors. This model is identical to the original six factor model except that the passive management-by-exception and the laissez-faire factor have been retained in separate scales. The seven-factor represents each scale as a distinct and separate factor.

4. Materials and Methods

4.3 Reliability Analysis

In order to test the reliability of the data collected it will be used the popular method based on the Cronbach's Alpha test. Showing a high correlation between every different item indicates that they are measuring the same things with a little merge of error, on the other hand, if there is a low correlation it will indicate that the merge of error is big and the data will not be reliable because the items will not be measuring the same things.

In order to establish which are the acceptance of reliability there are two main different schools that offer slightly different versions of acceptance reliability tests. The one that will be followed in this paper will be the one followed by the researchers Bryman and Bell, Saunders, De vaus [4] who state the following acceptability scale:

Under 0.6 it will instantly rejected, between 0.6 and 0.8 it will be an acceptable correlation, and between 0.8 and 0.95 it will be an excellent correlation. On the other hand, the school lead by the researchers Sekaran and Bougie and Churchill [4] who agreed on the following acceptance scale: under 0.5 the correlation will be rejected, between 0.5 and 0.7 it will be acceptable and 0.7 and 0.95 it will be excellent. As it is shown in figure 4.8 the Cronbach's Alpha for the leadership data is 0.816, which according to the scale followed by researchers Bryman and Bell, Saunders, De vaus with this result the correlation between the items can be classified as a excellent. With this result, it can be said that the data obtained from the analysis is perfectly reliable.

Figure 4.1 Reliability statistics for Leadership data

Cronbach's Alpha	N of Items
.816	36

Researcher: using SPSS

In figure 4.9 the cronbach's Alpha for organizational performance is 0,628, as above the scale classifies the correlation of the items as acceptable meaning that the data is reliable

Figure 4.2 Reliability statistics for organizational performance

Cronbach's Alpha	N of Items
.628	3

Researcher: using SPSS

4.4 Testing the Research Hypothesis

The objective of this section if to test the hypotheses in the form of correlation analysis and a regression analysis.

H1: There is a strong association between following a transactional management style and employee's performance.

H2: There is a strong association between following a transformational management style and employee's performance.

H3: There is a strong association between following a passive-avoidance management style and employee's performance.

4.4.1 Correlation Analysis

On the figure below, it is shown a bivariate-correlation analysis using the Pearson co-efficient and the significance indicator. On the table is possible to see that there is a strong relationship between following a transformational management style (0.04) and the employee's performance there is a strong association between following a transactional management style (0.00) and the employee's performance. Otherwise, this demonstrate that there is a weak correlation between following a passive-avoidance management style and a positive employee's performance.

Figure 4.3

	transformational	transactional	passiveavoidance	performance
transformational	Pearson Correlation	1	.571*	-.018
	Sig. (2-tailed)		.000	.856
	N	100	100	100
transactional	Pearson Correlation	.571*	1	-.008
	Sig. (2-tailed)	.000		.940
	N	100	100	100
passiveavoidance	Pearson Correlation	-.018	-.008	1
	Sig. (2-tailed)	.856	.940	
	N	100	100	100
performance	Pearson Correlation	.286*	.696*	1
	Sig. (2-tailed)	.004	.000	
	N	100	100	100

*. Correlation is significant at the 0.05 level (2-tailed).

Researcher: using SPSS

4.4.2 Regression Analysis

In order to test the existence of an association between the dependent variable, the employee’s performance and the independence variables, a regression analysis is used. Transformational, transactional and passive-avoidance will be tested in the same test.

Figure 4.4

Model	R	R Square	Adjusted R Square	SME Error of the Estimate
1	.719 ^a	.517	.502	448.42

a. Predictors: (Constant), passiveavoidant, transactional, transformational

Researcher: using SPSS

In Figure 4.10 it is shown that there is a relationship between the management styles and the employee’s performance (R= 0.719). Which supports the acceptance of the three hypotheses.

Figure 4.5

Model		Unstandardized Coefficients		Standardized Coefficients	t
		B	Std. Error	Beta	
1	(Constant)	.385	.307		1.256
	transformational	-.188	.098	-.165	-1.908
	transactional	1.013	.110	.793	9.187
	passiveavoidant	.114	.078	.103	1.457

a. Dependent Variable: performance

Researcher: using SPSS

The second regression that analyze the variables tested separately, the Beta value for the Transformational management style (-0.165) is negative where on the other hand Transactional (0.793) and passive-avoidant (0.103). That shows that there is a positive relationship between transactional and passive avoidant management styles and employee’s performance but the table shows that there is no association between transformational management style and employee’s performance.

The last of the tables show the Chi-Square test which is used to examine the relationship between the management styles followed and the gender of the managers that follow these management styles. The results in figure 4.13 below shows that there is an association between the gender of the manager and the management style that they follow (0.888).

Figure 4.6

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	316.395 ^a	224	.000
Likelihood Ratio	198.646	224	.888
Linear-by-Linear Association	8.119	1	.004
N of Valid Cases	100		

a. 261 cells (100.0%) have expected count less than 5. The minimum expected count is .02.

Researcher: using SPSS

5. Discussion

The main purpose of this paper was to research in which way the management styles followed by the managers affected the employee’s performance. For doing that there were some hypotheses lay out which will be analyzed in this section of chapter 5. In conclusion of that testing of the research hypothesis there are some conclusions that can be done.

After collecting the data, it is possible to set up different management levels according with the number of subordinates that they have under their order. So according to the data collected, these are the three main management levels:



Author based in: Abraham H. Maslow (1943) Maslow’s Hierarchy of Needs

6. Conclusion

From all this data analysis that has been done in this section 4, it can be achieved different conclusions. One of them is that the sample presented a good variety of respondents. It was a

fair representation of the Grentidem S.A, but it was even a fairer representation of the employees of the commercial center of Santa Cruz.

The descriptive statistics used to analyze the management styles and how it affects the employee's performance showed the majority of the sample population were female managers (60%) while 40% of them were male managers. On the other hand, the reliability showed to be excellent. For last, the results of the hypothesis testing showed that there is a relationship between transactional management style and the employee's performance as well as the passive-avoidance management styles that also shows to give good results in terms of employee's performance. On the other hand, it is shown that transformational management styles is not associated with the employee's performance. All this conclusions are supported by correlation analysis and regression analysis.

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