MANAGEMENT STYLE AT MARKET ORIENTATION

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Abstract

The paper is focused on determination of new knowledge about management style and market orientation. Management style is closed to strategic management of the company, for example Kourdi (2009) distinguishes seven different approaches to strategic management according to management style and personality of the manager. Thus it’s possible to say that nowadays exist neither unified theory nor practice of management style and formation and process of strategic management. Market orientation agrees that market orientation enables managers to focus on external and internal elements and activities, which influence the activity of a company leading to its performance increase. Management style is one of important part of internal barriers of market orientation. The objective of the paper is to summarize and analyse influence of management style approach on market orientation. The data are noticed in some research studies and are filled about results of “Research on implementation on market orientation in Hi-Tech Firms” (GA 402/07/1493). Description, analysis, comparison and synthesis are the methods used to prepare this paper. The questionnaire New Method with 7-point Likert scale constituted by Tomášková (2005) was used for the research.

Keywords: market orientation, management style, barriers of market orientation, implementation of market orientation, research, hi-tech companies.

JEL Classification: M10, M30, M31

Introduction

This paper continues with analysis the relationship between market orientation and management. Last year, we have point to relationship between market orientation and strategic management. Market orientation does not function without strategic management. Strategic management is one very important part of principle of market orientation. (Tomášková & Kopfová, 2010)

Nowadays, we show the situation from different point of view. We analyses management styles and try to find theoretical approach which is the best one for implementation of market orientation. Management style is closed to strategic management of the company, for example Kourdi (2009) distinguishes seven different approaches to strategic management according to management style and personality of the manager. Also Mintzberg & Waters (1985) or Kim & Mauborgne (2009) refer to relation of management style to selection and implementation of strategy. Management style is one of seven internal aspects which conduce to successful organization; this aspects are known as “The McKinsey 7S Framework” and strategy is one of these aspects too (Peters & Waterman, 1982).

The objective of the paper is to summarize and analyze influence of management style approach on market orientation. This theoretical approach is filled by the results of research at hi-tech firms. Data are noticed in some research studies and are filled about results of “Research on implementation on market orientation in Hi-Tech Firms” (GA 402/07/1493). Description, analysis, comparison and synthesis are the methods used to write this paper. It was used questionnaire New Method with 7-point Likert scale constituted by Tomášková (2005) for the research.

Management style

The most common mentioned and used types of management styles are autocratic, participative and democratic by Lewin, K., Lippitt, R. and White, R. K. (1939). In autocratic management style, a manager dictates orders to his subordinates and makes decisions without any consultation. Decision made is quick and work is usually completed on time. The manager likes to control the situation the organization is in. However, autocratic management style can decrease motivation and in longer term increase staff turnover. In participative management style, sometimes named also consultative management style, a manager seeks to consult other people before making a decision or before implementing a decision. The manager often takes the inputs of his/her staff and modifies them into his/her decision. Democratic management style is characterized by empowerment. Individuals and teams are given the responsibility to make decisions, usually within a given framework. The team is then responsible for the decisions that it chooses to make. Thus, employees feel a sense of belonging and are more motivated to fulfil the decision, whereas both improve the...
efficiency. On the other hand, democratic management style can slow down the decision-making, because of the consultations with the staff.

Tannenbaum & Schmidt (1958) created “The Continuum Approach” in which they classified seven types of management style on a continuum from autocratic to democratic. On the authoritarian side of the continuum the manager has almost full freedom to make decision. As it moves across the continuum it can be seen greater opportunities for subordinates to contribute to decision-making process.

One of the very first theories related to management style – managerial grid – was proposed by Blake & Mouton (1964). There are located five management styles on a grid which is based on two behavioural dimensions – concern for people and concern for production. Production or task behaviours are critical to goal accomplishment while relationship behaviours are critical to motivation. Ideal style by Blake & Mouton combines both elements at high level.

A “3D Leadership model” developed by Reddin (1970) is shown on Figure 1. It is similar to managerial grid. This approach takes as its starting-point the same two basic components like Blake & Mouton’s approach – “task orientation” and “relationship orientation”. From these components Reddin derives four basic types of management styles – integrated type with high level of both orientations, related type with high relationship orientation but low task orientation, dedicated type with low relationship orientation but high task orientation and separated type which is low in both task and relationship. However, Reddin argues that no one of these styles is necessarily more effective than the others. Each may be equally effective depending on the situation in which it is exercised. When used effectively, these four styles could be named – benevolent autocrat, developer, bureaucrat and executive. When used less effectively, than these are autocrat, missionary, deserter and compromiser.

Nowadays the social oriented approaches in management are quickly spread out. They firstly appeared at the beginning of the nineties, so in the period which is said to be full of change (Gibson, 1997). The social oriented approaches are enormously focused on the human capital. Not only that they are highly customer oriented, they are also oriented to the employees and tightly connected with the knowledge.

The theorists of management agree that there is not one best management style. Each of existing management styles has its own strengths and weaknesses. Selection and usage of the particular management
style depends especially on the personality and abilities of the manager, on the subordinates, on the type of executed work and the outer conditions (e.g. in the time of crisis can the autocratic management style be useful). Nowadays, the democratic management style or at least participative management style are recommended to be applied. It was approved that appliance of the autocratic management style indeed leads to a short-term profits, but at the expanse of long-term profitability – which is more often achieved in the organizations with the democratic management style.

Market orientation

Market orientation is based on marketing conception. The first studies about market orientation emerged twenty years ago. The first authors Kohli & Jaworski (1990) and Narver & Slater (1990) described market orientation as a method to contribute better managing of a company. They offered the first definition of market orientation; methods for its measuring; and investigated impact market orientation on business performance. Approach to definition of market orientation, measuring of market orientation and its relationship on business performance is changing during the period, however the main principles are still the same – a lot of researches confirmed positive influence on business performance. The last attitude towards market orientation agree that market orientation enables managers to focus on external and internal elements and activities, which influence the activity of a company leading to its performance increase.

There are some attitudes which show the way how to increase business performance. Market orientation is one of them. It was demonstrated by many researches that market orientation has positive impact on business performance. However, implementation of market orientation is not easy and does not need to be successful. The reason is a lot of barriers which impede to implement market orientation.

Barriers of market orientation are divided into three areas along the environment which are connected with. From this reason, barriers of market orientation are divided into external, branch and internal environment. Barriers connected with external environment are very difficult eliminated by a company. There are state, technology and economy. (Tomášková, 2009)

The specific chapter creates economic criminality. Corruption plays very important role (Koprlová, 2010). Barriers connected with branch environment are the all stakeholders of a company. We have defined the main four stakeholders. Customers rank the first position, the next are competitors, suppliers and distributors if the products of a company are offered by distributors. Barriers of internal environment are connected with personality of manager, interfunctional coordination and employees.

Management style is closed with personality of manager and his knowledge and experience. Management style has high impact on interfunctional coordination and employees. Managers influence orientation of all company and have significant position to change all seven prerequisites of market orientation. Those are creativity, sense of risk, competence, responsibility, long-term horizon, planning and monitoring filling of goals (Tomášková, 2009).

Internal marketing is one of main important impact on market orientation. The aim of internal marketing is to motivate employees toward customer oriented performance by an active marketing-like approach, where a variety of activities are used internally in an active and coordinated way (Grönroos, 1990). Otherwise, very similar approach is mentioned by Christopher, Payne and Ballantyne (1991). The approach is based on relationship marketing. That means maximizing the lifetime value of desirable customers and customer segments. Relationship marketing is the key of successful business. (Šimberová, 2008)

Figure 2 shows impact of management style on business performance. Management style has influence on internal marketing and external marketing. External marketing influences customers of a company and public relationship as well. Result of the best practices of internal marketing is good motivated and satisfied employee. Result of best practices of external marketing is loyal and satisfied customer. Customer is influenced by promotion of a company, by relationship with employees of a company and by public relation. Employees satisfaction and customers satisfaction has positive impact on business performance.
From this reason, implementation of market orientation approach is not easy. Management style plays significant role in implementation of market orientation. We will discuss about management style in hi-tech firms in the next chapter.

Results

The relationship between management style and market orientation was probed through the use of questionnaire constituted by Tomášková (2005) along the “New Method” with 7-point Likert scale. This questionnaire was realized for measurement of market orientation and included also statements about management style. Whole questionnaire was measured of internal consistency with Cronbach alpha and was used for measuring market orientation at hi-tech firms in the Czech Republic.

The surveyed sample consisted of firms classified as hi-tech companies according to the CZ NACE codes utilized by, e.g. the Czech Ministry of Industry and Trade. For the purposes of the research project, manufacturing companies operating mainly in mechanical and electrical engineering sectors (NACE codes 3x xxx) were selected. The database of the Kompass Czech Republic Company was used to make the selection.

A total of 450 companies were contacted and asked to fill in a questionnaire. The data harvested from the questionnaires were converted to electronic format and then the data were analyzed by standard statistical methods as well as other sophisticated techniques. Incomplete questionnaires were discarded. Thus, data from only 88 firms were used for further processing.

We have selected six statements of all from the questionnaire which highly respond with management style. The results related to these statements which were gathered from the research are shown in Table 1.

Generally, value of all statements is very high; every statement reaches value higher than 5. Reason could be that the research was realized at hi-tech firms. Hi-tech firms are famous with some of specific characteristics. First, to be more innovated is typical for hi-tech firms. Innovation needs more activities of all of employees. Every employee needs to be high motivated and need team spirit. Second, a lot of employees of hi-tech firms have university degree and they have the ability to gain a more information. That characteristic helps to find new ways and solve problems. Third, it is probable that the main manager studied the same or similar specialization like the employees. From this reason, the way of thinking is closed with
their workers. Other side, workers understand decisions of the main managers better. This type of manager does not have formal authority; he needs to gain more informal authority in comparison with other branches. Fourth, hi-tech firms produce very specialized products. It is necessary to have high quality of these products. Simultaneously, products of hi-tech firms have to fulfill new needs, wishes and trends. Quantity does not play so significant role.

Table 1. Average values of statements related to management style
(0 – highly disagree, 7 – highly agree)

<table>
<thead>
<tr>
<th>Statement in questionnaire</th>
<th>Mean</th>
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<tbody>
<tr>
<td>Every worker knows his competences and responsibilities.</td>
<td>5.83</td>
</tr>
<tr>
<td>Every worker knows the main company targets and knows how to contribute to them.</td>
<td>5.68</td>
</tr>
<tr>
<td>We pay attention to further employee trainings.</td>
<td>5.74</td>
</tr>
<tr>
<td>We prefer team work and mutual cooperation.</td>
<td>5.97</td>
</tr>
<tr>
<td>We regularly hold meetings, where we discuss about our successes, inform on new opportunities and threats, set new tasks and discuss with all lower-level managers.</td>
<td>5.51</td>
</tr>
<tr>
<td>Relationship between superiors and subordinates cannot be defined as very strict and formal.</td>
<td>5.29</td>
</tr>
</tbody>
</table>

Along to the results, management style of hi-tech firm aims to relations or people behaviours. One of questions related to further employee trainings. Respondents stress to gaining of knowledge and skills. This approach is typical social oriented which is the main base of democratic management style. This presumption confirms results of realized research. Except of gaining of knowledge and skills (statement We pay attention to further employee trainings); hi-tech firms have high value of empowerment (statement Every worker knows his competences and responsibilities); workers participate in making decision and have responsibility for their decisions (statement Every worker knows the main company targets and know how to contribute to them); workers fill as a part of the firm (statement We regularly hold meetings, where we discuss about our successes, inform on new opportunities and threats, set new tasks and discuss with all lower-level managers); the main manager play the role of coach (statement Relationships between superiors and subordinates cannot be defined as very strict and formal); and it is characterized the team cooperation (statement We prefer team work and mutual cooperation).

Questionnaire includes the statement about preference long-term target. The statement reaches value 5.34; hi-tech firms are aimed for long-term decisions. Democratic management style supports to fulfill long-term target.

Discussion and conclusion

Implementation of market orientation depends on management style. Often used management styles are democratic, autocratic and participative. Although, each of these management styles have its positive and negative sides, theorists and managers in praxis prefer democratic management style. Reason for preferences of democratic management style is for currently trends of managing. Today’s managers perceive relationships and social orientation as the most important value of a company.

Results show that hi-tech firms prefer democratic management style as well. This presumption was confirmed by high value of six statements. The main advantage of democratic management style is cooperation on the decision. From this reason, workers are more motivated. High motivation of workers leads to quality of production and efficiency of all process and has positive impact on business performance. Other side, the main disadvantage is the lack of flexibility. Democratic style slows down decision making process. It could be the main barrier especially for hi-tech firms. Hi-tech firms try to offer still new products or innovation of currently products earlier than others.

Characteristics of hi-tech firms contribute to choice of democratic management style. It is possible that hi-tech firms can change democratic management style for autocratic management style especially in condition of threats. Democratic management style is preferred for a long time. Currently research did not include management style in a short period. From this reason, we can take a presumption. However, confirmation or overcome of that presumption could be topic for the next research. The other interesting suggestion of the next research could be comparison the results in other branches and in other countries.
References