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The Impact of Management Style on Business Performance

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ABSTRACT

This study was carried out to examine the impact of management style on business performance in Nigeria a case study of GLO Nigeria. The study was carried out to ascertain whether there is a significant relationship between management style and organization performance and also to determine the effect of management styles on employee's efficiency. In the course of the study data were collected by means of questionnaire, personal interview, and observation. The result of the data was analyzed using SPSS and the tested hypothesis proves that there is a significant relationship between management style and organizational performance, and there is a significant relationship between management style and employees efficiency. The following were the recommendations, worker should be periodically promoted or upgraded within a period of not more than four years while this serve as recognition of their good work, it provides a larger scale for measuring their benefits thus it brings satisfaction to the employees and encourages him/her to improve performance, organizations should adopt the democratic style of leadership and human management practices in order to adequately motivate the employees and the study also shows that it is necessary to effect changes in impact of leadership when the need arises in an organization in order to enhance performance. Conclusion and recommendations were made based on the analyzed data.

Keywords: business performance, management style, organization structure

INTRODUCTION

For a good management of a business there must be a sound plan and appropriate organization structure to implement the plan and monitor the performance of the business. According to Ghest (2000) a good management is a pre-requisite for effective accomplishment of organizational task. However they opined that an entrepreneur has different leadership roles to play, he is the risk bearer, chief administrator and strategy implementer, problem solver, figure head spokesperson and policy maker. Stoner and Gilbert (2000) stressed that an understanding of management is important to business because management binds sub-ordinates to work together and stimulate employee's motivation. Also management assists in employee development and training. Effective management style provides the building block for organization performance.

However, management role of business enterprises may be highly visible and extensive time committed, while at times, the management role may be less demand and require a brief ceremonial performance with the details delegated to subordinates. Management style has divers effects on variables such as flexibility, standards, reward, clarity and climate of the organization (Shamir, et al, 2006). Thus the essential of leadership is followership (Mullins, 2007).

Effective leadership style is the extent to which a leader constantly and progressively lead and direct his or her followers towards organization growth. The importance of a manager in an organization cannot be undermined. Cole (2000) pointed out, without management an organization is but a module of men than machines. It is the human factors which binds a group together and motivate it towards goal; therefore the efficiency of any organization thus lies on the managers. Though some scholars have argued that no particular management style is the best. The level of participation of workers in the decision that affect them or the organizations as a whole will put them to better commitment, to the realization of the set of goals. Comparatively, participation provides outstanding long term result which is by no means for the betterment of the firm (Okoh 2008).

Statement of the Problem

The problem with most business is that managers are not democratic in their relationship with their sub-ordinate. In fact management in most business is usually authoritarian in style. They dictate the tune and have the administration of the organization centered on them. The need for employees to participate in decision making is not a passing fancy.

Another problem effecting management style in business is the competence of the managers so appointed. In most cases some of the appointments lack merit. Thus, what we usually found in some of these organizations are "round pegs in a square hole" rather than "round pegs in a round hole" .Once this situation arises, this will affect the attitude of the employees.

1.2 Objectives of the Study

The main objective of this study is to examine the impact of management style on business performance in Nigeria.

1. To determine if there is any relationship between management style and organizational performance.
2. To examine the relationship between management style and employee's efficiency.

1.4 Research Questions

The following questions have been raised to elicit relevant and useful information that will enable the researchers draw a valid conclusion and makes appropriate recommendations.

1. Is there any significant relationship between management style and organizational performance?
2. To what extent does management style enhance employee's efficiency?

1.5 Statement of Hypothesis

Hypothesis I

H_o: There is no significant relationship between management style and organizational performance.

H_1: There is a significant relationship between management style and organizational performance.

Hypothesis II

H_o: There is no significant relationship between management style and employees efficiency.

H_1: There is a significant relationship between management style and employees efficiency.

The Concept of Management and Leadership

A management style can be defined as an overall method of leadership used by a manager. It is the manner and approach of providing direction, implementing plans, and motivating people.The leadership/management style is a key determinant of the success or failure of any organization. Although there are clear differences between management and leadership, the two constructs overlap. According Mattins and Jackson (2008); ***Management*** is directed toward activities such as planning, organizing, staffing and controlling in order to get a job done while ***Leadership*** is a process whereby an individual influences a group of individuals to achieve a common goal. We would realize that both processes involve influencing a group of individuals toward goal attainment. For the purpose of our study here, the terms Leadership, Management, leaders and managers will be used loosely. Since it is the management's responsibility to establish the organizational vision, develop the corporate strategy and motivate the employees in achieving the organizational goals, a large part of the success/performance of the organization is dependent on the leadership/management style(s) used by managers (Kathryn and David 1998)

Scholarly research has shown that leadership/management has a direct cause-and-effect relationship on organizational performance. This brings to mind the popular saying that 'an organization is only as good as the person running it'. In other words, if a leader/manager employs the best style, the organization will surely record high performance from all its resources and vice versa.

When is an organization performing?

In general, when an organization achieves its intended goals and objectives, it is performing. When an organization is unable to achieve its intended goals and objectives, it is underperforming. There are three specific performance areas in an organization:

1. Financial performance (profits, return on investments, return on assets, etc.)
2. Product market performance (sales, market, share, etc.)
3. Shareholder return (economic value added, total shareholder return, etc.)(Pamele, et al. 1998)

Management Styles

Generally, three broad management styles have been acknowledged. They are: Autocratic, Paternalistic, and Democratic styles (Bratton and Gold 1999).

Autocratic managers supervise subordinates very closely. They like to make all the decisions and they are very controlling. This leadership style derives from the work of Taylor on work motivation.

Paternalistic managers act as a father figure to employees. They are very concerned about the social needs of their subordinates. They consult employees over organizational issues and then they make decisions based on the best interests of the employees. This management style is closely linked with Maslow's social theory.

Democratic managers trust their subordinates and they encourage them to make decisions. Managers who embrace this management style delegate authority to their subordinates and they listen to the advice given by subordinates. This style requires good two-way communication and it suggests that managers are willing to encourage leadership skills in subordinates. The ultimate democratic system occurs when actual decisions are made based on the majority view of all the employees.

All three management styles described above have their advantages and disadvantages. No management style is better than the other but it all depends on the situation they are applied. The extent to which they are successful in each situation is contingent on several factors such as number of employees, their level of education/development, how fast the decision needs to be made, organizational culture, type of organization, etc. The table below summarizes the advantages and disadvantages of the three management styles (Armstrong 2009).

	Description	Advantages	Disadvantages
Autocratic	Senior managers make all the important decisions with no involvement from workers.	1. Quick decision making 2. Effective when employing many low skilled workers	1. No two-way communication, which can be de-motivating 2. Creates “them and us” attitude between managers and workers
Paternalistic	Managers make decisions based on best interests of workers after consultation.	1. More two-way communication, which is motivating 2. Workers feel their social needs are being met	1. Slows down decision making 2. Still quite a dictatorial or autocratic style of management
Democratic	Workers are allowed to make own decisions.Some businesses run on the basis of majority decisions.	1. Authority is delegated to workers, which is motivating 2. Useful when complex decisions are required that need specialists’ skills	1. Mistakes or errors can be made if workers are not skilled or experienced enough

Summary of management styles (Armstrong 2009)

The Concept of Situational Leadership

As the name implies, situational leadership focuses on leadership in situations. This leadership style is based on the premise that different situations demand different kinds of leadership. From this perspective, for one to be an effective leader, a manager must adapt their style to the demands of different situations (Cascio 1998).

Situational leadership emphasizes the fact that leadership is composed of ***directive*** and ***supportive*** dimensions, and that each has to be applied suitably in a given situation. To determine the dimension that is needed in a particular situation, a leader must evaluate their employees and assess how competent and committed they are to perform a given task.

Given that the employees’ skills and motivation vary over time, this model suggests that leaders should change the degree to which they are directive or supportive to meet the changing needs of the employees. Subsequently, leaders who are considered effective are those who can recognize what employees need and then adapt their own style to meet those needs.

Directive behaviors clarify what is to be done, how it is to be done, and who is responsible for doing it. Examples include setting deadlines, defining roles, giving directions and showing how the goals are to be achieved. This is often done with one-way communication.

Supportive behaviors on the other hand involve two-way communication and responses that show social and emotional support to employees. Praising, listening, asking for input and solving problems are examples of supportive behaviors.

According to this model, leadership styles can be classified into four distinct categories of directive and supportive behaviors.

1. **Directing** (High directive −Low supportive)

In this context, a leader focuses communication on goal achievement. The leader gives instructions about what is to be achieved and then supervises the employees carefully.

2. **Coaching** (High directive −High supportive)

Here, a leader focuses communication on achieving goals as well as meeting the socio-emotional needs of the employees. The leader encourages employees and asks for their input. However, the final decision on what is to be done and how it should be done is the sole prerogative of the leader.

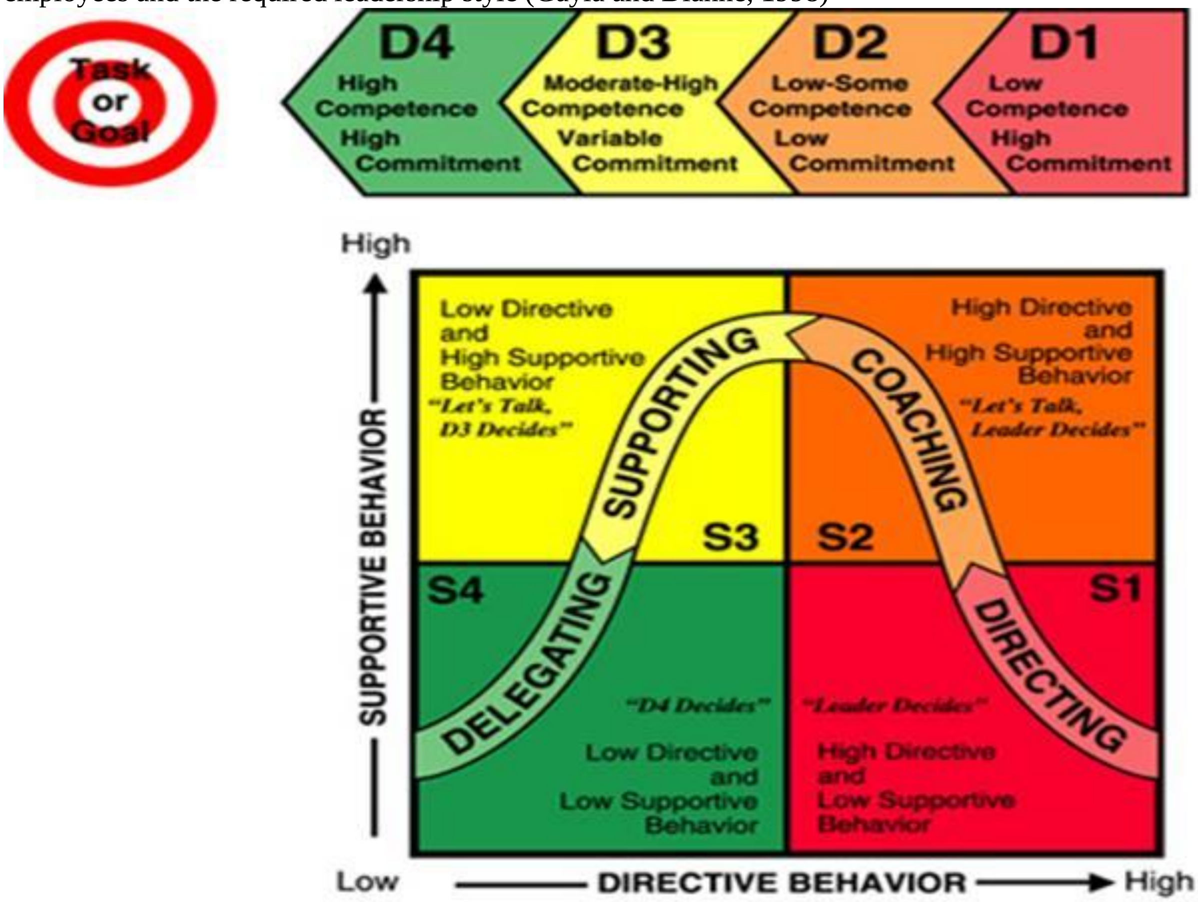
3. **Supporting** (Low directive – High supportive)

In this approach, the leader basically uses supportive behaviours such as listening, praising and giving feedback to bring out the employees' skills to the task to be accomplished. While leaders who use this style give employees control of day-to-day decisions, they are always available to facilitate problem solving.

4. **Delegating** (Low directive style – Low supporting)

In this approach, the leader offers less task input and social support, facilitating employees' confidence and motivation in reference to the task. This kind of leader gives control to subordinates and refrains from intervening with unnecessary social support.

The situational leadership model is presented below, showing the development levels of employees and the required leadership style (Gayla and Dianne, 1998)



The Concept of Performance

Glueck (1998) defined performance as the act of performing or doing something successfully using knowledge as distinguished from merely possessing it. However, performance seems to be conceptualized, operationalized and measured in different ways, thus making cross-comparison difficult.

Ivancerich (2001) examined various factors which influence business performance such as experience, education, occupation of parents, gender, race, age and entrepreneurial goals while Cole (2000) conducted a study on Israel woman entrepreneurs and categorized the factors that affect their performance into five perspective, that is motivation and goal, social learning theory (entrepreneurship socialization), network affiliation (contacts and membership in organizations), human capital (level of education skills) and environmental influence (location, sectorial participation and socio political variables).

Armstrong (2009) suggested that factors influencing business performance could be attributed to personal factors such as demographic variables and business performance could be attributed to personal factors such as demographic variable and business factors such as amount of financing. use of technology, age of business, operating location, business structure and number of full time employees as important factors in examining the performance of an organization.

METHODOLOGY

This paper made use of both primary and secondary sources of data. The survey method with questionnaire as the instrument was used to determine responses from respondents. The questionnaire was structured to obtain responses from respondents on the impact of information technology on project management in terms of cost, speed, and the extent to which the use of information technology can improve the quality of a given project.

Secondary data was use to obtain comprehensive review of literature related to the subject. The scope of the universe was limited to GLO Nigeria. The population comprised all the workers in the organization. A sample of 180 staff, both management and non-management was selected using purposive sampling techniques. SPSS was used to test the hypotheses.

Hypothesis One

Hypothesis 1

Ho: There is no significant relationship between management style and organizational performance.

Hi: There is a significant relationship between management style and organizational performance.

Table 1 Descriptive Statistics

	Mean	Std. Deviation	N
Management style	1.4243	.56973	502
Organizational Performance	1.7112	.56001	502

Table 2 Correlations

		Low cost strategy	Market share
Management style	Pearson Correlation	1	.673**
	Sig. (2-tailed)		.000
	N	502	502
Organizational performance	Pearson Correlation	.673**	1
	Sig. (2-tailed)	.000	
	N	502	502

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

Table above shows the descriptive statistics of management style and organizational performance with a mean response of 1.4243 and standard deviation of .56973 for management style and a mean response of 1.7112 and std. deviation of .56001 for organizational performance and number of respondents (502). By careful observation of standard deviation values, there is not much difference in terms of the standard deviation scores. This implies that there is about the same variability of data points between the dependent and independent variables.

Table above is the Pearson correlation coefficient for management style and organizational performance .The correlation coefficient shows 0.673. This value indicates that correlation is significant at 0.05 level (2tailed) and implies that there is a significant positive relationship between management style and organizational performance ($r = .673$). The computed correlations coefficient is greater than the table value of $r = .195$ with 500 degrees of freedom (df. = n-2) at alpha level for a two-tailed test ($r = .673$, $p< .05$). However, since the computed r = .673, is greater than the table value of .195 we reject the null hypothesis and conclude that there is a positive relationship between management style and organizational performance ($r =. 673$, $P<.05$).

Hypothesis two

Ho: There is no significant relationship between management style and employee's efficiency

Hi: There is a significant relationship between management style and employee's efficiency.

Table 3 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.665[a]	.442	.441	.45886	.132

a. Predictors: (Constant), management style

b. Dependent Variable: Employee efficiency.

Table 4 ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	83.380	1	83.380	396.006	.000[b]
	Residual	105.276	500	.211		
	Total	188.655	501			

a. Dependent Variable: Employee efficiency
b. Predictors: (Constant), management style

Table 5 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.780	.054		14.489	.000
	Management style	.695	.035	.665	19.900	.000

a. Dependent Variable: Employee performance

R = 0.665
R^2 = 0. 442
F = 396.006
T = 19.900
DW = 0. 132

Interpretation:
The regression sum of squares (83.380) is less than the residual sum of squares (105.276), which indicates that more of the variation in the dependent variable is explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance.
R, the correlation coefficient which has a value of 0.665, indicates that there is positive relationship between management style and employee efficiency. R square, the coefficient of determination, shows that 44.2% of the variation in employee efficiency is explained by the model.
With the linear regression model, the error of estimate is low, with a value of about .45886. The Durbin Watson statistics of 0.132, which is not close 2, this indicates that there is no autocorrelation.
The management style of the organization coefficient of 0.665 indicates a positive significance between management style and employee efficiency, which is statistically significant (with t = 19.900). Therefore, the null hypothesis should be rejected and the alternative hypothesis accordingly accepted. Thus management style does affect employee efficiency.

CONCLUSION

Managers have performed many roles in an organization and how they handle various situation will depend on their style of management style. Manager style is a characteristic way of making decision and relating to subordinates Leaders/managers are very instrumental towards achieving high organizational performance. They do this through their approach to effectively lead and

manage employees. Interestingly, the task of managing effectively is contingent on the ability of a manager to adapt their leadership styles to different situations.
Situational leadership reminds leaders to treat each employee differently based on the task at hand and to seek opportunities to help subordinates learn new skills and become more confident in their work. Overall, this approach stresses that employees have unique needs and they deserve the leader's help in trying to become better at doing their work. The more leaders endeavour to help employees get better at doing their work, the better employees perform at their work and the greater the performance of the organization.

RECOMMENDATIONS

In light of the findings of this study, the following recommendations are:

1. Management should improve on their managerial style as it directly affects employee's efficiency in business.
2. Performance appraisal should play a greater role in the promotion process
3. On performance, it is strongly recommended that worker should be periodically promoted or upgraded within a period of not more than four years while this serve as recognition of their good work, it provides a larger scale for measuring their benefits thus it brings satisfaction to the employees and encourages him/her to improve performance.
4. Organizations should adopt the democratic style of leadership and human management practices in order to adequately motivate the employees.
5. The study also shows that it is necessary to effect changes in impact of leadership when the need arises in an organization in order to enhance performance.

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