

## COMPARISON OF LEADERSHIP AND MANAGEMENT STYLES OF MANAGERS IN THE CZECH REPUBLIC AND AUSTRIA

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### **Abstract:**

This article examines leadership and management styles of managers in small and middle sized companies in the Czech Republic and Austria. The research was conducted in small and middle sized companies in the Czech Republic and Austria. The research is based on four factors of organizational design and mainly focused on third factor which is the leadership and management style. We proceed from various classifications of leadership and management styles. For our research are the most suitable leadership and management style classification models from Vroom & Yetton, Blake & Mouton (leadership grid) and Bass & Avolio (transformational and transactional leadership). Furthermore we occupied ourselves in this article with eligibility and suitability of managers for discharge of their duties, which can also influence their performance. The research was conducted mainly in the following three industries of small and middle sized companies: financial and insurance services, ICT and retail. Conclusions according to the three leadership and management style classification models and details are stated in the article.

*Keywords: leadership style, management, SMEs, organizational design, level of innovation*

## 1. INTRODUCTION

Leadership style is one of the factors of organizational design. The research is based on four factors of organizational design and mainly focused on one factor - the leadership and management style. We proceed from various models of organizational design. The most significant models of organizational design that were important for this research are: „The Star Model“ by J. Galbraith (1960's), „Six Box Model“ by M.R.Weisbord (1976), Seven „S“ model by T.J.Peters and R.Waterman and „Organizational architecture“ by J. Dedina and M. Maly (1996).

### 1.1. Models of organizational design

In the „Star Model“ by Jay Galbraith the organizational design is divided into five categories as follows: strategy, structure, processes, rewards and people. „The Star Model“ (Galbraith, 2014) consists of a series of design policies that are controllable by management and can influence employee behaviour. The first factor is strategy, which determines direction. The second factor is „structure“, which determines the location of decision-making power. The third factor „processes“ have to do with the flow of information. The fourth factor „rewards“ provide motivation and incentives for desired behaviour. All these factors influence corporate culture and company performance (Galbraith, 2002).

Marvin R. Weisbord introduced 6 elements (or boxes) of organizational design to analyze the organization. The 6 elements are: purpose, structure, relationships, rewards, leadership and helpful mechanism. The leadership box is in the middle of the model. The leader needs to understand the environment and the possibility of problem occurrence. The goal of the leader in the organization is „to keep the boxes in balance“ (Weisbord, 1976).

The next model is the model of organizational architecture by J. Dedina and M. Maly. This model consists of four factors: purpose, structure, leadership style and contemporary technologies. The first factor „purpose“ determines strategic objectives and then the strategy of the company. The factor „style“ includes characteristics of leadership and management styles, organizational culture, decision-making methods, ways of business negotiations, methods of motivating people from the perspective of conflict resolution and so forth. (Dedina & Maly, 1996)

The last relevant model of organizational design is Seven „S“ model by T.J.Peters and R.Waterman . This model was developed in cooperation with McKinsey company (Peters & Waterman, 1980). The title Seven „S“ comes from the first letter of seven factors - strategy, structure, systems, style, staff, skills and superordinate goals. These factors are divided into hard factors (structure, strategy, systems) and soft factors (superordinate goals, skills, leadership style and staff). This model stresses that soft, implicit and emotional factors are more important for business success than explicit, rational and hard factors. Therefore this research is focused on soft factor – leadership style (Hamann, 2013).

## 2. METHODS

Under the scientific method we understand systematic, thoughtful and objective approach to acquire knowledge and principles of the topic.

An extensive professional literature research was done in the field of leadership styles. Methods of description and comparison were mostly used in this part. Based on the professional literature research using method of explanation the theoretical conclusions were drawn.

Descriptive approach was used in the research, which is based on an analysis of the facts. Specifically, an empirical research was carried out. The research was conducted in 2014 in small and middle sized companies in the Czech Republic and Austria.

### 2.1. Leadership style classification

Not every manager is a leader. Leadership relates to motivation, interpersonal behaviour and the process of communication. Leadership is a part of management and it has to do with the ability to convince employees to do things willingly, with enthusiasm and a purpose to achieve planned

objectives. Leaders can be found not only in the management hierarchy, but also in an informal work groups.

It is a human factor that has an ability to weld people together, motivates them and orients toward the given goal. Leadership is based on interpersonal relations in the wider context. It is often connected with willing and enthusiastic behaviour of employees. Leadership does not have to be a part of work, but an attribute that is instilled in work. It is not prescribed, but comes about spontaneously. Leadership may be seen above all by colleagues as a process of inspiration. Leadership can be based on the position of the role of leader or it can be the category of his behaviour. Good leadership, among other things, includes an effective process of delegation. Basically, it is a relationship in which one individual influences the behaviour of other people. It means that the process of leadership cannot be separated from the activities of groups and from effective team building, but on the contrary, good leadership assists in the development of team work and the interconnection of individual and group goals. Good leadership influences the strength of the organizational culture of the company.

The terms manager and leader are not the same, but they do have something in common. A manager is a person responsible for organizing and achieving the goals of the organization. This concept expresses the position which he holds in the given hierarchy. The leader is a person who has the ability to make people follow his way of fulfilment of the organizational goals, and this term expresses the attribute of the one who leads (Dedina & Dedina, 2013).

Managers are not always effective leaders. Organizations of all sizes are understandably trying to form those kinds of managers who are also leaders. In big corporations the managers are influenced by multinational corporate culture. Therefore in this research we decided to conduct the research only in small and middle sized businesses. Managers in SME's become more influenced by national culture than in bigger companies. Analysis of literature sources of particular national cultures was done. From the national culture we could expect prevailing leadership and management style in each country.

In the professional literature there exists a lot of leadership style classification. One of the pioneers was R. Likert with his leadership style classification (authoritative, consultative and participative leadership style) (Likert, 1967). In our research we have decided for three leadership style classification which fits this research at most.

#### *Vroom & Yetton leadership style classification*

American authors Victor H. Vroom and Philip W. Yetton continued the work of R. Likert (Likert, 1967) and found two new factors that significantly affect the effectiveness of management control. These factors are: quality of the decision-making and willingness of managers to implement the given decision. Furthermore, they added some new managerial styles, which were originally specified by Likert into five groups:

- *A1 – strongly autocratic style* – Manager decides alone and relies solely on his own information. Decisions are made without any involvement of subordinates.
- *AII – autocratic style* – Manager decides alone again, but he uses selected information from his subordinates to prove or complete what he knows. He is not interested in opinions or advice of his subordinates.
- *KI – consultative style* – Manager decides by himself, but he asks opinions of his subordinates, consults the problem individually and considers all ideas and suggestions for the final decision.
- *KII – highly consultative style* – Manager discusses the problem with his subordinates at a meeting and accumulates necessary information. He decides for himself and may or may not respect what the subordinates have told.
- *SII – participative style, group decision-making style* – The decision of manager is based on discussion with subordinates, where they all consider possible solutions together. Manager stays more as a moderator, coordinates discussion and tries to bring it to a solution, which is accepted by all (Vroom & Yetton, 1973).

Victor H. Vroom and Philip W. Yetton distinguish between individual and group problems. Individual problem has potential implications for just one person, group problem affects more people. The model

is used to select the most suitable style of management and leadership for a manager, who influences rather more employees (team, department, organization).

What distinguishes the leadership style classification of Vroom and Yetton from other authors is the level of participation (engagement) of subordinates in the decision making. Higher level of participation is more suitable for solving unstructured decision problems, where additional information, knowledge and opinions from multiple entities are needed.

Vroom and Yetton gave new insight with their leadership and management style classification to this field. This model was modified in 1988 by the authors Victor H. Vroom and Arthur G. Jago (Vroom & Jago, 1988, p.32). Many other authors were inspired by this model and new versions of this leadership and management style classification have arisen.

#### *Blake & Mouton leadership grid*

Other authors Robert Blake and Jane Mouton developed the managerial grid to help managers to identify and improve their interpersonal management style. According to them, the manager behaviour is a function of two variables:

*Social aspect (interest in people)* – here we can include maintaining the confidence in colleagues, creating good working conditions, maintaining good interpersonal relations etc.

*Production aspect (concern for tasks)* – includes opinions of manager on a number of issues such as level of decision-making efficiency, work efficiency, production techniques and processes.

These variables can be expressed in a graph where each axis has a scale from 1 to 9 and indicates in an ascending order the growing weight of each factor. Managerial grid will be formed as an intersection of these values. The production aspect is located at X axes, social aspect at Y axes.

Managerial grid “nine to nine” is used to locate the manager’s approach to interpersonal relationships in one of 81 possible variants. Blake and Mouton for reasons of simplicity were concentrated on four positions at the corners and the style in the middle of the grid (Blake & McCauley, 1995):

- *Style 1, 1 – depleted management* – manager is oriented neither towards people nor to production, he is focused mainly on himself, it corresponds to laissez-faire leadership
- *Style 1, 9 – country club management* – manager is strongly focused on people, but has little interest in production, trying to create interpersonal relationships, a friendly atmosphere and an appropriate pace of work, but he cares few about production targets, production is a secondary concern, the important thing is to avoid conflict and maintain harmony among employees, he believes that happy employees will do what is expected from them.
- *Style 9, 1 – task management* – task-manager is predominantly a technocrat, he is authoritative, strongly oriented towards production and little interested in people, he focuses on management of production operations, the creation of interpersonal relations is not taken into great consideration, but an efficient job performance is still achieved, he relies on a centralized system and employees are considered as a means of production,
- *Style 9, 9 – team manager* – he has a significant interest in people as well as production, he can combine the concern for the production tasks with the concern for good interpersonal relations and satisfaction of employees, managers discuss issues with employees and seek their ideas and give them freedom of action,
- *Style 5, 5 – manager in the middle of the road* – he is interested in people and production on average, managers tend to avoid problems. There is a constant oscillation between the demand for labour performance and the desire to provide the employees satisfied. Employees are motivated, but do not work at full stretch, a compromise solution is sought.

In 1991, there were two additional styles:

- *Opportunistic management* – the organizational performance is based on an exchange system, the effort is only exerted as an exchange for the same value, opportunist uses any style in the grid for his own interests and self-promotion, he adapts to the situation, so that he can benefit the maximum,

- *Style 9 + 9 – paternalistic management* – rewards and approval are provided in return for loyalty and obedience, a punishment follows for maladjustment, paternalist strives for excellent results and uses rewards and punishments to achieve harmony, shows great interest in employee, rewards obedience and punishes disobedience.

The revised model published the authors Blake and Mouton in 1978 and also in 1985. The latest version of the model was published in 1991 by Robert R. Blake and A. A. McCauley (Blake & McCauley, 1995). This latest version of the model has been repeatedly redesigned and modified by other authors. Managerial grid was later renamed by the authors Blake and Mouton as leadership grid.

#### *Bass & Avolio leadership theory*

B.J. Avolio and B.M. Bass leadership theory is one that is commonly used in research in the last decade. The leadership style theory consists of three types of leadership behavior: transformational, transactional and laissez-faire (passive-avoidant) leadership.

*Transformational* leaders are able to stimulate and motivate the followers to perform beyond expectation of the working's standard (Bass & Avolio, 1994). Transformational leaders not only exchange between rewards and the leaders' requirement but also motivate the followers to transcend their self-interests for the goals (Avolio & Gibbons, 1988).

*Transactional* leadership style concerns in transaction of rewards for followers' performance. It is determined, what is from the employee expected and what financial or intangible rewards the employee receives when he meets the requirements.

*The Laissez-Faire* leaders avoid responsibility, do not make decisions, lack of influence, fail to communicate and lack any kind of leadership (Bass & Avolio, 1994).

All three above mentioned leadership style classifications are relevant for our research. Each of these leadership style classifications has its own specifics. Leadership style classification according to Victor H. Vroom and Philip W. Yetton differs in level of participation (engagement) of subordinates in the decision making. Robert Blake and Jane Mouton have developed their leadership grid, which has its social aspect (interest in people) and production aspect (concern for tasks). Last but not least the Bass & Avolio leadership theory differs in perception of rewards.

### **3. RESULTS**

The research was carried out in small and middle sized businesses in the Czech Republic and Austria. Structured interviews were conducted with the respondents. Questionnaires forms were used for the structured interview. Questionnaires were the same for both countries. The respondents of the questionnaire were subordinates of the assessed managers.

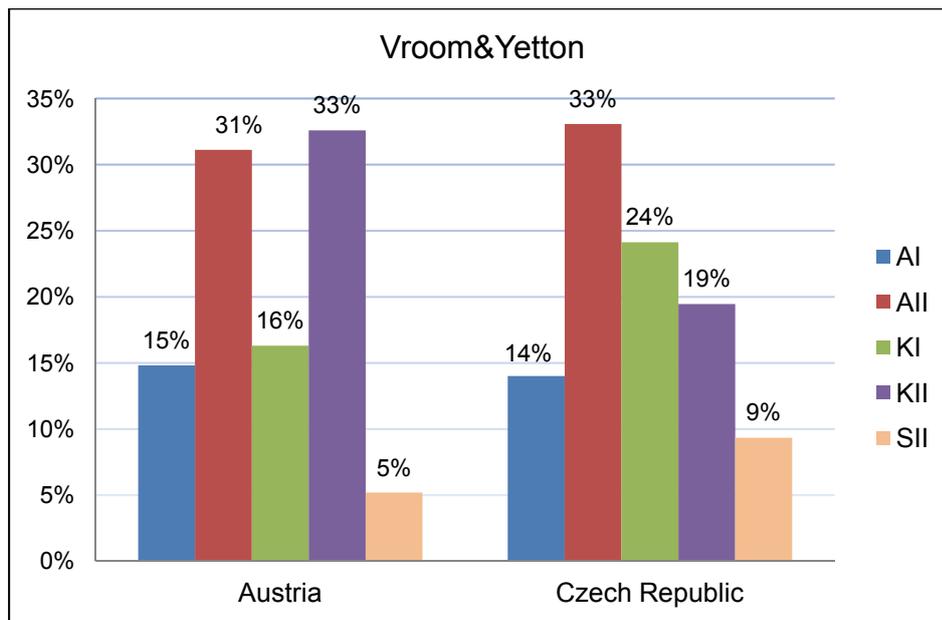
The research was conducted mainly in the following three industries of small and middle sized companies in both countries: financial and insurance services, ICT (information and communications technology) and retail. The subordinates were asked to assess their manager.

#### **3.1. Vroom & Yetton leadership style classification**

According to management and leadership style classification from *Vroom & Yetton* the hypothesis (H1) was, that in Austria prevail more consultative leadership and management styles KI and KII, in the Czech Republic prevail more authoritative leadership and management styles AII and KI.

The research outcomes according to analysis of relative frequencies are represented in the following figure 1. From the bar diagram it comes out that Austrian managers use highly consultative leadership style KII at most - 33%. On the second place 31% of Austrian managers use the autocratic management style AII. These two leadership and management styles prevail significantly over the other ones. In 16% of cases Austrian managers use consultative leadership style KI. By one per cent less the Austrian managers use strongly autocratic management style AI. Group decision-making leadership style use only 5% of Austrian managers.

**Figure 1:** Vroom&Yetton leadership style comparison AT and CZ



Source: own research (Kamila Dedinova)

According to bar diagram (figure 1) we can assess also leadership and management styles of Czech managers. The leadership and management style mostly used by Czech managers is autocratic management style All - in 33% of cases. On the second place 24% of Czech managers use consultative leadership style KI. 19% of Czech managers use consultative leadership style KI. In 14% of cases Czech managers use strongly autocratic management style AI. Group decision-making leadership style use only 9% of Czech managers.

The analysis of relative frequencies shows that mostly used management and leadership style by Austrian managers are highly consultative leadership style KII (33%) and autocratic management style All (31%). Czech managers use the most autocratic management style All (33%) and consultative leadership style KI (24%). Hypothesis H1 was confirmed, but the differences are not very significant.

### 3.2. Bass & Avolio leadership style classification

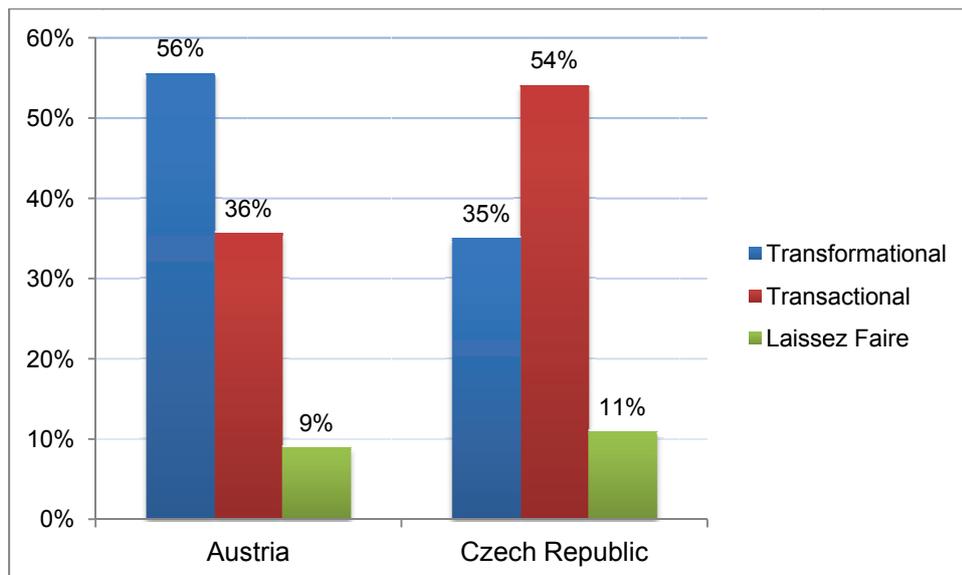
According to management and leadership style classification from *Bass & Avolio* the hypothesis (H2) was that transformational leadership style prevails in Austria and transactional management style in the Czech Republic.

The research outcomes according to analysis of relative frequencies are represented in the following figure 2. Austrian managers use in 56% of cases transformational leadership style. 36% of Austrian managers use transactional management style. 9% of Austrian managers use laissez faire management style.

The bar diagram also shows that in 54% Czech managers use transactional management style. 35% of Czech managers use transformational leadership style. Laissez faire management style use only 11% of Czech managers.

From the diagram of analysis of relative frequencies we can conclude that the hypothesis H2 was fully confirmed. According to management and leadership style classification from *Bass & Avolio* transformational leadership style prevails in Austria, transactional management style in the Czech Republic.

**Figure 2:** Bass&Avolio leadership style comparison AT and CZ



Source: own research (Kamila Dedinova)

### 3.3. Blake & Mouton leadership style classification

In management and leadership style classification *Blake & Mouton* were taken into consideration five positions in leadership grid: depleted management (1,1), country club management (1,9), task management (9,1), team management (9,9), management in the middle of the road (5,5).

The differences between Austrian and Czech managers were not significant. Among Czech managers prevails people concern by 3% more than by Austrian managers. Overall by both Austrian and Czech managers in small and middle sized businesses predominates concern for task.

## 4. DISCUSSION

The Czech Republic is the most western Slavic country in Europe. Values, attitudes and beliefs are much affected by Austrian and German culture. Austria is an economically, industrially and environmentally advanced Central European country. Austria is a very long time liberal, democratic country contrary to Czech Republic. However the outcome from our research shows interesting results that are different to previous researches conducted not a long time after the Velvet revolution. Business environment changes in both countries and the leadership and management style of the managers of small and middle sized companies has to adapt. Managers use different leadership and management styles in different situations.

Czech managers use still rather authoritative management styles than Austrian managers. In the Czech companies managers often underestimate the participation of employees in decision-making and fundamental changes in the organization are based on the decision of managers. Managers, first of all, give tasks and commands to their subordinates and monitor their performance. Then, after the subordinates seem to carry out their duties well, the manager trusts them more and delegates the tasks. Compared to Austria, Austrian managers have more confidence in their subordinates and use consultative leadership styles more often.

The research results showed that among Austrian managers in SME's seems to be more leaders as they use significantly more transformational leadership style than the Czech managers. Czech managers use more transactional leadership style which confirms the choice of more authoritative management style.

Both Austrian and Czech small and middle sized businesses are more task oriented, which is different to researches carried out twenty years ago.

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