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. I proceed from various classifications of leadership and management styles of managers. The most suitable leadership and management style models for my research are the ones from Vroom & Yetton, Blake & Mouton (leadership grid) and Bass & Avolio (transformational and transactional leadership). The main aim of this research is to compare the leadership and management styles of managers in small and middle sized companies in the Czech Republic and Austria. The research was conducted mainly in the following three industries of small and middle sized companies: ICT, retail and financial and insurance services (ÖNACE and CZ-NACE classification was used). Quantitative methods of statistical analysis were used for evaluation of the dataset. Conclusions according to the three leadership and management style classification models and details are stated in the article.

Key words: leadership style, management style, SMEs, comparison

JEL Code: M12, O57, M16

Introduction

Leadership and management style is one of the factors of organizational design. Organizational design is the deliberate process of configuring various factors in organization in order to create an effective organization capable of achieving the business strategy (Galbraith, 2014). Detailed analysis of various models of organizational design shows that soft factors have big impact on overall performance of an organization (Hamann, 2013).

In this paper I will concentrate on soft factors of organizational design. From the soft factors of organizational design I will mainly focus on leadership and management styles. The main aim of this research is to compare the leadership and management styles of managers in small and middle sized companies in the Czech Republic and Austria in specific industries.

1   Leadership style approaches

Under the term leadership we can understand an ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of an organization (House, 2004). Not every manager is a leader. Leadership relates to motivation, interpersonal behaviour and the process of communication. 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. Good leadership influences the strength of the organizational culture of the company (Toor & Ofori, 2008).

The terms manager and leader are not the same, but they do have something in common. Managers try to maintain order, stabilize work and organize resources. Leaders seek to develop new goals and align organization (Kotter, 1990). Managers control processes, identify and solve problems whereas leaders motivate and inspire. Managers produce standards, order and predictability. Leaders promote useful and dramatic changes, such as new products or approaches to improve labour relations (Kotterman, 2006).

In professional literature we can find many directions of leadership theories. In this article I proceed from three main approaches of leadership (Stock & Özbek-Potthoff, 2014):

- oriented on traits/qualities
- oriented on behaviour
- situational approach of leadership

Traits-oriented leadership approach assumes that the leadership success is largely dependent on the personal characteristics of a manager. The well-known traits-oriented approaches of leadership are the charismatic leadership theory, transactional/ transformational leadership theory and the concept DISG.

Behaviour-oriented leadership approach focuses on behaviour of leaders. One of the key distinctions between the traits-oriented leadership approach and the behaviour-oriented leadership approach is that the behaviour-oriented leadership approach assumes that leadership can be learned in part. In addition, employees have the opportunity to observe the leadership and to classify it as a particular leadership style (Staehle, 1999). Exemplary approaches are the Ohio River State Leadership Quadrant and the Blake and Mouton Leadership GRID model.

Situational approach of leadership believes that not only the consideration of individual characteristics or leadership styles can explain leadership success. Rather, all these

factors must be considered depending on the situation. In addition, it is assumed that other factors, such as the interaction between manager and employee, decision making of manager in accordance with employees, the expectations of employees to executives and vice versa, have an impact on organizational success. As an examples of these approaches can be called: the contingency theory, the path-goal theory, the maturity model of leadership or Vroom & Yetton leadership classification.

1.1   Leadership and management style classification used in the research

According to these three main approaches to leadership the three main leadership classifications were chosen for the research.

The first leadership style classification chosen for my research is Vroom & Yetton leadership style classification. Authors Victor H. Vroom and Philip W. Yetton 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. I have used following leadership style classification (Vroom & Yetton, 1973):

- AI – strongly autocratic style
- AII – autocratic style
- KI – consultative style
- KII – highly consultative style
- SII – participative style, group decision-making style

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, 2003).

The second leadership style classification chosen for my research is 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 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 (Dvir & Eden & Avolio & Shamir, 2002).

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).

The third leadership style classification that I have chosen for my research is Blake & Mouton leadership grid. Robert Blake and Jane Mouton developed the leadership (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 and production aspect. These variables can be expressed in a graph where production aspect is located at X axes, social aspect at Y axes. Blake and Mouton for reasons of simplicity concentrated on four positions at the corners and the style in the middle of the grid (Blake & McCanse, 1995):

- *Style 1, 1 – depleted management*
- *Style 1, 9 – country club management*
- *Style 9, 1 – task management*
- *Style 9, 9 – team manager*
- *Style 5, 5 – manager in the middle of the road*

In 1991 two additional styles were added.

All three above mentioned leadership style classifications are relevant for the 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.

2 Results

2.1 Data sample

Methods of comparison, explanation and description were applied in the empirical part. Descriptive approach was used in the research, which is based on an analysis of the facts. Specifically, an empirical research was carried out.

Sample group for the research were employees of small and middle sized businesses in the Czech Republic and Austria. The research was carried out mainly in the following three industries of small and middle sized companies in both countries: ICT (information and communication technology), retail, financial and insurance services. ÖNACE and CZ-NACE classification was used.

Structured interviews were conducted with the respondents. Questionnaires forms were used during the process of structured interview. Research respondents were subordinates of the managers. The subordinates were asked to assess their manager.

I have conducted 135 structured interviews in small and middle sized businesses in Austria and 257 structured interviews in small and middle sized businesses in the Czech Republic. The sample group represents the core sets of small and middle sized businesses in Austria and the Czech Republic.

2.2 Vroom & Yetton leadership style classification

The research outcomes of Vroom & Yetton classification according to analysis of relative frequencies (contingency table) are represented in the following figure 1. The bar diagram shows that Austrian managers in sample group use mostly highly consultative leadership style KII (in 33%). 31% of Austrian managers in sample group use the autocratic management style AII. These two leadership and management styles prevail significantly over the other ones.

Vroom & Yetton leadership and management styles of Czech managers of sample group are also represented in figure 1. Autocratic management style AII (in 33%) is mostly used by Czech managers of sample group. On the second place 24% of Czech managers in sample group use consultative leadership style KI. 19% of Czech managers in sample group use consultative leadership style KI. In 14% of Czech managers sample group use strongly autocratic management style AI.

Fig. 1: Vroom & Yetton leadership style comparison
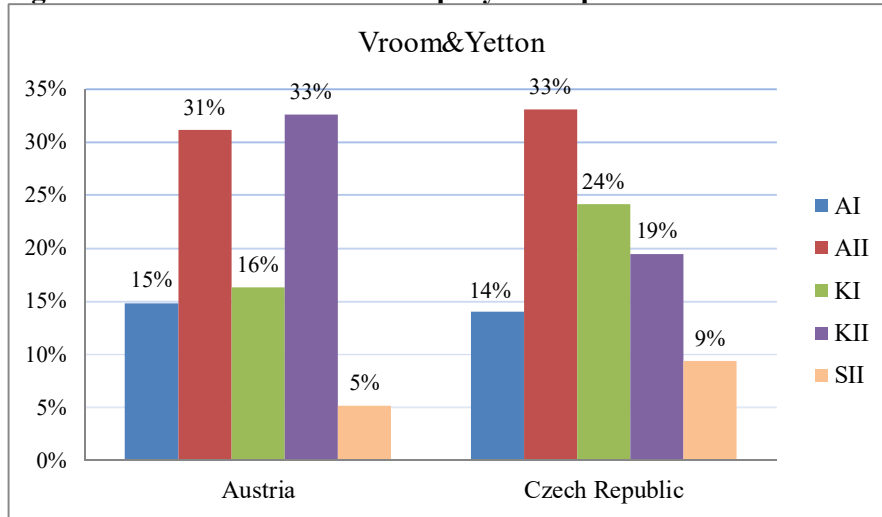
Source: author, 2014

Bass & Avolio leadership style classification

The research outcomes according to analysis of relative frequencies conducted in contingency table are represented in the following figure number 2. Austrian managers in sample group use in 56% transformational leadership style. 36 % of Austrian managers in sample group use transactional management style. 9% of Austrian managers in sample group use laissez faire management style. Figure 2 also shows that in 54% Czech managers in sample group use transactional management style. 35% of Czech managers in sample group use transformational leadership style. Laissez faire management style use only 11% of Czech managers in sample group. According to management and leadership style classification from Bass & Avolio transformational leadership style prevails in Austrian sample group, transactional management style in Czech sample group.

Fig. 2: Bass & Avolio leadership style comparison
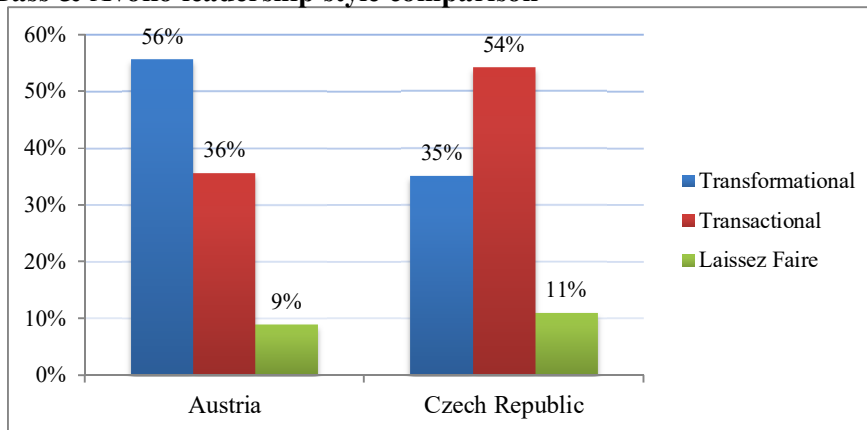
Source: author, 2014

2.3   Blake & Mouton leadership style classification

In Blake & Mouton management and leadership style classification five positions in leadership grid were taken into consideration: 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 in sample group were very slight. Among Czech managers prevails people concern by 3% more than by Austrian managers in sample group. Overall by both Austrian and Czech managers in small and middle sized businesses in sample group predominate both concern for task and concern for people.

Conclusion

The Czech Republic is the most western Slavic country in Europe where market economy started a quarter of a century ago. Austria is an advanced Central European country and is a very long time liberal and democratic contrary to Czech Republic. The outcome from my research shows interesting results that differ 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. 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 SMEs seems to be more leaders as they use significantly more transformational leadership style than the Czech managers in SMEs. Czech managers in SMEs use more transactional leadership style which confirms the choice of more authoritative management style. Both Austrian and Czech managers of small and middle sized businesses are both task and people oriented.

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