Critique of different management styles management essay

Introduction

This analytical study aims to assess and examine the management styles of small firms, with specific regard to the UK business environment.

The contribution of small businesses to the economies of the developed nations has become increasingly important over the last four decades. The sector has grown significantly since the 1970s. Small and medium enterprises now employ more than one third of the labour force in the UK and provide slightly less than half of the total business turnover of the private sector (Longenecker, et al, 2005, p 76). The small sector is driven for all practical purposes by the drive, energy, motivation, innovativeness and optimism of owners, rather than by the skills of professionally qualified, appropriately trained managers who have specific competencies in their areas of work (Longenecker, et al, 2005, p 76). With small businesses likely to face a range of continuing challenges in different operational and marketing areas, their sustainability, growth, and expansion is significantly dependent upon the managerial abilities, business acumen and management styles of their owner managers. The managerial styles adopted by small business owners are significantly different from those practiced by larger firms for a variety of reasons, both imposed upon and chosen by them (Longenecker, et al, 2005, p 76).

This essay analyses the management styles of small firms. It opens with a short critique of different management styles, followed by an analysis of different aspects of managerial styles adopted by leaders of such firms. With the management of small firms being largely vested in the hands of owner managers, much of such analysis has been attempted through behavioural perspectives. Efforts have also been made to compare the effectiveness of unitary and pluralistic approaches in management of small firms, with special attention to the issue of employee management and the restricted role of trade unions in small firms.

Critique of Different Management Styles

Management theorists, business leaders, and economists have given significant attention to the issue of management leadership over the course of the 20th century. Fredrick Taylor advanced the idea of Scientific Management in 1900 (Birkinshaw, 2010, p 47). Known as Taylorism, scientific management propounded the concept of there being one best method for the performance of a specific task. Taylor believed that management should control decision making and ensure that it was specifically placed in the managerial domain. This would ensure that decision making of business firms was done in an unemotional, professional and unbiased manner (Birkinshaw, 2010, p 47).

Taylor believed in standardising job performance methods to achieve production uniformity, increase speed of production and construct environments of expertise. Taylorism advanced the need to select workers with abilities that were appropriate for specific jobs in order to ensure understanding of job requirements, reduce employee learning curves, and achieve production excellence (Birkinshaw, 2010, p 47). It requires standardised and developed training methods that are based on the â€Å“ one best methodâ€ concept. It also requires providing support to employees for planning of work, elimination of interruptions, and improvement of efficiency. Taylor was also the first to advance the benefits of wage incentives and felt that increased output by employees should result in greater incentives and bonuses (Birkinshaw, 2010, p 47).

Taylorism, the first management style to come into existence, impacted the economies of western nations, led to sweeping organisational reforms, and continues to be followed even today by many firms (Birkinshaw, 2010, p 47). Taylorism has however also been subjected to extensive criticism and critiques because of its relegation of workers to mere factors of production and their exclusion from any sort of involvement in managerial or value enriching activity. It is felt to be particularly inhuman in nature and whilst some of its tenets are relevant for floor work and repetitive activity, it is felt to be rather obsolete in the modern world of employee empowerment and vastly enhanced employee worth (Birkinshaw, 2010, p 47)

Henry Fayol advanced the process approach in the 1920s. Fayolism is essentially an adaptation of Taylorism, which follows specific principles that include division of work, discipline and authority, centralisation, unity of command and direction, order and equity, stability of personnel, initiative and subordination of individual interest for the common good (Budd, 2004, p 16). Fayolism, whilst broadening the approach of Taylorism, is still rooted in centralisation and strongly advocates hierarchy, authority, discipline and command. Whilst widely accepted to be an effective management style, it suffers from the disadvantages of Taylorism in areas of employee empowerment, worth and organisational involvement (Budd, 2004, p 16).

The post Second World War years saw the evolution of management styles that steadily gave more emphasis to worker satisfaction, consideration of employee needs, improvement of employee abilities and skills, and greater employee involvement in different areas of business (Charles, 2008, p 39). The work of Maslow, McGregor, Vroom and Mayo posited the employee as the most important of organisational assets and called upon management to meet different types of employee needs, enhance employee empowerment and bring about much greater employee involvement in organisational activities (Charles, 2008, p 39). Modern management styles call for greater decentralisation, far more extensive employee responsibility and the constant nurturing of employees as the most important of organisational assets. The concepts of the best fit and best practice methods however reiterate that whilst all management styles have their advantages and disadvantages, man is essentially an extremely complex organism and it is difficult for one specific management style to guarantee results for all organisations (Burkholder, et al, 2004, p 42). It is thus best for organisational leaderships to examine the nature of their product and work and thereafter choose an appropriate management style that is best for their particular organisation (Burkholder, et al, 2004, p 42).

Management styles are also classified by experts in terms of leadership styles, which can be autocratic, paternalistic, democratic or laissez-faire (Floren, 2006, p 274). These styles are linked to the leadership qualities and personalities of specific leader managers. Being based on the principles and styles of particular individuals and not organisations, they are particularly relevant in small organisations rather than in large businesses (Floren, 2006, p 274). A change in an autocratic manager in a large business and his or her replacement with one who has a participative approach can result in a significant change in leadership styles. With owner-managers of small businesses not being likely to change without changes in ownership structures of their organisations, such personalised styles are very relevant for the functioning of small firms (Kersley, et al, 2006, p 180).

Role of Leaders and Management Styles of Small Business Firms

Small firms are different from large firms, not just in size but also in nature and are associated with specific characteristics. They are in the overwhelming majority of cases controlled and managed by independent owners (Ram, 1994, p 180). They have limited cash flows and are often stretched by a wide range of tasks. Such firms often face survival challenges and are liable to be mistrustful of bureaucracy. They are largely controlled by informal mechanisms and are built on personal relationships (Ram, 1994, p 180).

Whilst large firms are managed by leadership teams who are agents of shareholders and mostly have little ownership interests, small firms are managed by owners, who, because of lack of separation of ownership from control, act both as principals and as agents (Longenecker, et al, 2005, p 81). They have the right to influence business related decisions, almost in the same way they deal with their own money. Small firms, unlike large companies, are furthermore not driven just by the objective of profit maximisation. Studies reveal that whilst owner managers need profits to survive, they are also driven by various other personal objectives like pursuit of a range of different personal interests, fostering of goodwill, and giving to charity (Longenecker, et al, 2005, p 81).

Small firms are particularly characterised by the entrepreneurial nature of their owner-managers. Such owners have personality traits that are different from those of managers of large business firms. Douglas Griest (2010), in a review of 23 studies on comparison of entrepreneurs with managers, found that entrepreneurs scored substantially more than managers in openness to experience and conscientiousness. They could, because of the first trait, be considered to be more innovative, creative and ready to embrace new ideas than managers of large companies. They were also found to be more conscientious than large company managers because of their greater achievement orientation (Griest, 2010, p 1). The results of the studies also showed that entrepreneurs scored lesser than managers in areas of neuroticism and agreeableness. These results revealed that entrepreneurs were likely to be more confident, resilient and tolerant of stress than managers of large organisations. Their lower scores on agreeableness however implied that they were more likely to be tougher and demanding than such managers. Low agreeableness has numerous negative aspects that can be detrimental in both small and large ventures (Rainnie, 1989, p 47).

The findings of the studies reviewed by Griest (2010) revealed that small firms are likely to be controlled by people who are likely to be tough, demanding, and not very agreeable in the workplace. Such owner-managers are however also likely to be creative, innovative, ready to embrace new ideas and conscientious than managers of large organisations. Their greater confidence, resilience and tolerance to stress than managers are also likely to influence their management styles (Griest, 2010, p 1).

Other studies also confirm that entrepreneur′s exhibit higher levels of (a) readiness to change, (b) self efficacy, (c) interest in innovation, (d) need for achievement and (e) competitive aggression (Sadler-Smith, et al, 2003, p 48). Studies from North America, Australia and Europe confirm that factors like commitment to work, energy, innovativeness, risk taking, economic values and results, achievement and ambition and egotistic features are associated with entrepreneurs. The core competencies of entrepreneurs are associated with capacities for launching of new products, changing of business processes and setting up of new businesses. Such traits play important roles in the management styles of small firms (Sadler-Smith, et al, 2003, p 48).

It however also needs to be considered that whilst most new small firms are started by entrepreneurs, all owners of small businesses are not entrepreneurs. The adopting of entrepreneurial perspectives for analysing the managerial styles of all small firms may not be wholly appropriate (Verhees & Meulenberg, 2004, p 134). It would in fact be more correct to state that small business firms are managed by owners, a significant majority of whom are entrepreneurs. The managerial styles of such firms, whilst dominated by entrepreneurial behaviour are however also influenced by behaviour that is associated more with managers than by entrepreneurs (Verhees & Meulenberg, 2004, p 134).

The management styles of small business firms are, as evidenced from the previous discussion, formed by a blend of entrepreneurial and non entrepreneurial styles. These styles are liable to differ significantly in line with the basic personalities of their owner managers (Yusuf & Saffu, 2005, p 480). The styles of firms where owners are more entrepreneurial in nature are associated with (a) constant environmental scanning for opportunities, (b) formulation of strategies for exploitation of opportunities, (c) adaptability to change, (d) treatment of people as scarce and precious resources, (e) encouragement of creativity, (f) minimal commitment of resources, (g) lack of long term control, (h) episodic use of resources, (i) flat management structures and (j) use of informal networks (Yusuf & Saffu, 2005, p 480).

Small businesses led by owners who are non- entrepreneurial in nature adopt many of the styles of managers of larger organisations. Such organisational leaders make efforts to develop programmes, processes and budgets and delegate work (Verhees & Meulenberg, 2004, p 134). They view change as threats, engage in defensive strategies for niche protection, tolerate creativity and think of people as replaceable resources. Their strategic orientation is driven by currently controlled resources and takes account of organisational risk and risk control. Such leaderships try to formalise hierarchy within the limits of small businesses (Verhees & Meulenberg, 2004, p 134).

It would however be safe to state that the management approaches of small firms are driven more by entrepreneurial characteristics of their owners than by non entrepreneurial behaviour.

Unitary v Pluralistic Approaches

Owner-managers of small firms are constrained in many ways because of their limited size and restricted nature of operations. Such limitation in size leads, in the first instance, to lesser profits and cash flows in comparison with larger firms (Kaufman, 2004, p 78). These restrictions in income and earnings limit the scope of small firm owners to hire specialists in different operational areas and thus results in such owner-managers having to handle different operational functions like production, marketing, HR, and even finance (Kaufman, 2004, p 78).

The organisational approach of small firms towards employees and workers of such firms thus often depends upon the individual natures of such owner-managers. Such approaches, in terms of general leadership styles, can be categorised into types like (a) autocratic and domineering, (b) democratic and participative, (c) laissez-faire, or a combination of more than one of these (Kaufman, 2004, p 78).

The behavioural approach of managers of small firms can also be analysed through the perspectives of Unitarianism or Pluralism (Budd, 2004, p 65). Unitary approaches are essentially driven by the assumption that all organisational members share similar objectives and purposes and should work together towards achievement of shared and mutual goals. Such approaches place emphasis on group working and demand substantial loyalties from all employees (Budd, 2004, p 65).

Unitary approaches continued to be followed by a significant proportion of small firm managements. These approaches emphasise consensus and harmony, the socialisation of individuals into team cultures, respect for the integrity and dignity of employees, and strong organisational visibility of managers (Budd, 2004, p 68). Employees in such organisations are expected to (a) appreciate the competitive environment of the company, (b) increase customer focus and (c) take ownership of their role in enhancement of performance and quality. Unitary approaches however find it difficult to accommodate individuals who may not confirm to unitary ideals or possess varying levels of loyalty and commitment and those who are unwilling to absorb themselves completely into the unitary culture (Budd, 2004, p 68). The unitary approach is essentially a small group approach that does not accept different viewpoints, criticism of organisational policies and practices and unwillingness of employees to be absorbed into the culture. Small businesses, especially those led by managers who do not have any other people in the organisation to question their actions or decisions, are often characterised by unitary approaches (Budd, 2004, p 68).

Unitary approaches are however becoming somewhat irrelevant in the fast globalising business scenario, where workplace diversity is considered to be important for business development, organisational growth, and enhancement of competitive advantage (Kaufman, 2004, p 80). Pluralist approaches on the other hand concern management styles that look at conflicts of interest between managers, workers and employees as normal and inescapable. Pluralism calls for involvement of employees in managerial decisions, recognition of unions, formalisation of consultation and communication processes, achievement of organisational stability through acceptable compromises and balancing the interests of various stakeholders who contribute to the wealth creation of the firm (Kaufman, 2004, p 80).

Such pluralism is however criticised because the achievement of compromises can lead to situations that are too safe and ignore the imperatives of the intensely competitive global environment. Pluralism, it is felt, may be inappropriate for businesses, especially small ones, which are constantly being challenged by environmental and market situations (Kaufman, 2004, p 80).

Trade Unionism and Management of Small Firms

Trade Union activity has always been associated with larger businesses and public sector undertakings. Trade unionism has never really been strong in the small sector in the UK, primarily because of owner resistance and possibly also because the small sector was difficult to penetrate by trade unions and unviable for growth.

Employees of smaller firms often have to work at different tasks. They enjoy restricted career paths and lower levels of training. Owner-managers tend to find growth of trade unions with associated issues of collective bargaining and the gradual development of a pluralistic situation to be inimical to their employee needs and concerns (Marlow)***. SMEs with fewer than 22 employees are furthermore not required by law to recognise trade union affiliations among their employees. The last three decades have moreover seen a significant decline in trade union activity in the private sector for a range of reasons. Such decline in overall trade union activity in the private sector has reduced its incidence further in the small sector.

Conclusions

Small firms are different from larger organisations in their management styles because such styles primarily arise from the character and nature of the owners of such firms, who act both as principals and agents and impose their working ideas and attitudes on the area of HR and IR in their organisations.

With the number of small businesses growing rapidly, it can safely be assumed that the larger number of such owners are entrepreneurial in nature and thus impose managerial styles that are demanding of their employees, inclined towards taking of risk and positive towards innovation. Small firms are however also constrained by restrictions of size and earnings, which in turn lead to their employees being paid lesser remuneration, having to be adept at a number of tasks, and making do with learning on their jobs, rather than being trained for their assignments.

With the owner-managers of such firms constantly facing challenges in different areas, they are inclined to be opposed to pluralism in their organisation and resistant towards recognition of trade unions or unionised activity.