

TRANSITION FROM MANAGEMENT TO LEADERSHIP. CASES STUDY BASED ON THE EXPERIENCE OF A SME FROM SEE

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Abstract

The GM of an SME from South Eastern Europe stakes on flexibility and balance in management styles. This helps his business not only overcome the financial crisis and the turn in consumer behaviour based on new technological advances but also keeps his staff loyal. Starting from the current literature on management and leadership, the paper presents a case study of a stationary and office supply distribution company, aiming to test whether in the context of a good performing company, there is only one management style in use, regardless of the circumstances. Based on quantitative data, the study subsequently verifies if a company should rather focus on leadership, or if both leadership and management skills are equally important for executive performance.

Keywords

Leadership, Management, Leadership Styles, Task-orientation, Person-orientation, Case study, SME

JEL Classification

M5, M12

Introduction

Today's changing contexts and evolving phenomena trigger us to look further into the topic of management and leadership functions, as well as leadership styles.

It is well known that eminent executives empower people to be dynamic and proactive in performing daily tasks. When the management lacks the quality of leadership styles, organizational performance may be negatively affected (Ali, et al., 2015).

This paper examines literature related to leadership styles. The literature on this subject provides us with relevant information, which could be summed up in the following two observations:

First of all, representatives of the topic specific literature claim that there is not only one effective leadership style, which should be applied regardless of the situation and context of an organization: "simply put, when it comes to filling a leadership position, it pays to find someone who has the flexible repertoire of four or more styles that marks the most outstanding leadership" (Goleman, 2002).

Secondly, whether we talk about transactional and transformational leadership, about Mc'Gregor's XY theory or Lewin, Lippitt and White's autocratic, democratic and laissez-fair leadership styles, these classifications reflect in the end either a central task- or people-

orientation (Taucean, et al., 2016). Consequently, both dimensions can be associated with the classical management respectively leadership function.

A frequently asked question and a recently occurring debate is how leadership differentiates itself from management and to what extent management or leadership skills are profitable for the company's performance (Liphadzi, et al., 2017).

When talking about effective organizations, leadership has become a vital topic of contention. While leadership skills have a strong positive outlook on business performance, classical management tends to be associated with a less efficient and effective function (De Hoogh, et al., 2015).

Starting from these assumptions, our goal is two-folded. Our first aim is to test on the basis of quantitative data whether in the context of a good performing company, there is only one management style used, regardless of the circumstances -situation, person etc.- (**H1**).

Based on the results, we secondly aim to identify if a company should rather focus on leadership, or if both leadership and management skills are equally important for executive performance (**H2**).

Anticipating trends and patterns in this field is of most importance for the future of organizations. Besides, it can be considered an open invitation for further research in this domain, which emerges with the increased importance of behavioural economics.

Methodology

In order to achieve the research objectives, we have used mixed methods of research, involving a series of sequential and competing research strategies. Quantitative and qualitative research methodologies are considered to be complementary and non-substitutable.

The main methods used to collect the information for this study involved literature and professional publications reviews, observation, informal meetings – individual meetings and within working groups, unstructured interviews and a questionnaire-based survey. Processing, analysis and interpretation of data was performed by synthesizing the information, processing it using tools such as Excel, interpretation of results followed by the quantitative, qualitative and comparative analysis.

Complementary to the extensive research aiming to identify the most relevant scientific references dealing with the subject, we have performed research on an individual case study to validate the formulated hypotheses and to develop new theoretical content – we observed, analysed, interviewed and questioned the employees of a SME from SEE. The advantage of the case study method is that it is performed in close collaboration with practitioners, relying on real-life management situations. Case studies are therefore the ideal methodology for creating relevant new knowledge (Gibbert, Ruigrok, & Wicki, 2008).

Based on the information identified in the specialised literature, we conducted a questionnaire-based research with the company's general manager and 22 employees (out of 33). We counterchecked the findings from the questionnaires by discussing it within an unstructured interview with the company's GM.

Survey description

In developing questionnaires, we used 36 statements with Likert scale responses (where the respondent notes the extent to which the statement matches). Relevant for the study are both person- and task-oriented statements, overall 36. There are 9 task- respectively people-oriented ones, whereby a control question corresponds to each statement. The following table shows some examples of questions asked in the conducted survey:

There are 5 answer options for each question: Does not correspond at all (0), corresponds a little (1), corresponds moderately (2), corresponds a lot (3), corresponds exactly (4).

The control questions check whether the answers are valid. If a statement does not match its control question, it will not be relevant and will therefore no longer be considered. Respondents usually tend to agree with survey questions. In order to avoid this, some of the statements have been rephrased - mostly by using negations-. An assessment scheme was used to check the correlation of the questions with the control ones.

Table no. 1 Selection of Survey Questions

Task-orientation	Control statements
<p style="text-align: center;">The company’s General Manager...</p> <ol style="list-style-type: none"> 1. Only intervenes when a situation becomes critical 2. Monitors everything in order to prevent the group from making mistakes 3. Sees dealing with multiple tasks at the same time as appropriate and easy 4. Evaluates according to the results obtained, attaching less importance to one's effort 	<p style="text-align: center;">The company’s General Manager...</p> <ol style="list-style-type: none"> 1. Takes action before things go wrong 2. Feels the need to control everything to make sure the team is doing things right 3. Believes that tasks have to be dealt with step by step in order to get the best results 4. Shows satisfaction only when high performance follows, regardless of my efforts
<p style="text-align: center;">Person-orientation</p> <p style="text-align: center;">The company’s General Manager...</p> <ol style="list-style-type: none"> 1. Takes time to better understand the personality of the employees 2. Focuses on opportunities, pays less to no attention to difficulties 3. Uses his power to help group members make progress, develop 4. Publicly appreciates group performance through praise and recognition 	<p style="text-align: center;">Control statements</p> <p style="text-align: center;">The company’s General Manager...</p> <ol style="list-style-type: none"> 1. Does little in order to get to know employees better 2. Does not recognize windows of opportunities because he feels overwhelmed by the problems he is facing 3. Uses his position to help me work out my strengths 4. Does not value the work of employees in front on the whole team often enough

Source: Author’s own research

The answers to each question - both from the side of the employees and the General Manager himself- are grouped (task- and person-orientation related) in an Excel sheet. First, there is one group of questions analysed, then the other. Processing takes place horizontally, meaning that the questions will be worked on successively (table no. 2). We divided the sums obtained per question (column 1) by the number of valid answers left (column 2) and calculated the sum of the values obtained (column 3). This sum has been then divided by 9 and we got the final results (column 4). This process will be repeated for both employee- and self-assessment. The questionnaire was applied 2017.

Literature review

Management vs leadership

Professor John Kottler (1990) emphasized in the early 1990 the main differences between leadership and management behaviour. He strongly argues that management tasks comprise establishing security and order, while leadership has the purpose of promoting both change and fluidity within organizations.

Summing up the comprehensive literature about leadership and management –but focusing rather on recent research-, leaders are the one's constantly challenging the status quo. Their leading role of human influencers (Răducan & Răducan, 2014) invites them to set directions for the members of the organization, being considered the driving force to creating and achieving visions and missions (Liphadzi, et al., 2017).

While leaders influence, inspire, encourage and guide people, "harnessing their efforts jointly" (Liphadzi, et al., 2017), management implies "leading a project from its inception to its execution" (Liphadzi, et al., 2017). Managers develop detailed plans, are responsible for creating and administrating adequate and sufficient organizational structures to ensure effectiveness and efficiency of organizational work (Liphadzi, et al., 2017).

In short, management deals with administration of both the organization's structure and its activities and people (Răducan & Răducan, 2014).

In analogy with how the management guru P. Drucker expressed effectiveness and efficiency, managers are the ones "doing things right", while leaders "do the right things".

We have indeed delimited these functions properly, but does one work without another?

Leadership styles and their impact on organizational performance

The term "style" refers to a preferred way of managing people to link different operations, activities and functions together (Pei-Li Yu, 2016).

According to De Hoogh, et al (2015) study and several other studies in this field, leadership styles and corporate performance are in significant relationship to each other.

During the working process, subordinates actually come into contact with styles of their executives, which rely on certain leadership types.

As a result of the different criteria used by particular authors or the variety of interpretations, the literature presents a wide variety of leadership styles categories. We have extracted one classification, which we considered the most accurate and appropriate for our research.

Leadership styles by Lewin, Lippitt and White

Modern research in leadership theory can trace its roots back to a study undertaken in the 1930s by Kurt Lewin - among the founding fathers of social psychology - and his colleagues Ronald Lippitt and R. White (Lewin, et al., 1939).

A simple, classic management model sets all executives on a scale from authoritarian through democratic to laissez-faire. Most executives show characteristics that place them in one of the three following groups (Fleming, 2000):

The *authoritarian style* is characterized by the centralization of directional power and decision-making in a single, dominant supervisor of a group. The decision-making process is therefore one-sided, without taking into account the opinions or interests of the majority of the group members (Sousa & Rocha, 2018). The objectives setting process, the means to carry out these objectives, the distribution of tasks and the criteria for work evaluation are carried out exclusively by the supervisor, without considering the rest of the team (Frunză, 2014).

Because of the hierarchy order, namely the power distance in the organization, there is a "vertical" communication taking place (Yu, et al., 2016). Praise and criticism are not based on objective arguments, but rather on individualized, personal criteria. Consequently, frustration will occur among the members of the group, which will lead to a nervous environment, which will ultimately trigger resistance and reduce efficiency (Sousa & Rocha, 2018).

Within a *democratic* organisation the whole group gets involved in goal setting processes (Fleming, 2000, p. 16). Not only that, but all decisions involving the group are analysed and discussed with the members until the best solution is found. Furthermore, in order to get a clear picture of the requirements of each activity, each step and sequence is being communicated to the members. So that the activities are in line with the needs of those who perform them, both parties mutually agree upon task distribution (Frunză, 2014).

Democratic executives assess work according to very clear criteria known to all group members, communication between them and team members happens both "vertically" and

"horizontally" and they are considered equal partners, who do not impose their opinions but recommend alternative ways to solve a problem (Pei-Li Yu, 2016). While praise and criticism take place in a constructive, pertinent way, there is an overall relaxing atmosphere in the group as conflicts do not usually last (Frunzã, 2014). Because of the constant support and encouragement, members become motivated, have high job satisfaction and productivity (Sousa & Rocha, 2018).

According to Bass (1997), the main feature of this *laissez-faire* leadership style is to minimize the interference of supervisors on the group as much as possible, meaning that group members have total freedom of choice. A *laissez-faire* executive is not an active group participant, but rather an observer. If necessary though, he provides information or expresses his opinion when asked. He procures the materials needed for certain activity but it is up to the members how they use them, it is their responsibility to share tasks and plan activities (Sandhåland, et al., 2017). Communication in the group is therefore mostly horizontal (Frunzã, 2014).

This style can lead to high job satisfaction because it promotes intrapreneurship, but confusion and misunderstandings often arise, especially if team members do not necessarily possess a great variety of knowledge, skills, or motivation to work efficiently (Sousa & Rocha, 2018).

The leadership research by Lewin, Lippitt and White (1939) defines leadership styles according to which extent executives deal with people-related (*laissez-faire*, democratic) or work-related (autocratic) issues when doing their job.

Based on that, later research (Likert, Tannenbaum, McGregor and ultimately the popular framework of Blake and Mouton) extended this idea of leadership styles classified in terms of employee- or production/task-orientation (Taucean, et al., 2016).

Today, whether we talk about traditional management vs. leadership, about transformational and transactional leadership or any kind of style classification, extreme leadership behaviour can be explained by two key dimensions: employee/people- and production/task-orientation.

Employee-centred executives engage and motivates their subordinates in making decisions, considering their personal development, interests and needs, whereas production-oriented leaders focus on tasks and are rather result-oriented, which implies setting clear objectives, finding effective and efficient ways to accomplish them and organizing abilities (Taucean, et al., 2016).

Consequently, our research is guided by a figure, which best illustrates leadership styles characterized by the two representative dimensions, as depicted in Fig. no. 1.

Findings-Case Study

Our study relies on a company with 100% Romanian private capital and 22 years of experience in importing and distributing office supplies, stationery, IT consumables, media, printing, advertising and hygiene products, cleaning and safety equipment and toys. With its 33 employees, it is one of the leading companies in the local market and also well-known on regional and national level. The company works B2B and B2C.

22 respondents answered the questionnaire (without the self-evaluation), meaning 66, 67% of the company's employees took part in the survey. With this response rate, the results are considered relevant and valid. It should be noted that out of 33 employees, six were on leave at that time, therefore an evaluation from their part would not have been anonymous.

Table no. 2 Data Processing

Task																							SU	COUN	SUM/	SUM	SUM	General Manager			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	M	T	NT			2	2/9	Task	SUM
a11	3	4	1	2	3	4	2	1	1	2	3	2	2	3	3	3	3	1	3	3	1	1	33	15	2,20	19,30	2,14	a11	2		
a12	1	4	2	3	3	4	2	3	3	4	4	4	2	4	3	2	3	2	1	3	1	2	53	19	2,79			a12	3	26	2,89
a13	3	3	0	3	2	3	3	3	3	3	2	1	2	3	4	4	1	2	1	2	0	22	12	1,83			a13	3			
a14	4	1	3	2	2	3	2	1	3	4	3	4	2	4	3	2	2	4	2	3	2	3	52	18	2,89			a14	4		
a15	2	3	2	3	2	3	1	2	3	3	2	3	4	3	3	2	0	3	2	1	1	2	39	17	2,29			a15	3		
a16	0	2	0	2	2	1	2	1	1	0	1	1	3	2	1	3	0	1	0	0	0	1	18	12	1,50			a16	2		
a17	3	3	1	2	1	3	1	3	3	2	3	2	3	3	3	3	4	3	0	2	2	2	30	14	2,14			a17	3		
a18	3	2	3	4	3	3	2	2	2	3	1	2	4	4	1	3	1	2	0	3	2	1	34	15	2,27			a18	3		
a19	3	3	3	4	0	4	3	3	1	0	1	3	4	4	1	3	1	1	2	2	1	0	18	13	1,38			a19	3		
People																												People			
b31	3	3	4	3	4	3	1	3	4	4	4	3	2	4	2	0	4	3	3	4	2	2	56	18	3,11	24,24	2,69	b31	3		
b32	3	1	3	4	2	2	1	2	3	3	4	2	3	3	2	1	3	3	3	2	2	1	42	18	2,33			b32	2	25	2,78
b33	3	2	3	3	3	2	1	3	4	3	3	3	3	4	4	2	4	1	3	1	3	1	56	20	2,80			b33	2		
b34	4	4	4	3	3	4	2	4	3	4	4	3	4	4	3	4	4	4	3	4	4	4	48	14	3,43			b34	4		
b35	3	2	4	2	1	4	2	3	3	2	2	2	2	3	2	2	3	2	1	0	2	2	35	17	2,06			b35	3		
b36	3	3	4	4	1	3	3	3	4	4	4	3	4	4	3	2	2	4	2	4	2	3	62	19	3,26			b36	3		
b37	3	3	2	3	3	3	2	4	3	3	3	3	2	3	2	3	3	4	2	3	3	3	51	18	2,83			b37	3		
b38	2	2	3	3	1	3	2	2	4	3	3	3	2	3	3	1	2	2	3	3	2	3	41	17	2,41			b38	3		
b39	1	2	3	4	2	3	1	3	1	2	1	2	3	3	3	2	1	1	2	3	1	2	34	17	2,00			b39	2		

Source: Author's own research

Even with all the necessary precautions taken, fact is that some response tendencies and dishonest false answers occur. Such situations can be misleading for researchers, reason why we introduced the control questions in the survey.

As can be seen in Table no 2, the control questions actually helped to exclude dishonest answers from the survey. The red boxes represent those questions that were ultimately no longer considered, as they do not conform to the validation scheme. The number of invalidated questions is at first glance unexpectedly high (63 for the task-oriented questions, 40 for the people-centred). But going deeper into the subject, we found that this situation is common (Morrel-Samuels, 2002).

With regard to the perceptual differences per question, the average employee response to each question was compared to the self-rating responses. Perceptual differences have been analysed when high differences emerged. Differences >1 point are considered high. Differences <= 1 are considered acceptable. Looking at the results, one can notice that most values are confirmed. High differences appeared in 3 out of the 18 items. The following statements denote high differences in perception – all of them with regard to the task orientation: ST1 (The GM requires the group members to complete a task in a certain amount of time), ST2 (When performing a task, the GM ensures that every detail is taken into account), ST3 (The GM fights for his ideas, opinions and attitudes, in spite of and against others if necessary). As a result of a subsequent discussion of the outcomes with the GM within an unstructured interview, he estimates that the difference appeared either due to certain communication issues, the fact that some items relate exclusively to his own activity-employees being therefore not able to express themselves on this particular issues- or misunderstandings regarding different, personal interpretations of the same statement.

Looking at the individual evaluations of the employees, one notices a wide spread of the answers ranging from 0 or 1 to 4 for the same statement. This occurs for every item under discussion, excluding statement 4 and 6 (person orientation). From this, one can conclude that the subjects have no universal behaviour. This indicates that the General Manager adapts to particular situations that he does not tend to retain a type of behaviour under all circumstances, no matter what types of persons he interacts with. The Results of the performed survey are depicted in the subsequent figure.

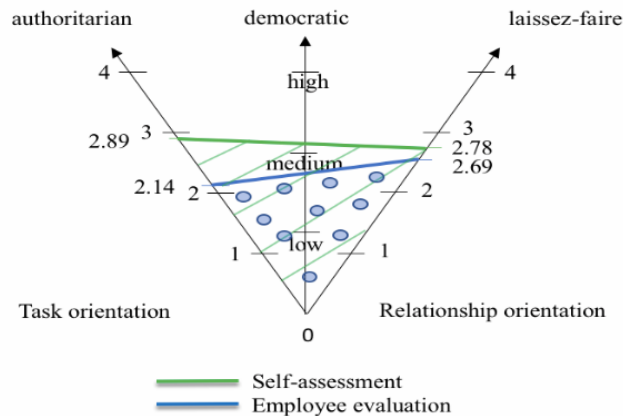


Fig. no. 1 Leadership styles

Source: Author's own illustration based on Popescu, G. & Vidu, A., 2005. Identificarea Stilurilor de Management

Looking at the final score graph (Fig.no. 1), the task orientation has a value of 2.89 in terms of self-score and 2.14 in the employee's score. On the relationship orientation axis, also on a scale of 0-4, the self-assessment score is 2.78, with the 22 employees rating 2.69. It can be seen from this that in the perception of the employees, the general manager of the company is more relationship-oriented than task-oriented, so that in this case the dominant management style would be laissez-faire. Leadership research conducted by the Ohio School and University of Michigan officials has shown that the consideration of human relationships and cooperation has positive effects at different levels (for example, productivity, satisfaction, group collaboration, etc.) (Zlate, 2004, p.250).

The self-assessment results reveal a more authoritarian approach, but it is insignificant because the difference between the two values is too small in this case. The authoritarian style of leadership therefore cannot be considered a dominant style in this case.

Given that all values lie between 2 and 3, the GM practices in a moderate democratic leadership style. One can conclude that there is a balance in terms of the management style.

The best evidence supporting balance is the company's ability to survive for 23 years, despite all external challenges, the financial crisis and falling demand for stationery and office supplies (the company's main products) are considered two of the biggest challenges the company has had to deal with. Nevertheless, this great challenges have been overcome, which is a sign of great adaptability. Besides, the longevity of the company can be considered as a consequence of a good communication within the company (plain organizational chart).

Further important factors that contribute to the company's longevity are:

- The length of service of the employees

29% of employees have been working in the company for less than 5 years, 44% between 5 and 10 years, 15% between 10 and 15 and 12% have been working for more than 15 years.

- The low employee turnover rate

The turnover rate is very low, so that in the last 7 years only 4 people from all four branches left the company. Out of these four, a single person was fired for disloyalty reasons to the company. It is important to mention the fact that no dismissals have taken place due to poor performance.

Conclusions

The studies carried out within the practical study have enabled the identification of the leadership style of the General Manager of a SME from SEE, using an efficient tool. The results obtained provide information that is confirmed not only by the current situation of the company, but also by its past. A management style is efficient if the proportion of its positive effects is high, if it is adjusted to the team and if its long-term exercise is associated with significant positive results.

The balanced nature of the GM's management style is proven by the fact that all the values obtained within the evaluation lie between 2 and 3. The GM under question is a good manager who also exposes a balanced mix of transactional and transformational leadership. Flexibility is of utmost importance for successful management, in the ideal case a manager adapts his management style according to the circumstances. The analysed case confirms this, although executives often confine themselves to a single style, regardless of the situation.

Our research indicates that managers who get the best results do not rely on a single management style because there is no universally valid one. One of the main conclusions of our investigation is that the validity of a style cannot be determined from a general list of advantages and disadvantages. Conclusions can be drawn according to contextual situations. Despite general association of the authoritarian (task-oriented) management with something bad and ineffective - because there is a tendency to look at the two classical styles (authoritarian and democratic) by comparison one to another – the practice does not confirm the superiority of either one of them. To achieve good results, a balance between the two orientations (tasks and relationships) is necessary.

Therefore, both manager and leader skills are essential for the organizational performance.

Our research, both theoretical and practical, has enabled us, inter alia, to establish a clear correlation between management and the management style and the performance and development of the organisation so far.

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