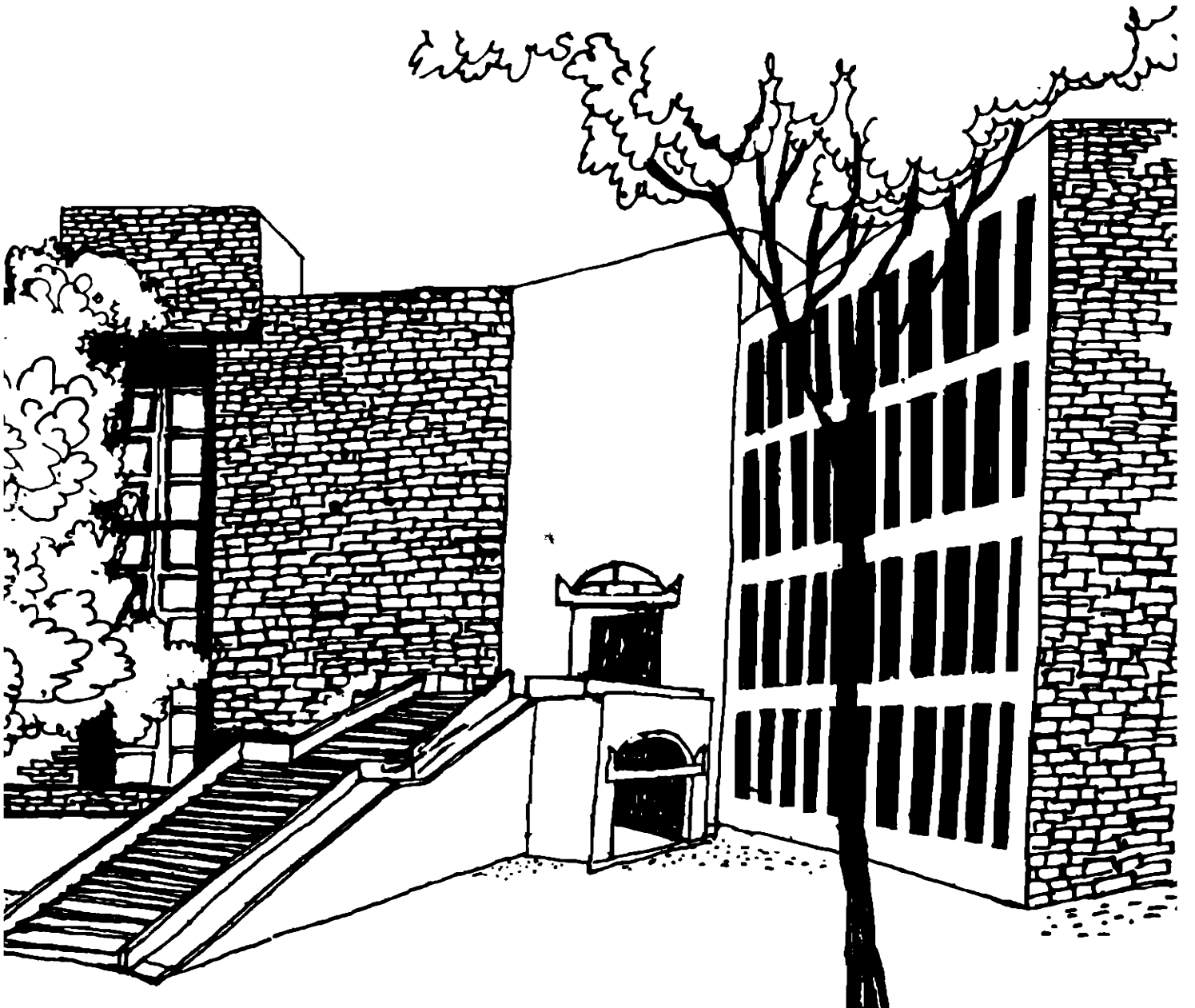




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THE STYLE OF CORPORATE MANAGEMENT,
GOALS, STRATEGY STRUCTURE
AND PERFORMANCE

by

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INDIAN INSTITUTE OF MANAGEMENT
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THE STYLE OF CORPORATE MANAGEMENT, GOALS, STRATEGY
STRUCTURE AND PERFORMANCE

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Using cluster analysis of questionnaire data from the top managements of 103 Gandhian companies, seven styles of corporate top management were identified. Each style was a particular configuration of the orientation to risk taking, technocracy, participation, structuring and coercion. The contextual conditions - properties of the company's external environment, its age and size, and its industry - associated with each style were also identified. Each style's relationship to measures of corporate goals, strategy, organizational structure, and corporate performance was examined. The theoretical and practical implications of the results were outlined.

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INTRODUCTION

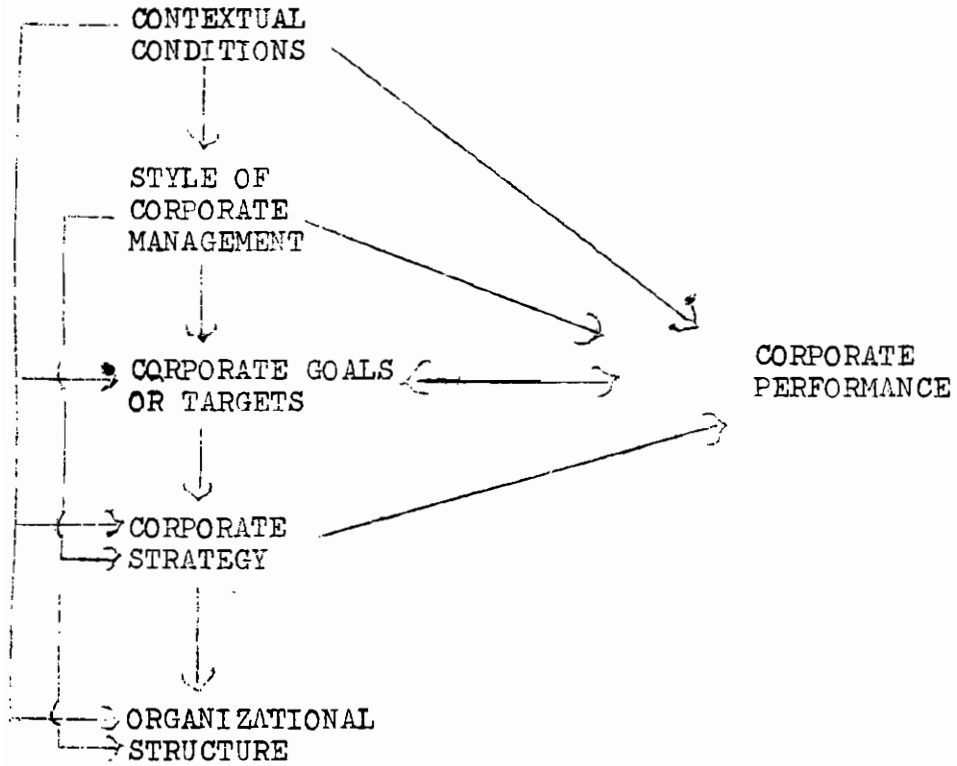
A number of management and organization theorists have pointed to managerial ideology and style of management as a critical variable affecting organizational functioning (1,2,4,5,13,15,16,22,23,25,26,27,28). Writers on business policy have deemed it a strategic variable (8,pp.432-437; 12, Ch.2; 37, ch.3) while Perrow has termed it a system goal of the organization (29). It is therefore very likely that the style of corporate management has some definite links with corporate goals, strategy, organization structure and performance. A number of organization theorists have advanced the view that organizational structure and processes are shaped by the contextual conditions in which the organization operates, such as its external environment (5,6,10,11,18,19,23, ch. 9,24,35,36); its size, age, technology, and type (3,7,14,17,21,30,34,39). Thus it is very likely that the ideology and style of top management, too, would be shaped to some extent by contextual factors.

In this paper an attempt is made to establish some tentative relationships between the style of corporate management on the one hand and contextual, strategic, structural, and performance variables on the other. The operating model is as outlined in Figure 1. Basically, the model postulates that the top managers of an organization, continuously interacting with the organization's external environment and the Organization's other existential realities like its age, size, and type of industry, come to share a particular set of values or orientations. These values make them practice a distinctive style of management, that is, exhibit repeatedly behaviours that are consistent with their internalized management ideology. This style of management, in conjunction with contextual conditions, shapes the organization's growth and competitive strategies, the kinds of goals and the particular targets pursued by management, and the structure of the organization. This complex set of relationships affects the performance of the organization which in turn results in targets of performance and corporate strategy being reset. In the interest of simplicity many other possible reciprocal relationships and weak relationships between the six classes of variables have not been shown in Figure 1.

The work of a number of writers on organization indicates five significant dimensions of management style. The work of Burns and Stalker (5) indicates that management styles may vary along the dimension of orientation to the structuring of roles, relationship, information channels and activities. At one extreme are found great fluidity, open channels of communication, authority and influence resting in the situational expert, great reluctance to lay down job descriptions and standard operating procedures, and the like. At the other extreme

FIGURE I

THE OPERATIVE MODEL OF THE PAPER



the management is strongly inclined to bureaucratic values like formalised and restricted channels of communication, considerable emphasis on formalised hierarchical relations, great emphasis on standardization of procedures and role definition. Likert (25) has identified two dimensions along which managements vary. One is the orientation to participative decision making and humane supervision and the other is orientation to authoritarianism and coercion. Although he postulates these two orientations as polar opposites, they need not be so. The absence of participative management need not imply authoritarianism, for individualized decision making or an impersonal, rule-based polity are also alternatives to capricious authoritarianism. Similarly, the presence of authoritarianism does not preclude a participative philosophy--much democratic ritual is present in the so-called people's democracies as well as much ruthless arm twisting in the most democratic polities. Braybrooks and Lindblom (4) have identified another major management orientation, namely the orientation to technocracy, scientific management and 'optimal' decisions. Managements appear to vary from an intuitive, seat-of-the-pants, "muddling through", reactive role of functioning and making decisions to one marked by systematic definition of problems and performance criteria, systematic search for information and alternatives, careful analysis with the help of experts, and choice of the most optimal alternative. Finally, variation along risk taking appears to be another management orientation (33). Managements range all the way from extreme risk aversion and caution in investment and other resource allocating decisions to considerable risk taking and entrepreneurship.

Thus, as a first cut, it is postulated that managements of organizations vary at least along five orientations: structuring of activities, participation, coercion, technocracy or optimization, and risk taking. The style of a particular top management is the configuration of its groundings on these five orientations. If each grounding could be categorised as high, medium or low, 35 or 243 distinct styles become possible. In practice far fewer styles are likely to be found. In the study reported in the paper, seven styles were identified that occurred with at least modest frequency in a sample of 103 Canadian companies (23, ch.11).

METHOD, DATA, OPERATING DEFINITIONS OF VARIABLES

The data on top management orientations, contextual conditions, corporate strategy, organizational structure, and corporate performance were gathered by means of a comprehensive questionnaire completed anonymously at senior management levels. The sample consisted of 103 Canadian companies listed in the Financial Post Survey of Industries. The data were gathered during 1973-4. The properties of the sample and details regarding data collection have been published elsewhere (22, 23 Appendix A). The average firm size was \$158 million in annual sales revenues and average firm age was 49 years but with a very large variation in size and age (standard deviations of \$257 million and 15 years respectively). About two-thirds were manufacturing organizations with the remainder providing a variety of services like banking, transport, and merchandising. The sample exhibited very

considerable variation in profitability and growth rate.

The operational definitions of the orientations to risk taking, technocracy or optimization, participation, structuring, and coercion and of the contextual variables of environmental turbulence, environmental hostility, environmental heterogeneity, environmental restrictiveness, and technological complexity of the environment have been defined fully in (22, Appendix)1 . Figure 2 shows in a summarised form the principal components of their measures. Logarithm of annual sales revenues measured size. Firm's profitability, growth rate, and range of profitability, all over a five year period preceding data collection, as well as an index of performance based on these three have also been defined in (22, Appendix). The latter also provides data on the reliability and validity of the variables, which by and large was satisfactory for an exploratory study. The operational definitions of top management goals, elements of corporate strategy, and aspects of organizational structure are shown in Appendix I to this paper.

FIGURE 2

THE PRINCIPAL INGREDIENTS OF THE MEASURES OF ENVIRONMENTAL
VARIABLES AND MANAGEMENT ORIENTATIONS

External Environment

Great environmental stability. Very predictable. Very stagnant. No periodic or cyclical fluctuation	Low <u>Turbulence</u> High	Very changeful. Very unpredictable. Very expansionary. Strong cyclical fluctuations.
Very safe. Very rich in opportunities. Easily manipulatable environment	Low <u>Hostility</u> High	Very risky. Very exacting. A dominating environment.
Single undifferentiated market. Homogeneous customer requirements. Highly similar markets of the firm's products	Low <u>Heterogenous</u> High	Highly differentiated markets. Great diversity in customers' requirements. Very dissimilar markets in terms of required marketing strategies.
A constraint-free environment. Government regulations not constraining.	Low <u>Restrictiveness</u> High	Many legal, political, social and economic constraints. Government regulations highly constraining.
Little technological sophistication. No R&D activity in industry	Low <u>Technological complexity</u> High	Highly sophisticated and complex technological environment. Highly R&D oriented industry.

Management Orientations:

Cautious, pragmatic, stability oriented decision making; emphasis on marketing ture and tried products; proclivity to safe investments; internal financing of investments; cooperative coexistence with rivals.	Low <u>Risk taking</u> High	Entrepreneurial, risk taking decision making; emphasis on innovations and technological leadership; high risk high return investments; external financing of investmetns; competitive, philosophy.
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<p>Little strategic importance to long term planning, forecasting, market research, operations research, etc.; great reliance on experience and common sense, learning by hard knocks and apprenticeship.</p>	<p>Optimization Low _____ (Technocracy)</p>	<p>High</p>	<p>Strong emphasis on systematic long term planning, search for opportunities, assessment of alternatives for long term optimization of corporate goals; high strategic importance of formal forecasting, market research, capital budgeting; high reliance on formal management training and technocrats.</p>
<p>Open channels of communication; freedom to managers to practice style of their choice; situational based authority; free adaptation, no rigid commitment to any management "principles"; emphasis on getting things done rather than on formalized procedures; cooperation stressed rather than tight control; considerable freedom in on-job behaviour.</p>	<p>Structuring Low _____</p>	<p>High</p>	<p>Very structured channels of communication; uniform managerial style; authority for decisions vested strictly in line managers; adherence to management principles come what may; insistence on following formally laid down procedures; tight control of operations; job descriptions define on-job behaviour.</p>
<p>Decisions made by formally responsible top level executives; lack of emphasis on human relations, participative management and OD.</p>	<p>Participation Low _____</p>	<p>High</p>	<p>Consensus-based team decision making at the top; human relations skills in effecting organizational changes and resolving conflicts; involvement of personnel in relevant decisions; strategic importance of participative management use of OD.</p>
<p>Explanation of organizational changes to those affected; no threats; no might-is-right resolution of disagreements; no arbitration procedures or investigation of problems by outside experts</p>	<p>Coercion Low _____</p>	<p>High</p>	<p>Organizational changes instituted without explanations; threatening of subordinates in case of noncompliance; might-is-right as the basis for resolving disagreements; arbitration procedures; outside experts called in to investigate problems.</p>

STYLES OF MANAGEMENT

Seven styles of top management were extracted through hierarchical cluster analysis of the data using Ward's method (38). These were 1) The entrepreneurial style with the top management showing a strong commitment to risk taking, an organic orientation (low on structuring), and some aversion to optimization (technocratic decision making), participation, and coercion. 2) The conservative organic style, low on risk taking and structuring, with some aversion to technocracy. 3) The professional management style with strong commitment to technocracy and optimization values as well as participation, and an aversion to coercion. 4) The quasi-profession style, with substantial commitment to optimization, structuring, and coercion. 5) The anti-professional style, with strong aversion to optimization and participation, and a strong attachment to coercion. 6) The middle-of-the-road style, seeking to steer the middle path on all the five orientations. 7) The conservative laissez-faire style, strongly risk averse and averse to participation as well as coercion, with a modest aversion to optimization as well.

Table 1 shows the standardized scores of the seven styles on the five orientations.

It is clear from Table 1 that there are very significant differences between styles of top management. Some of these differences may be explained by examining the contextual conditions associated with each style.

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TABLE 1

TOP MANAGEMENT STYLE CLUSTERS

Sample: 103 Canadian Firms

Means of Style Dimensions in Standardized Values

Clusters	Numer of firms	Risk Taking	Optimi- zation	Partici- pation	Struct uring	Coercion
Cluster 1 (Entrepreneurial Style)	8	1.85* (.23)	-.58 (.30)	-.38* (.24)	-1.21 (.30)	-.73* (.22)
Cluster 2 (Conservative Organic Style)	9	-1.01 (.26)	-.69 (.26)	.39* (.18)	-1.29* (.20)	.10 (.33)
Cluster 3 (Professional Management Style)	16	.06 (.13)	1.02* (.14)	1.33* (.16)	-.13 (.20)	-.89* (.13)
Cluster 4 (Quasi-Prof- essional Style)	22	.32* (.15)	.78* (.12)	.38* (.14)	.82 (.21)	.62 (.18)
Cluster 5 (Anti-Prof- essional Style)	13	.41* (.21)	-1.27 (.27)	-.94* (.14)	.04 (.26)	1.13 (.22)
Cluster 6 (Middle-of-the- road style)	27	-.37* (.15)	-.06* (.09)	.26 (.13)	.24* (.11)	.01* (.12)
Cluster 7 (Conservative Laissez-faire style)	8	-1.13* (.24)	.61 (.21)	-1.35 (.30)	-.20* (.23)	-1.11* (.24)

* F-ratio significant at the 5% level or less indicates rejection of the null hypothesis that the variability within the cluster is no different from sample variability.

Note: Figures in brackets are the estimates of the standard errors of the cluster means.

THE CONTEXT OF TOP MANAGEMENT STYLES

Table 2 provides data on the contextual nursery of each style. It provides standardized mean scores of age and size of the firms practicing each style as well as five dimensions of their external environment. It also provides information as to types of firm practicing each style, whether manufacturing or non-manufacturing, and dominant industry affiliations, if any.

It is clear from Table 2 that the contextual conditions vary considerably from style to style although there is fair to large variation in contextual conditions within the group practicing each style. Also, by and large there is a good fit between context and style. The entrepreneurial style is associated, for example, with a highly turbulent environment, organizational youth, and modest size. The conservative organic style on the other hand is associated with a rather stable and unrestrictive environment which is also not sophisticated technologically. The middle-of-the-road style, as may be expected, is associated with medium age and size and moderate values of the dimensions of the external environment. The context of the professional management style is, interestingly enough, rather similar to that of the anti-professional style - except in the matter of environmental complexity wrought by constraints and technological sophistication. Table 2 suggests fair to significant links between the organization's contextual conditions and its top management's style. Whether the observed

association between style and context is due to the latter being a causal factor is a moot question. The data are consistent with the contingency theory position that differences in contextual conditions account for observed organizational differences. It is also possible that over a period of time top management may, within limits, be able to choose the organization's context. For example, a management practicing the entrepreneurial style may get out of an unstimulating stable market situation and into a young growth industry and a conservative organic management may migrate in the opposite direction.

Quite possibly, the context influences the style of top management and vice versa. The conservative laissez-faire and its context seem to provide a good example of the symbiosis between style and context. As a group, the firms practicing the style are the oldest in the whole sample, and yet the smallest despite a correlation of .32 for age and size in the whole sample. This is clearly due to the considerable conservatism of the management. On the other hand the particular kind of external environment of these companies may be partly responsible for their management's conservatism - a somewhat homogenous, technologically non-complex business environment exemplified by relatively simple technology, monopolistically competitive industries. It is worth noting that all the eight companies practicing this style were producer good and consumer non-durable good manufacturing firms and finance companies. The traditionalism of their industries had probably affected the managements of these eight firms and the managements of these firms, being conservative, had probably chosen to grow slowly, remain of modest size, and remain in traditional industries.

STYLES AND THEIR CONTEXTS
Sample: 103 Canadian Firms

Top Management Style	Age	Size	Environmental				Technological complexity	Types of firms (M=Manufacturing) (NM=Non-manufacturing)
			Hostility	Turbulence	Diversity	Restriictiveness		
Entrepreneurial:								
Mean	-.71*	-.68	.51	1.33	.23	-.07	Both M and NM firms well-represented. No dominant type of M or NM activity	
error of mean	.13	.26	.59	.36	.50	.53		
Conervative Organic:								
Mean	.05*	-.02	-.32*	-.91	-.04	-.62	Both M & NM firms nearly equally represented. No dominant type in M but 3 of the 4 NM were merchandising firms	
error of mean	.22	.29	.24	.81	.35	.27		
Professional Management								
Mean	.11	.31	.24	-.02	.51	.44	Three-quarters were M firms, and of the M firms, two-thirds were producer goods firms and a quarter were consumer non-durable goods firms.	
error of mean	.29	.22	.20	.24	.22	.27		
Quasi-professional:								
Mean	-.07	.06	-.08	.20	-.12	.20	M and NM firms nearly equally represented. No dominant type is either group. No consumer non-durable goods firm in the M group.	
error of mean	.22	.22	.23	.21	.21	.19		
Anti-professional:								
Mean	.19	.25	.00	-.28	.44	-.08	3:1 ratio of M to NM. Producer goods capital goods, and merchandizing firms	
error of mean	.44	.28	.29	.23	.23	.36		
Midway-of-the-road:								
Mean	.04*	-.08	-.09	-.08*	.01	-.09*	2:1 ratio of M to NM. Producer goods firms over 60% of M and consumer non-durable firms nearly 20%. Finance and merchandising firms constitute bulk of NM firms.	
error of mean	.15	.18	.16	.13	.20	.14		
Conervative Laissez-faire:								
Mean	.21*	-.75	-.13	.12	-.25	-.22	3:1 ratio of M & NM. M group consists producer and consumer non-durable goods firms. Both NM companies were finance cos.	
error of mean	.28	.49	.43	.32	.33	.30		
Mean Scores	.93	1.06	.83	2.24	.76	1.06		

The data are in standardized variables. Asterisk denotes F value significant at the 5% level.

Table 2 provides information on the range of the mean score of each contextual condition across the seven styles. Across the styles, environmental turbulence and restrictiveness show the largest spreads, diversity and hostility the least. There is a clear tendency for environmental turbulence to be associated with entrepreneurial management and a less clear tendency for stability to be associated with conservatism. There is a clear tendency for environmental restrictiveness to be associated with management professionalism but a far less clear tendency for lack of constraints to be associated with the opposite. Instead, there is a clearer tendency for a constraint-free environment to be associated with an organic management style, evidenced the low scores on environmental restrictiveness of two styles that are organic in their orientation, namely the conservative organic and the entrepreneurial. Technological complexity in the environment seems to be associated with technocracy while a relatively technologically non-complex environment seems to be associated with conservatism as well as with intuitive, seat-of-the-pants decision making. A hostile environment seems to be associated with entrepreneurship as well as management professionalism while a benign environment seems to be associated with conservatism. A diverse environment appears to have no clear impact on the style of management (both professional and anti-professional managements report a diverse environment) while a homogenous environment tends to be associated with conservatism. Organizational youth has a pronounced association with

entrepreneurship but maturity has not clear association. Large size is associated with both professional and anti-professional managements and relatively small size with both entrepreneurial and conservative managements. It has, therefore, no clear impact on the style of top management.

The foregoing discussion of the results indicate (1) that variation in a contextual condition may often have a nonsymmetrical impact on a dimension of top management style; and (2) contextual conditions vary considerably in the impact they may have on styles of management.

STYLE AND GOALS

Table 3 shows for each style the mean standardized scores of the salience to corporate management of relatively high performance on five common corporate goals, profitability, growth, liquidity, employee morale, and public image (legitimacy). Their rankings across the styles are also shown. The range of each goal across the styles is also indicated. For convenience, the mean and standard deviation of each goal for the whole sample are also shown. From it, the score of each goal for each style can be easily calculated for across goal comparisons. The following points may be made:

1. Growth and employee morale exhibit the largest ranges across styles, profitability the least. Thus, managements are likely to differ sharply as to whether they are growth oriented or not and employee oriented or not. The quo 1 professional management tends to regard growth as well employee

morale as rather important; the conservative laissez-faire management regards both as not very important; the entrepreneurial management regards growth as important but not morale; while the professional management tends to regard growth as only modestly important but morale as highly important.

2. Across styles, high profitability is most important to entrepreneurial and professional management and least to anti-professional and conservative organic managements, a finding that is consistent with the character of the styles and the context in which they are usually found. Liquidity is most important to the conservative organic management, found commonly (but not exclusively) among merchandising firms (see Table 2) and to entrepreneurial management, whose penchant for headlong growth often precipitates cash shortages. It is least important for professional management and anti-professional management firms, possibly because the long term planning orientation of professional management firms leads them to forecast and plan cash flows and cash disbursements relatively far into the future so that liquidity is seldom a serious problem, while the relatively high and fairly stable profitability of anti-professional management firms (see Table 6) seems to reduce the probability of serious liquidity crises. If professional and anti-professional managements both discount liquidity they are dramatically opposite in their concern for employee morale. The great importance professional management firms attach to employee morale, job satisfaction, and employee commitment to the corporate objectives is certainly consistent with their strongly participative Theory Y style.

TABLE 3

STYLES AND SALIENCE OF CORPORATE GOALS

Sample: 103 Candian Firms

Style	Mean Importance of									
	Profita- bility		Growth		Liquidity		Employee Morale		Public Image (Legitimacy)	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank
Entrepreneurial	.34 (.27)	1	.80 (.17)	1	.36 (.36)	2	-.36 (.37)	5	-.25 (.30)	5
Conservative Organic	-.42 (.54)	6	-.12 (.46)	4	.47 (.33)	1	.22 (.40)	3	-.08 (.42)	4
Professional Management	.34 (.20)	1	.08 (.23)	3	-.37 (.24)	6	.70 (.16)	1	.30 (.25)	2
Quasi-Profess- ional	.07 (.18)	3	.35 (.17)	2	.09 (.22)	4	.31 (.18)	2	.38 (.16)	1
Anti-profess- ional	-.45 (.35)	7	-.16 (.28)	5	-.41 (.22)	7	-.99 (.26)	7	-.54 (.30)	6
Middle-of-the- road	-.10 (.17)	5	-.21 (.19)	6	.19 (.19)	3	.09 (.18)	4	.10 (.19)	3
Conservative Laissez-Faire	.06 (.36)	4	-.82 (.38)	7	-.03 (.29)	5	-.46 (.22)	6	-.08 (.41)	4
Range of Mean Scores Across styles	.79		1.62		.88		1.76		.92	
Mean and (Standard deviation)of Raw Scores for Whole Sample	5.43 (1.35)		4.80 (1.30)		4.24 (1.28)		5.02 (1.24)		5.01 (1.52)	

Figures in brackets are standard errors of the mean.
All "scores" are standardized.

Equally, the relative disregard for employee morale of the anti-professional managements is consistent with their aversion to participation and proclivity for coercion (see Table 1). Other managements that do not show much concern for employee morale are the conservative laissez-faire and the entrepreneurial managements. As we have noted earlier, the conservative laissez-faire firms operate in somewhat traditional and atomistically competitive "tight" environment. The entrepreneurial managements are perhaps too preoccupied with growth to worry much about the morale of their employees. The strongest votaries of public image are the quasi-professional and the professional managements, the weakest being the anti-professional managements. This too, is not very surprising. By and large, professional managements are found in complex environments marked by many legal and economic regulations and technological sophistication. This is also true of the quaso-professional managements, but to a lesser extent (see Table 2). The visibility of professionally managed firms tends to be high and so, by necessity as well as choice, they tend to emphasize good corporate citizenship. A good public image also helps to attract the technocrats highly valued by professional managements. Faced with opposite contingencies, the anti-professional management can afford to take a relatively public-be-damned stand.

The foregoing analysis points to a few important generalizations.

a) Managements tend to pursue goals that are consistent with their ideology and de-emphasize goals that are peripheral or inconsistent with their ideology. Thus, management ideology and style powerfully shape which concrete goals will be pursued or neglected by the management. The strong commitment of entrepreneurial managements to growth and of professional managements to employee morale buttress this generalization. So does the relative aversion of conservative laissez-faire managements to growth and of anti-professional managements to employee morale.

b) Managements tend to pursue goals that become critical due to the nature of the context in which their organizations operate as well as the contingencies their styles create. The importance of liquidity to the entrepreneurial managements due to their headlong attempts at growth in a turbulent environment, to the conservative organic managements because of their merchandising activities, and the importance of public image to technocratically oriented professional managements operating in highly visible, restrictive, complex environments are instances that support this generalization. One may further generalise and say that managements neglect goals that fail to become critical in the contingencies created by the organization's context and the operation of its management. style. The relative neglect

of profitability and liquidity by the fairly profitable anti-professional managements, of employee morale and public image by the same managements (operating as they do in less visible and complex contexts that do not require them to be technocratic), and the neglect of liquidity by the long-term planning oriented professional managements buttress this generalization.

c) Just as style and context may influence the choice of the goals that emphasized, it is possible to argue that goals may sometimes influence the style management adopts. If the goal of a management is rapid growth then it is likely to translate itself into an entrepreneurial management style; if it is social legitimacy or good image, high employee morale, and profitability, then the pressure towards a professional management style is irresistible (23, ch.10).

STYLE AND STRATEGY

Corporate strategy may be defined as the external posture of the corporation that includes such matters as its policy vis-a-vis diversification, vertical integration, geographical coverage and the areas in which the corporation chooses to compete (37, ch.3). Table 4 indicates the scores of the seven styles on selected aspects of corporate strategy, namely, the strategic importance of diversification to the company; whether it prefers related (concentric) diversification or unrelated (conglomerate) diversification; whether it has a policy

of actively vertically integrating or of avoiding it; the strategic importance to it of research and development; whether the management stresses operating efficiency or marketing; whether it emphasizes a relatively heavy or light promotion of its products; and whether it pursues a policy of marketing high quality high price products or services or a policy of marketing standard quality popularly priced products or services. The table also provides the range of their scores across the styles.

The elements of corporate strategy on which there is the sharpest differentiation among the styles are the importance of Rand D to top management and the emphasis on quality of products. The professional managements stress R & D most while the conservative laissez-faire managements stress it the least. It is worth recalling that the professional managements are found largely in technologically complex and restrictive environments while the conservative laissez-faire managements tend to be found in somewhat traditional, atomistically competitive industries. The entrepreneurial style managements seem to stress high quality most and the conservative organic firms - many of them large merchandising firms - the least.

On two other items, too, the differentiation across styles is fairly large. Both of them relate to diversification: its strategic importance and the preference for concentric rather than conglomerate diversification. The entrepreneurial managements seem to be the strongest votaries of diversification, followed by the professional

TABLE 4
STYLES AND CORPORATE STRATEGY

	Business Strategy				Competitive Posture			
	Imp. of Diversification	Stress on Concentric Diversification	Stress on Vertical Integration	Imp. of R&D	Stress on Marketing	Stress on heavy advertising & promotion	Stress on Product Quality	Rank
	Mean Score	Mean Score	Mean Score	Mean Score	Mean Score	Mean Score	Mean Score	Rank
Entrepreneurial	.56 (.44)	.26 (.35)	.11 (.29)	.11 (.37)	.76 (.24)	.34 (.55)	.49 (.48)	1
Conservative	.68 (.31)	.54 (.34)	.78 (.33)	.05 (.47)	.27 (.36)	.26 (.29)	.97 (.41)	7
Professional Management	.36 (.24)	.56 (.25)	.16 (.22)	.58 (.19)	.26 (.33)	.08 (.25)	.14 (.25)	3
Semi-professional	.14 (.21)	.03 (.16)	.30 (.22)	.26 (.16)	.20 (.16)	.33 (.20)	.01 (.15)	5
Anti-professional	.13 (.18)	.27 (.30)	.02 (.24)	.06 (.30)	.36 (.25)	.36 (.21)	.06 (.24)	6
Middle-of-the-road	.01 (.18)	.17 (.20)	.20 (.19)	.25 (.17)	.18 (.19)	.39 (.14)	.02 (.17)	4
Conservative Laissez-faire	.64 (.44)	.74 (.25)	.36 (.46)	.89 (.31)	.35 (.33)	.52 (.47)	.40 (.30)	2
Range of Mean Scores	1.24	1.30	1.08	1.47	1.12	.91	1.46	

Scores in brackets are standard errors of the mean. All scores are in standardized variables.

- (a) The smaller the score, the greater the stress on conglomerate diversification
- (b) The smaller the score, the greater the emphasis on operating efficiency
- (c) The smaller the score, the greater the emphasis on the marketing of standard quality, inexpensively priced products or services.

style managements; the conservative organic and the conservative laissez-faire managements, not surprisingly, show the least enthusiasm for it. With regards to concentric versus conglomerate diversification, the two-conservative style managements much rather prefer to diversify into related lines (if diversify they must) while the professional style management (and to a lesser extent the anti-professional and the entrepreneurial managements) have a distinct preference for conglomerate over concentric diversification. The process and aims of unrelated diversification, however, are likely to differ as between the professional, anti-professional, and entrepreneurial managements. The professional managements, with their familiarity with modern management techniques, are likely to venture into areas unrelated to their main business after sophisticated research and financial and marketing analysis, with a view to stabilizing long term profits at a high level and building up a good public image. The anti-professional and the entrepreneurial managements are likely to proceed more on the basis of hunches about the prospects of unrelated product lines than on the basis of solid research and analysis. But their goals may differ. The entrepreneurial managements aim to grow rapidly through diversification; the anti-professional managements probably to reduce the risk of being in a single, presently profitable business, and to utilise profitably the cash the latter is generating.

There is lesser spread among the styles with respect to emphasis on advertising and promotion, marketing (as against

operating efficiency), and vertical integration. Still, there are some interesting contrasts. The entrepreneurial managements strongly stress marketing rather than operating efficiency, while the anti-professional, the conservative laissez-faire, and the conservative organic managements tend to stress operating efficiency instead. This is perhaps because of the far greater turbulence and hostility of the entrepreneurial management's external environment. (See Table 2). Also entrepreneurial managements tend to go in rather strongly for somewhat exotic, novel products or services rather than established products, and marketing is indispensable in getting these to be accepted by society. The conservative laissez-faire along with the entrepreneurial, the quasi-professional, and the conservative organic-managements stress heavy advertising and promotion while the middle-of-the-road and the anti-professional managements tend to shun it. The conservative laissez-faire firms are by and large what may be termed by economists as monopolistically competitive firms struggling through product differentiation and advertising to retain their small market shares. The conservative organic firms are commonly in large scale merchandising requiring much advertising and promotion. We have

noted above the strong marketing orientation of entrepreneurial managements. The quasi-professional managements operate generally medium sized firms in somewhat complex environments (see Table 2) that probably need to advertise their products heavily to be able to compete with their larger rivals. The middle-of-the-road and the anti-professional managements are strongly represented by companies producing producer goods and these being homogenous products, need little advertising and promotion.

Although vertical integration is a form of concentric diversification, its purpose usually is to insulate the primary manufacturing or other operations of the firm from the market's vagaries concerning the principle raw materials and/or uncertainties connected with distribution (21, 36). Vertical integration also offers a competitive advantage over unintegrated rivals in times of rapid cost escalations of raw materials (32, pp.87-88). The quasi-professional and the middle-of-the-road managements stress vertical integration somewhat while the conservative organic and to a lesser extent, the conservative laissez-faire managements, avoid it. The modest preference of the middle-of-the-road managements for vertical integration is understandable. Since a large percentage of the firms are producer good and merchandising firms,

vertical integration often offers lucrative opportunities for getting into markets for finished products that can be differentiated (in the case of producer goods firms) and into manufacturing of products currently retailed (in the case of merchandising firms). The preference of the quasi-professional firms for vertical integration is obscure. The managements of the two conservative styles seems to shun vertical integration because it represents a form of diversification into businesses that may be related to the current one but involves substantially different production and marketing management expertise (for example, the steel firm venturing into the manufacture of steel making machinery or steel machinery is involving itself in very different businesses).

It is clear from Table 4 that the style of top management accounts for some dramatic difference in corporate strategy. The corporate strategy of the entrepreneurial managements appears to be strong emphasis on diversification, particularly of the conglomerate variety, concentration on high quality "premium" products or services, and a strong emphasis on marketing and heavy advertising. The two conservative styles offer a very sharp contrast: avoidance of diversification and vertical integration as far as possible, with preference for concentric diversification if diversification is absolutely necessary, stress on operating efficiency rather than marketing. They do, however, share with the entrepreneurial style the emphasis on relatively heavy promotion. The strategies of the two conservative styles differ

strongly in two respects; the conservative laissez-faire managements are far more allegric to R and D and also for more committed to high quality of products than the conservative organic managements. The professional, the quasi-professional, and the anti-professional managements show some interesting similarities and differences with respect to corporate strategy. The professional management's corporate strategy tends to revolve around conglomerate diversification and the marketing of relatively high technology, R and D derived products. The anti-professional management tends to have only a modest commitment to diversification but it tends to prefer conglomerate to related diversification. It tends to stress operating efficiency rather than marketing and tends to avoid high powered promotion of its products. The quasi-professional management, too, has only moderate interest in diversification but it is neutral between concentric and conglomerate diversification. It does lay some stress on vertical integration as well as R and D, marketing, and relatively heavy promotion. The middle-of-the-road management seemsto prefer a middle-of-the-road strategy in diversification, vertical integration, R and D, marketing, and product quality. It does not favour heavy promotion of the firm's products.

STYLE AND ORGANIZATIONAL STRUCTURE

Organizational structure may be defined as the set of formally sanctioned durable mechanisms that facilitate a number of organizational functions, the chief of which are reduction of internal and external uncertainty confronting decision makers, enabling the organization to undertake diverse activities efficiently (differentiation), and control, coordination, and integration of the organization's activities to achieve the goals of the organization (integration) (18,20,23, ch. 13, 24, 36). Table 5 presents scores of three aspects of structure; the extent of sophistication of the organization's information system involving such activities as formal market research, formal forecasting of markets and technology, systematic search for investment opportunities, research and development, electronic data processing and long term capital budgeting, (uncertainty reduction); the extent of delegation of authority by the chief executive to his subordinates in areas as such as pricing, marketing strategy, selection of investments, corporate acquisitions, new product development, raising long term capital, hiring and firing of senior personnel, etc. (differentiation); and the extent to which sophisticated management controls are utilized to control and coordinate the organization's operations, such as quality control, standard costing, inventory control through operations research techniques, internal auditing, systematic evaluation of personnel, establishment of profit and cost centers, and use of present values or internal rates of return in evaluating investment proposals (integration, but also reduction of internal uncertainty).

Some striking differences in structure are observable across the styles, more particularly between the professional and quasi-professional on the one hand, and the anti-professional and the two conservative styles on the other. It is clear that the professional and the quasi-professional managements tend to design a substantially more decentralised structure and a substantially more sophisticated information and control system than other managements; particularly the anti-professional and the two conservative style managements. Committed to diversification, sophisticated technologies, operating in regulated and technologically sophisticated environments, and committed to technocracy, power-sharing (participation) and employee morale, it is natural for the professional management (and to a lesser extent for the quasi-professional management) to decentralise authority and instal a sophisticated information and control system. The anti-professional, the conservative organic, and the conservative laissez-faire managements are less committed to diversification; operate in much less restrictive and far less technologically complex environments, are more or less anti-technocracy and anti-participative. They have, therefore, no such compulsion to use a complex structure, and settle for more centralised authority structures and relatively unsophisticated information and control systems. After all, if uncertainty reduction, differentiation, and integration can be performed personally by one or a few individuals at the top (as is possible in noncomplex environments or in forms having relatively

TABLE 5

STYLES AND ORGANIZATIONAL STRUCTURE

Sample : 103 Canadian firms

Style	Sophistication of Information System		Delegation by Chief Executive		Sophistication of Control System	
	Mean	Rank	Mean	Rank	Mean	Rank
Entrepreneurial	.00 (.33)	3	-.15 (.31)	5	.30 (.40)	4
Conservative Organic	-.90 (.34)	6	-.14 (.38)	4	-.43 (.27)	5
Professional Management	.76 (.19)	1	.31 (.24)	1	.51 (.19)	1
Quasi-professional	.63 (.17)	2	.31 (.24)	1	.42 (.22)	2
Anti-professional	-.55 (.30)	5	-.21 (.26)	6	-.44 (.27)	6
Middle-of-the-road	-.18 (.11)	4	-.11 (.15)	3	.01 (.15)	3
Conservative Laissez-Faire	-.92 (.31)	7	-.71 (.37)	7	-.88 (.38)	7
Range of Mean scores	1.66		1.02		1.39	

Figures in brackets are standard errors of the mean. All scores are in standardized variables.

noncomplex strategies) there is little need for complex and expensive infrastructural facilities. Where the tasks confronting decision makers are highly complex, an elaborate and sophisticated infrastructure is necessary but that, too, if the prevailing managerial ideology in the organization is receptive to it (otherwise the elaborate infrastructure will merely be a showpiece).

The middle-of-the-road managements settle for moderate decentralization and a moderately sophisticated information and control system. The case of the entrepreneurial managements, which also are only moderately decentralized and utilise a more or less low-brow information and control system, is the more interesting one. They operate in a highly turbulent, hostile environment. How come that they do not, by and large, employ a sophisticated information and control system? The answer appears to lie partly in the nature of the context, partly in the character of the entrepreneurial personality, and partly in the sorts of corporate strategies pursued by entrepreneurial managements. Operating as entrepreneurial managements do relatively small to moderate sized organizations in highly turbulent, often hostile environments, their critical need is for speed in decision making. Sophisticated information systems work well in moderately stable environments in which rapid changes do not render carefully researched and analysed information quickly obsolete; they may actually mislead management in a fast changing situation in which qualitative impressions of what is unfolding are often more important than quantitative exactness of

past results and future trends. The entrepreneurial personality tends to abhor jargon, long reports, and so on, prefers to rely on hunches and intuition, and likes to act boldly in the face of uncertainty (9,27,31). As we noted earlier, entrepreneurial managements tend to be strongly committed to diversification into novel, high quality, premium products that may earn, at least temporarily, large monopoly profits. Production costs are not seen as critical; high pressure marketing is, to quickly reap the benefits of temporary monopoly. Thus, there is little imperative for a sophisticated control system though much for ingenious marketing. Finally, while routine decisions may be delegated, the entrepreneurial individuals at the top must make a great many decisions personally because major risks are being taken in a situation of much uncertainty and they alone have the information (amounting often to mere hunches) for doing this. The author's field experience suggests that entrepreneurs extensively make use of business and organizational grapevine to keep themselves informed instantly of opportunities and exigencies, and they use unsophisticated but summary measure of performance that sometimes gives them a daily picture of how the company is doing.

All in all, the data tend to support the assumption of the considerable influence of contextual and strategic variables (including the style of management) on organizational structure.

STYLE AND ORGANIZATIONAL PERFORMANCE

Table 6 presents data on the performance characteristics of the seven styles of management. The three measures of performance used were the long term profitability of the firm (per centage before tax return on net worth), the long term growth rate of the firm's sales/revenues, and the range of the firm's profitability over a 5 year period, a measure of risk.

It is at once clear that no style ranks best on all three measures of performance, nor worst. There is, therefore, no single managerial heaven nor hell, no style that may be blindly adopted or rejected. The entrepreneurial style ranks first with respect to profitability and growth but it is the riskiest style of all. The professional management style promises the most stable profit performance but also somewhat lowly profit and growth performance. The conservative organic style performs adequately on profitability and stability but ranks last on growth rate. The quasi-professional style does adequately on growth and stability but ranks last on profitability. The anti-professional style does quite well on profitability and growth rate but ranks sixth on riskiness. The conservative laissez-faire style turns in a modest performance on all three criteria and is at least not worst on any criterion. The middle-of-the-road style turns in perhaps the poorest performance, ranking last on profitability, sixth on growth rate, and fifth on riskiness. Yet over 25% of the sample subscribed to it, the largest percentage for any style, suggesting that it is perhaps easier to practice than most other styles or confers greater viability than other styles.

The patterns of performance turned out by the styles do not appear to be capricious. The entrepreneurial style is highly risk taking and prices growth; it operates in a highly turbulent environment. Its performance is consistent with its orientation and the turbulence in its environment. The two conservative styles are risk averse, operate in much less turbulent environments. They show fairly stable profitability. The professional management style is strongly oriented to conglomerate diversification, probably with the idea of spreading risks, and also to long term planning, and it shows the most stable profitability. It probably sacrifices some profitability at the altar of high employee satisfaction and a good public image and so turns in a pedestrian profit and growth performance. The anti-professional style, with a bit of employee- and public-be-damned orientation, its higher risk taking and its more benign and less demanding context, is able to outperform the professional style on profitability and growth rate. The quasi-professional style, fairly strongly oriented to growth (Table 3) does well on that score, and due to its commitment to technocracy and long term planning also does well with respect to profit stability. Its profit performance is, however, substantially lower than its profit aspirations (Table 3). The middle-of-the-road style ranked 4th and 6th with respect to its profit and growth aspirations (Table 3); its rankings on actual performance were 7th and 6th respectively.

TABLE 6

STYLE AND PERFORMANCE

Sample : 103 Canadian Firms

Styles	<u>Profitability</u> % Return on Networth		<u>Growth</u> % Growth rate		<u>Risk (Range of profita- bility)^a</u>		<u>Overall Performance</u> Sum of Ranks	
	<u>Mean</u>	<u>Rank</u>	<u>Mean</u>	<u>Rank</u>	<u>Mean</u>	<u>Rank</u>	<u>Mean</u>	<u>Rank</u>
Entrepreneurial	19.1 (10.8)	1	20.6 (4.1)	1	27.1 (11.6)	7	9	1
Conservative Organic	16.0 (4.6)	3	10.2 (2.2)	7	10.2 (2.2)	2	12	4
Professional Management	14.3 (1.9)	5	13.8 (3.5)	4	9.2 (1.3)	1	10	3
Quasi- professional	13.8 (1.3)	7	15.4 (2.0)	3	11.8 (1.5)	3	13	6
Anti- professional	17.4 (2.7)	2	20.5 (7.8)	2	16.9 (4.3)	6	10	3
Middle-of-the- road	13.8 (2.0)	7	10.7 (1.8)	6	14.6 (3.1)	5	18	7
Conservative Laissez-faire	15.1 (2.9)	4	11.1 (5.0)	5	13.0 (4.6)	4	13	6

Figures in brackets are the standard errors of the mean

^aThe larger the score, the greater the risk and the less favourable the performance.

It appears therefore that the pattern of performance turned out by a style depends fairly substantially upon the orientations embodied in the style, the goals of the organization, the strategies pursued by the organization, and the pressures of the context. However, there may be design strengths and design deficiencies in the styles that may raise or lower their overall performance. If we weigh the three performance measures equally, the sum of the rankings on the three measures gives a fairly good index of the overall performance of the style. The last but one column in Table 6 shows the summed rankings of each style. It indicates that overall the entrepreneurial style does best, followed closely by the professional and the anti-professional styles, followed by the conservative organic style, followed closely by the quasi-professional and the conservative laissez-faire style, and last (by a long margin) by the middle-of-the-road-style.

The great strength of the entrepreneurial style is not that it is risk taking but that it is risk taking as well as organic (low on structuring). When large, bold, risky decisions are taken, usually in the face of considerable uncertainty, considerable administrative flexibility, open channels of communication, situation based authority are indispensable to adjust to the evolving situation that often undergoes unexpected twists. It was found that 82% of firms whose managements were strongly risk taking and at least moderately organic were high performers while only 33% of firms whose managements were strongly risk taking but mechanistic were high performers (23, p.428). Similarly the strength of

the professional style is not that it is technocratic but that it is technocratic as well as participative. When a management is technocratic, there is much specialization, much use of sophisticated controls and information and operating systems, and generally an extensive use of high powered staff. Line and staff conflicts tend to become frequent because of goal and perception differences, as also conflicts between specialized staff groups. Without a participative orientation, the necessary willingness and ability to collaborate between the warring groups may not be there. It was found that 70% of firms whose managements were strongly technocratic and participative were high performers as compared to 40% that were strongly technocratic but not strongly participative (23, p.428). The strength of the anti-professional style is that having decided on an anti-technocratic orientation, it avoids participation, and embodies some risk taking. When the context is noncomplex and technocrats are not important, a participative orientation with its propensity for democratic consensual decision making would needlessly slow down decision making and needlessly raise staff expectations. Operating in a fairly simple context with a fairly lean infrastructure, opportunistic risk taking could yield good dividends. Thus, 54% of firms whose managements were low on optimization and were at least moderately risk taking and nonparticipative were high performers compared to 43% of firms whose anti-technocratic managements were either low on risk taking or high on participation (23, p.428). The modest overall performance of the conservative organic, quasi-professional and conservative laissez-faire styles may well be due to design defects. If a

management is conservative, it is likely to go in for relatively safe investments, wait until an innovation has proved itself, and so on. The occasions for organizational change are likely to be few and far between. What perhaps is essential is efficiency in operating the organization and in implementing any changes. A structuring, mechanistic orientation may make ^{more} sense than an organic one. Thus, the weakness of the conservative organic and the conservative laissez-faire styles may not be conservatism but their low structuring orientation. The performance of 7 conservatively managed firms that were at least moderately mechanistic was 17.9% average profitability (versus 16.0% and 15.1% for the conservative organic and conservative laissez-faire firms respectively), 11.5% growth rate (versus 10.2% and 11.1%), and 8.5% range of profitability (versus 10.2% and 13%). In the case of the quasi-professional style, the weakness probably lies not in its technocratic and mechanistic orientation but in its being coercive and not participative enough. In the case of the professional style it was noted that high levels of participation (and low levels of coercion) were indispensable to make technocracy work and head off its "people" problems. The quasi-professional style has no effective mechanism to ameliorate the "people" problems technocracy and bureaucratization create, and indeed high levels of coercion are likely to exacerbate these "people" problems.

The very poor overall showing of the middle-of-the-road style is perhaps because of the failure of nerve that a middle-of-the-road approach often implies, the indecisiveness as to whether to act boldly and innovate or conservatively wait until an innovation has proved itself; or whether to professionalise management or to practice competent seat-of-the-pants management. Paralysed by the damned-if-you-do-and-damned-if-you-don't anxieties, the management is likely to pass up many opportunities for growth and high profitability. Its wishy-washy character is unlikely to make it a good competitor nor is it likely to elicit the commitment of the organization's rank-and-file.

SUMMARY

Cluster analysis of data from the managements of 103 Canadian companies yielded seven styles of corporate management. These were: the entrepreneurial style, the conservative organic style, the professional management style, the quasi-professional style, the anti-professional style, the middle-of-the-road, and the conservative laissez-faire style. The contextual conditions associated with each style were identified, as also management aspirations with respect to five corporate goals, business and competitive strategy, organizational structure and corporate performance. The principal findings are summarized in Table 7. Broadly speaking, the findings are consistent with the following generalizations.

1. There are substantial differences in the styles of corporate management. Management styles differ markedly with respect to risk taking, technocracy, participative decision making, structuring of activities and authoritarianism.
2. There is a tendency for each style to be associated with a distinctive configuration of contextual conditions, suggesting strongly a causal link between organizational context and management style. The style of management is partially determined by the organizational context but over a period of time through choice of product lines, market segments and the like, it may also influence organizational context.
3. Each style of management tends to be associated with a distinctive corporate strategy and organizational structure suggestive of strong causal links between management style, corporate strategy, and organizational structure.
4. Each style tends to predispose the organization to a certain pattern of performance suggestive of a causal link between managerial orientation and organizational performance.
5. Inherent strengths and weaknesses of a style tend to fructify into overall strong or weak corporate performance.

T A B L E - 7.
SUMMARY OF FINDINGS FOR EACH STYLE.

Context.	STYLE.	Primacy of Goals (Relative to Other Styles)	Distinctive Corporate Strategy.	Organizational Structure	Corporate Performance.
1. Young Organization	ENTREPRENEURIAL	Growth, profitability, liquidity.	Relatively strong emphasis on diversification; marketing and heavy promotion of premium products or services.	A relatively modestly complex information and control system. Some centralization.	Strong growth & profit performance but high risk. Best overall.
2. Small to medium size.					
3. Turbulent, hostile environment.					
A relatively unrestrictedly Technologically unsophisticated, stable, benign environment.	CONSERVATIVE ORGANIC	Liquidity, employee morale. Profitability unimportant relative to other styles.	Relatively strong aversion to diversification and vertical integration. Commitment to marketing standard quality, low priced outputs.	A relatively fairly simple information and control system. Some centralization.	Low risk, fair profitability, low growth rate. Fair overall performance.
1. Relatively large Organizations.	PROFESSIONAL	Employee morale, public image, more important and liquidity less important relative to other styles.	Conglomerate diversification, R&D relatively strongly stressed	A relatively complex information and control system. Fair decentralization.	Low risk, modest growth and profitability. Best overall.
2. Many manufacturing, mainly producer goods, organizations.					
No distinctive context.	QUASI-PROFESSIONAL.	Public image, morale, growth, profitability more important relative to other styles.	Above average stress on vertical integration and heavy promotion of products.	A relatively complex information and control system. Fair decentralization.	Fairly high growth rate and fairly low risk. Low profitability. Fair overall.
1. Many manufacturing Organizations.	ANTI-PROFESSIONAL.	Strong aversion to public image, morale, profitability, and liquidity relative to other styles.	Moderate stress on conglomerate diversification, light promotion, and operating efficiency (relative to other styles).	A relatively fairly simple information and control system. Some centralization.	Good profit and growth performance but high risk. Second best overall.
2. Somewhat diverse, stable environment.					
Many intermediate goods producing, merchandising, and finance organizations.	MIDDLE-OF-THE ROAD.	Aversion to growth (relative to other styles)	Some aversion to heavy promotion and R&D (relative to other styles).	A relatively modest information and control system. Some centralization.	Poor profit, growth, risk, Poor overall.
1. Mainly manufacturing Organizations.	CONSERVATIVE LAISSEZ-FAIRE	Strong aversion to growth and morale (relative to other styles)	Strong aversion to diversification, vertical integration and R&D. Heavy promotion of premium products.	A relatively simple information and control system. Considerable centralization (relative to other styles).	Average profit, growth, risk. Fair overall.
2. Small size.					
3. Somewhat homogeneous technologically non-complex environment.					

The study strongly reinforces the strategic centrality of top management style and culture. The style of management emerges as a primary focus of organizational design because of its apparently large impact on organizational goals, strategy, structure, and performance. Further intensive study of the managerial orientations of risk taking, technocracy, participation, structuring and coercion, the process by which they get crystallised, their effective combinations, and the search for contexts that are congenial to each combination is likely to be highly productive for organizational theory and organizational design. The implications of styles for organizational aspirations, strategy, structure and processes like selection, socialization, mobility, differentiation, decision making and the like may yield guidelines for organizational development that could differ markedly from current practice. For example, it is unlikely that the organizational development strategy aimed at setting up and translating into appropriate organizational strategy, structure etc. the entrepreneurial style is likely to be identical with the D.D. strategy to instal and operationalise the professional management style. The processes by which styles get translated into organizational targets, strategy, structure, processes etc. may substantially extend contemporary organization theory. The relationship between organizational context and the organizational

DISCUSSION

The weaknesses of the study should be borne in mind while assessing the results. These reside primarily in the cross-sectional nature of the data, limited sampling, data gathered from the corporations of a single country, possible respondent biases, etc. The reliability and validity of the measures, appear, however, to be fairly decent for an exploratory study. The study is also one of the very few that have ventured to measure the managerial culture at the top levels of management and relate systematically the top management culture to a whole host of other variables.

The study suggests large, often dramatic differences in managerial culture and operating styles within a single western society. Even greater differences in management styles are therefore likely across societies. It is tempting to think that the styles uncovered in this study of Canadian firms will be found more universally. Only further cross-cultural research, some of it currently underway by the author and his associates, will shed light on this issue. In any case, no single style of management is likely to be characteristic of any large society. The statement that the Japanese (or the American, the Canadian, the British, the Indian, or the German, etc.) style of management is such and such are avoidable delusions. In cross-cultural research, it may be more fruitful to compare the frequency with which styles identified in this paper (or others revealed by further research) occur in the cultures being compared than to speak of their typical management styles.

communication and decision making processes that give nurturance to a particular style of management is also a rich and relatively under-explored area. The study has served its purpose if it has brought into sharper focus these tantalizing areas of organizational research.

FOOTNOTES

1 In (22, Appendix), " Optimization" has been labelled "technocracy" while the variable defined as "organicity" is the obverse of the one defined as "structuring" in this paper. The data collection was funded by Canada Council.

APPENDIX I

Operational Definitions of Certain Variables

1. Top management goals were assessed by the following question in the questionnaire addressed to senior executives of the corporation:

How important are the following goals to your firm's top management in making strategic decisions, or commitments of a long term nature?

- | | | | | |
|--|----------------------|---------------|-----------------|---------------------|
| 1. Earning a high, above average profit | Moderately important | 1 2 3 4 5 6 7 | Quite important | Extremely important |
| 2. Achieving a high, above average rate of growth in sales or revenues | Moderately important | 1 2 3 4 5 6 7 | Quite important | Extremely important |
| 3. Retaining or securing high, above average liquidity or financial strength | Moderately important | 1 2 3 4 5 6 7 | Quite important | Extremely important |
| 4. Maintaining or securing high, above average employee morale, job satisfaction and commitment to firm's objectives | Moderately important | 1 2 3 4 5 6 7 | Quite important | Extremely important |
| 5. Achieving or maintaining an excellent public image | Moderately important | 1 2 3 4 5 6 7 | Quite important | Extremely important |

2. Corporate strategy was assessed through the following questions:

- | | | |
|--|---------------|---|
| a. Strong emphasis on diversification of products or services even if it means venturing its unrelated industries. | 1 2 3 4 5 6 7 | Concentration on a single group of related products or a single industry; great emphasis on defining one's industry and sticking to it. |
|--|---------------|---|

(Measures proclivity to concentric rather than conglomerate diversification).

- b. Strategic importance to top management of diversification
Little strategic importance 1 2 3 4 5 6 7 Extreme strategic importance
- c. Strong avoidance of vertical integration 1 2 3 4 5 6 7 Strong tendency to integrate vertically, such as by acquiring raw material sources and processing facilities and/or by acquiring wholesaling and even retailing channels.

(Scale reversed)

- d. Strategic importance to top management of research and development of new products or processes.
Little strategic importance 1 2 3 4 5 6 7 Extreme strategy importance
- e. A strongly operating efficiency orientation 1 2 3 4 5 6 7 A strongly marketing orientation
(Some of both)

(Scale reversed)

- f. Low advertising and promotion compared to industry average 1 2 3 4 5 6 7 Heavy advertising and promotion compared to industry average
(Varies for different products; average)

(Scale reversed)

- g. Standard quality, low or popular price orientation 1 2 3 4 5 6 7 High quality, high price orientation

(Scale reversed)

3. Sophistication of information system was measured by aggregating the following scales. The reliability of the measure was .80.

Please rate the extent to which each of the following is used or done in your firm.

a. Electronic data processing

- Not used at all 1 2 3 4 5 6 7 Covers almost all of the firm's internal and external transactions

b. Research and development and design of products of services and processes

Not doen at all 1 2 3 4 5 6 7 Done to a very great extent whether in-house or under contract outside the firm.

c. Long term forecasting of your firm's sales and profits, and of the size and nature of its markets

Not done at all 1 2 3 4 5 6 7 Done to a very great extent; detailed forecasts for next 5 years or more

d. Long-term forecasting of the technology relevant to your firm's products/operations

Not doen at all 1 2 3 4 5 6 7 Done to a very great extent; careful, detailed forecasts for next 5 years or more

e. Procedures to search for and evaluate systematically potentially profitable investments.

Not used at all 1 2 3 4 5 6 7 Used to a very great extent in identifying most growth opportunities.

f. Planning of long term investments and their financing (long term capital budgeting)

Not doen at all 1 2 3 4 5 6 7 Done to a very great extent; detailed plans for next 5 years or more.

g. Market research (systematic study of customer preferences, price and demand analysis of products or services)

Not done at all 1 2 3 4 5 6 7 Done as a matter of course before almost all new offerings, changes, etc.

4. Delegation of authority was measured by aggregating the following scales. The reliability of the measure was .81.

To what extent has the chief executive of your firm delegated authority to others to make each of the following classes of decision? Please rate the actual rather than the merely formal delegation of authority. The delegation of authority can be to individuals or groups (e.g. committees).

- a. Raising long-term capital to finance new investments
No delegation of authority 1 2 3 4 5 6 7 Complete delegation of authority
- b. Development of new products/services
No delegation of authority 1 2 3 4 5 6 7 Complete delegation of authority
- c. Marketing strategy for a new product/service and changes in the marketing strategy for existing products/services
No delegation of authority 1 2 3 4 5 6 7 Complete delegation of authority
- d. The hiring and firing of senior personnel
No delegation of authority 1 2 3 4 5 6 7 Complete delegation of authority
- e. Selection of large new investments
No delegation of authority 1 2 3 4 5 6 7 Complete delegation of authority
- f. Pricing of new products and significant price changes in existing products
No delegation of authority 1 2 3 4 5 6 7 Complete delegation of authority
- g. Acquisition of subsidiaries or controlling interest in other firms
No delegation of authority 1 2 3 4 5 6 7 Complete delegation of authority
- h. Bargaining with personnel or their unions about wages, etc.
No delegation of authority 1 2 3 4 5 6 7 Complete delegation of authority

5. Sophistication of control system was measured by aggregating the following scales. The reliability of the measure was .84.

Please rate the extent to which each of the following is used or done in your firm.

- a. Quality control of production or operations by using sampling or other techniques
Not used at all 1 2 3 4 5 6 7 Used to a very great extent; applied to almost all operations

- b. Cost control of operation by fixing standard costs and analyzing the variations of actual costs from these standards
- Not used at all 1 2 3 4 5 6 7 Used to a very great extent; applied to almost all operations
- c. The computation of present values or internal rates of return for evaluating investments
- Not used at all 1 2 3 4 5 6 7 Used to a very great extent; applied to almost all investment proposals
- d. Control of inventories, cash, etc., and scheduling of operations by means of mathematical techniques like simulation, linear programming, etc.
- Not used at all 1 2 3 4 5 6 7 Used to a very great extent; applied to almost all inventories and operations
- e. Internal auditing
- Not used at all 1 2 3 4 5 6 7 Used to a very great extent; covers almost all activities of firm
- f. Systematic evaluation of managerial and senior staff personnel
- Not used at all 1 2 3 4 5 6 7 Used to a very great extent; extended to almost all such personnel
- g. Establishment of profit centers and profit targets at various levels below the top management level and in different parts of the firm (profit decentralization)
- Not used at all 1 2 3 4 5 6 7 Used to a very great extent; covers almost every branch, department, and division
- h. Establishment of cost centers for cost control of the firm's operations (in a cost center fairly detailed cost targets are developed for activities under its jurisdiction)
- Not used at all 1 2 3 4 5 6 7 Used to a very great extent, from the lowest operating level to the highest

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