DECISION MAKING STYLE IN COMPANIES (CASE OF AUSTRIAN AND CZECH COMPANIES)

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Abstract

Main aim of our research was to do comparative analysis of managerial decision-making style of top managers in different countries, in this case in Austria and Czech Republic.

Longitudinal data analysis starting in the beginning of 90ties of last century up to now shows that there are very slow changes in decision-making style of top managers in the Czech Republic, as the representatives of the group of post-communist countries.

According to Vroom-Yetton methodology we divide decision making styles into autocratic, consultative and participative ones and strive for identifying managers with the particular styles.

Almost 500 top managers of the companies in Austria and the Czech Republic were questioned and the data were computerized. Comparative analysis confirmed the tendency that top managers of Czech companies tend mostly to autocratic, partly consultative decision-making style and managers of Austrian companies to consultative, partly participative styles.

Key words: *Decision making style, Managers, Austria, Czech Republic*

1. INTRODUCTION

Leadership behavior is taken as one of very important factors of managerial education in knowledge society. It creates the necessary preconditions for the implementation of the managerial knowledge in the process of the real decision making (Lang, Szabo, Catana, Konecna & Skalova, 2013).

Main aim of our research was to do comparative analysis of managerial decision-making style of top managers in different countries, in this case in Austria and Czech Republic. We came from the hypothesis that the managerial style of managers from post-communist countries will match in relatively short time (3-5 years) the prevailing style in traditional market economy countries.

Longitudinal data analysis starting in the beginning of 90ties of last century up to now shows that there are very slow changes in decision-making style of top managers in the Czech Republic, as the representatives of the group of post-communist countries.

The main research question is what are the main reasons for such an unexpected development and what is necessary to do in the future to speed up the process of matching the level in both groups of countries.

2. METHODOLOGY

This longitudinal research is based on Vroom- Yetton- Jago methodology (Vroom, Yetton & Jago, 1976), where the main idea is illustrated by the equation

$$E = f(Q \times A)$$

where E … Efficiency of decision-making

Q… Quality of decision

A… Acceptance by subordinates

Normative model of decision making consists of three basic areas:

- Managerial style (strategy of decision making)
- Diagnostic questions
- Decision making rules

Our analysis of leadership behavior is based on the Vroom-Yetton (1973) model. The model comprises three elements which are interconnected in the logic of the contingency theory: There is (1) no leadership strategy (style) which is successful in all situations, (2) therefore the situations have to be diagnosed, and (3) rules have to be found that explain which strategy best matches which situation.

Leadership strategies – according to the model (Reber, Auer – Rizzi & Maly, 2004), a leader can choose from five levels of participation when making a decision (AI, AII, CI, CII, GII). These strategies range from an autocratic decision (AI) to a total group decision (GII). AI represents 0% and GII 100% participation. The assignment of different participation scores for the strategies between the extremes of the scale is based on empirical studies. „A‟ stands for autocratic, „C‟ for consultative and „G‟ for group decision. „I‟ stands for the concentration on one person (AI = leader alone, CI = one-on-one consultation with all subordinates who could be affected by the decision), and „II‟ stands for the inclusion of two or more persons at the same time (AII= leader with passive participation of his subordinates, CII= consultation of the leader with the subordinates in a group meeting).

We can describe the strategies in the following way:

AI: You solve the problem or make the decision yourself using the information available to you at the present time.

AII: You obtain any necessary information from subordinates, and then decide on a solution to the problem yourself. You may or may not tell subordinates the purpose of your questions or give information about the problem or decision you are working on. The input provided by them is clearly in response to your request for specific information. They do not play a role in the definition of the problem or in generating or evaluating alternative solutions.

CI: You share the problem with the relevant subordinates individually, getting their ideas and suggestions without bringing them together as a group. Then you make the decision. This decision may or may not reflect your subordinates‟ influence.

CII: You share the problem with your subordinates in a group meeting. In their meeting you obtain their ideas and suggestions. Then you make the decision, which may or may not reflect your subordinates influence.

GII: You share the problem with your subordinates as a group. Together you generate and evaluate alternatives and attempt to reach agreement (consensus) on a solution. Your role is much like that of a chairperson, coordinating the discussion, keeping it focused on the problem and making sure that the critical issues are discussed. You can provide the group with information or ideas that you have, but you do not try to ‟press‟ them to adopt ‟your‟ solution and you are willing to accept and implement any solution, which has the support of the entire group.

Diagnostic questions then look for the answers of the following questions:

(A) Quality Requirement: Is the technical quality of the decision important?

(B) Leader Information: Do you have the knowledge, or is it readily available in on-hand manuals or documents, to reach a sound decision?

(C) Problem Structure: Is the problem well structured?

(D) Acceptance Requirement: Is it important that those who report to you commit to the decision?

(E) Prior Probability of Acceptance: Are you confident that those who report to you would commit themselves to a decision that you would reach alone?

(F) Goal Congruence: Do those who report to you share the organizational goals to be attained in solving this problem?

(G) Subordinate Conflict: Are those who report to you likely to be in disagreement over the nature of the problem or over the alternatives each might wish or recommend?

Decision making rules are depicted in Exhibit 1. The diagnostic questions are answered one by one choosing YES or NO. The process finishes with indication of proper decision making strategy AI-GII.

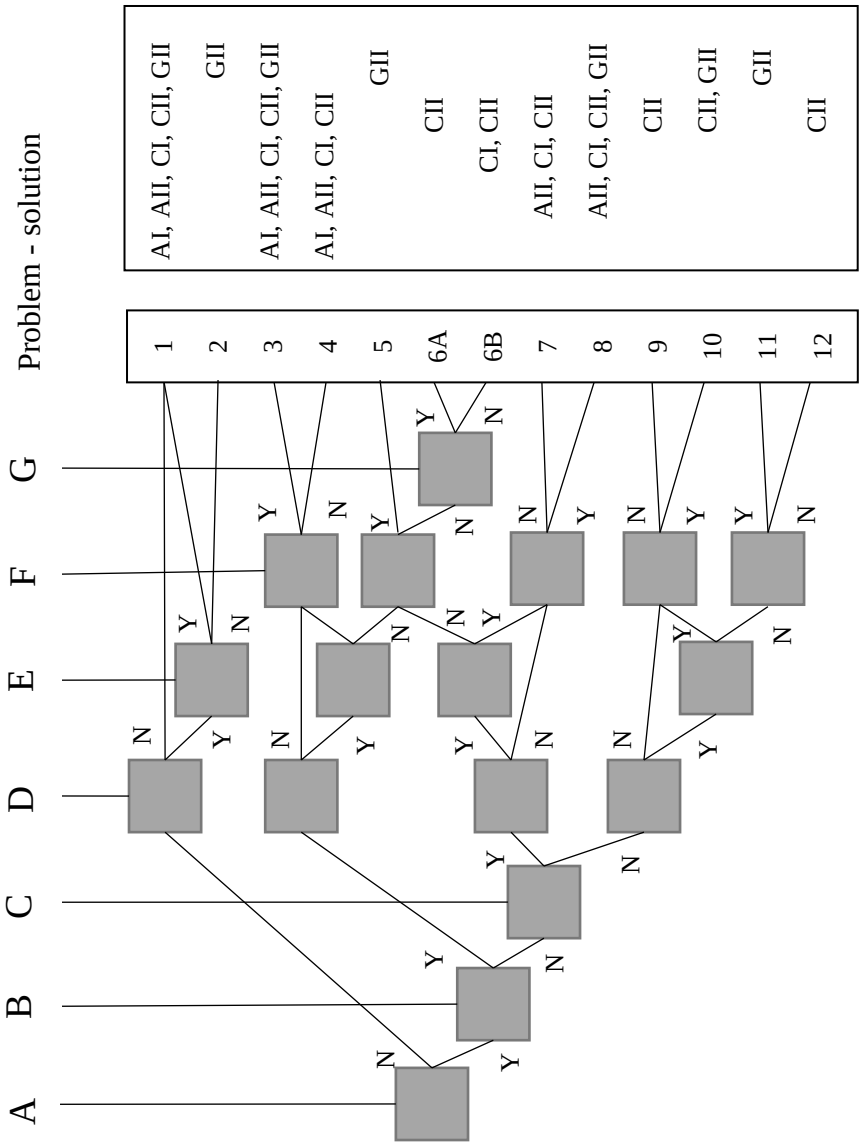


Exhibit 1 – Vroom/Yetton Decision Tree

Source: Vroom- Yetton (1973)

The applied method and data collection were dominated by a clear action orientation. No questionnaire was used and all data were collected by administering a „problem set" in the form of thirty decision-making situations. The thirty cases were selected and rewritten from actual descriptions of real decisions provided to the authors (Vroom, Yetton & Jago, 1976) by hundreds of real managers and were validated with the assistance of trained managers.

The problem set was administered to managers who, at the time of data collection, were unfamiliar with the Vroom/Yetton model. In addition to the cases, they only received the definition of the five strategies and were asked to select one for each case.

The data were collected prior to leadership training programs. In such a training program, the respondents were not providing a „favor" for researchers since their main concern was the improvement of their own leadership behavior. All of the participants received feedback, in which their first reactions to the problem set were compared to a description of the model. Training was provided to assist the participants in using the diagnostic questions and the decision rules for upcoming leadership decisions in their home organizational environment.

For illustration, one of the thirty decision making situations follows:

Example 1: Nuclear Plant

Your Position: Maintenance Supervisor

A defect in the seating surface of a steam generator hand hole cover has been discovered during removal of the cover. The defect is serious and will require repair when you can gain access to it in about five days. Repair will be made difficult by high radiation levels in the area and the inaccessibility of the fault. It will be necessary to send in a team of two men to effect the repair. Time will be crucial since any delay will prevent restoration of the nuclear plant and significantly increase start-up costs.

As maintenance supervisor, your problem is to select the team members for the assignment. You have six maintenance men reporting to you. They vary both in experience and in qualifications for this particular job. You know all your men well, and selecting two who have the capacity to do the job is possible.

In the past, when a problem involving significant risks due to high radiation levels has come up, you have brought the men together as group and shared the problem with them and let them make the decision as to whom should carry out the assignment, this procedure has not been entirely satisfactory since the group has tended to choose the more junior members on the ground that they needed experience. You believe that such poor decisions have increased the amount of time to effect repairs such as this one.

However, it is apparent to you that the group members have been accustomed to having a part in decisions such as this one and might resent it if you were to choose the two men yourself. Since the location and nature of the job and high radiation levels make any close supervision impossible, the time taken to effect the repairs could be seriously affected by the willingness of the men selected to carry out the assignment.

Specification of the strategy: AI AII CI CII GII

3. STATISTICAL SAMPLE

During this longitudinal study of almost 500 top managers of the companies in Austria and the Czech Republic were questioned and the data were computerized. Comparative analysis was carried out during the period 1993 to 2012 every year. The results in the first and the last years are depicted in Table 1 and 2. It confirmed the tendency that top managers of Czech companies tend mostly to autocratic, partly consultative decision-making style and managers of Austrian companies to consultative, partly participative styles. Their managerial style does not indicate any substantial changes.

Country	Managerial style (No. of managers and percentage)					
	AI	AII	CI	CII	GII	Total
Czech Republic	18	156	42	48	30	294
	6.1%	53.1%	14.3%	16.3%	10.2%	100%
Austria	4	20	40	48	86	198
	2.0%	10.1%	20.2%	24.3%	43.4%	100%

Table 1 - Main Differences Between Czech and Foreign Managers in 1993

Source: own research

Country	Managerial style (No. of managers and percentage)					
	AI	AII	CI	CII	GII	Total
Czech Republic	16	152	48	53	35	304
	5.3%	50.0%	15.8%	17.4%	11.5%	100%
Austria	5	21	36	50	88	200
	2.5%	10.5%	18.0%	25.0%	44.0%	100%

Table 2 - Main Differences Between Czech and Foreign Managers in 2012

Source: own research

4. FINDINGS

Former transition managers are typical with higher preferences for autocratic leadership styles, in higher disagreement with the prescriptions of the Vroom/Yetton models and in most of the main effects.

How can these results be explained for the former centrally planned economics, which politically brought about a revolution and a reorganization of its economy from central state planning and state ownership to a market system with a privatization campaign and an opening for international competition? Did more drastic changes remain on the national level and somehow manage not to penetrate the organizational and individual levels? The latter seems to be the reality, in spite of the fact that individual leaders show a high readiness for flexibility with high scores in their standard deviation. Is a „configurationally" view the best approach to explain stability within a change process? In a simplified picture, we could argue that a model of three main levels would bring us closer to an explanation of this paradoxical situation of stability within the flux of change. The change took place on the societal /political level; the population worked and fought for the right to vote, to exercise the right of government participation, to express more individuality, and to support private ownership. At the individual level, these are indicators that similar values and flexibility exist but do not have a place at the organizational level of private enterprises and it does mean that this potential can be tapped. Perhaps a change at this organizational level can only be brought about when the opportunity is administered congruently, and the „whole" and its „parts" can find an optimal (ideal). The existing „values" need the appropriate situational conditions in order to be transformed into „actions".

Several companies became part of international corporations. In these cases the managers are currently in conflict between the aspirations of the foreign company and their own culturally bound ways of doing things.

Very interesting results and the development of the managerial style we could observe in the situations, when Austrian companies created joint-ventures with Czech companies. In the cases, when Austrian company bought the majority of a Czech company the structure of top management logically changed and Austrian managers were appointed as CEO and other upper-echelon positions. Surprisingly, the Austrian managers applying the consultative and participative managerial styles in Austrian company after coming to Czech company changed it to autocratic style. Our findings show that the main reason for such a behavior is low trust in domestic managers and employees.

This was an example of relatively interesting, but in fact negative experience with the transfer of managerial experience to the neighbor country.

We can present an example of a very successful model of cooperation between Volkswagen and Skoda. In this situation, a Tandem System can be seen as a bilateral consensus-seeking program within one company, namely a structure with some elements of the partnership style on the national level. In this case the positive transfer of knowledge of the more advanced partner contributed to the very fast increasing of the level of domestic managers, mostly the junior and middle-level managers through the Tandem system, where one Czech and one foreign managers created international team working for relatively long time (1-2 years) together. Such a team is based on the rules, that there is no boss of the team. Both members have the same competencies and the same responsibilities. Decision making is characterized as a consensus of both partners. It means that before coming to final decision they discuss their proposals and look for common solution. How this kind of cooperation influenced the managerial style in Wolkswagen-Skoda company is depicted in Table 3. The results are very positive, close to the Austrian managerial style.

Company	Managerial style (No. of managers and percentage)					
	AI	AII	CI	CII	GII	Total
VW- Skoda	2	6	20	30	36	94
	2.1%	6.4%	21.3%	31.9%	38.3%	100%

Table 3 – Managerial styles in Wolkswagen- Skoda in 2012

Source: own research

5. CONCLUSION

In the issue of leadership behavior the unchanged inner hierarchical governance structure of the many directly or indirectly state-owned companies does not force managers to change their habits. In the leadership seminars, managers stated repeatedly: „I would like to include my subordinates in the decision-making process, but they expect me to make the decisions alone. That way if the decision is wrong, I alone take the blame". Perhaps a communication problem exists (who tells whom first, what is expected in reality) or the leader forgets his/her responsibility as „model" and has to be the front runner when it comes to admitting he/she does not have all of the information and therefore needs help and advice and depends on the commitment of subordinates to get the job done effectively.

Comparison of Austrian and Czech managers show the differences, influenced by former state ownership of almost hundred percent of companies in CR (Auer-Rizzi, Reber, 2013). The progress does not go further too fast. The example of Czech-Austrian joint-venture even shows negative influence of foreign managers. On the other side we are the witnesses of the positive development, when the proper methods are applied in case of VW- Skoda and managerial learning follows the desired development to more participative managerial styles.

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