

**THE EFFECT OF MANAGEMENT STYLES ON LEARNING  
ORGANIZATION PRACTICES IN THE PRIVATE  
(MULTINATIONAL / LOCAL) COMPANIES.**

**By**

**Mirza Manirajah Bin Abdullah**

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**DEDICATED TO**

**My beloved wife, Paritah bt Abdul Aziz**

**Son, Muhammad Akmal and Muhammad Afiq**

**Daughter, Nurainina Syahirah**

**My beloved parents,**

**Mr. Subramaniam**

**Mrs. Thanaletchumi**

**My beloved mother-in-law**

**My Beloved Brothers, Sisters, in-laws and colleagues**

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## ABSTRAK

Penyelidikan ini mengkaji hubungan antara corak pengurusan yang akan mempengaruhi amalan pembelajaran (learning organization practices) di sesebuah organisasi. Masalah yang dikaji melibatkan dua isu yang berkait rapat: Pertama, sejauh manakah corak pengurusan yang diamalkan itu mempengaruhi pembentukan suatu organisasi yang terpelajar (learning organization). Kedua, adakah faktor sampingan (moderating variable) seperti frekuensi program latihan, umur organisasi dan jangka masa kerja akan mempengaruhi corak pengurusan and juga usaha pembentukan organisasi terpelajar ini. Kita akan tumpukan kajian ini terhadap pihak pengurusan bawahan, tengah dan atasan (seperti jurutera, pegawai, eksekutif, pentadbir, pengurus, pengurus kilang dan pengarah) yang berkerja di kawasan zon perindustrian bebas (Bayan Lepas and Perai) yang terletak di utara Malaysia. Empat hipotesis telah di kemukakan untuk membuktikan perhubungan di antara pembolehubah berdasar dan pembolehubah bebas. Ujian realibiliti menunjukkan bahawa nilai alpha Cronbach bagi item-item yang diukur, untuk semua pembolehubah, adalah amat penting. Analisis Kelompok (Cluster analysis) menunjukkan terdapat dua corak pengurusan (consultative dan participative) yang menonjol. Dalam hipotesis 1 ujian T-test and Mann-Whitney telah digunakan untuk menunjukkan kesan dua corak pengurusan ini terhadap amalan pembelajaran yang diamalkan di sesebuah organisasi ( $p < 0.05$ ). Analisis regresi telah digunakan untuk menguji kesan terhadap hipotesis 2 hingga 4. Keputusan menunjukkan hanya sebahagian daripada hypothesis ini saja yang boleh diterima.

## ABSTRACT

This research attempts to examine the type of management styles that cultivate the learning organization practices in the private sector companies. The problem being investigated here involves two major related issues: First, is there evidence of Management styles that encourage the building of the learning organization practices. Secondly, are the moderating factors important in affecting the Management styles and learning organization practices? The study will focus only on workforce (lower, middle and upper management staffs, such as engineers, officers, executives, administrators, managers, factory manager, and directors) based in Northern Malaysia Free Trade Zone industrial Area (Bayan Lepas and Perai). Four hypotheses were developed to study the impact of the stated independent variables on the dependent variable. The reliability test indicates that Cronbach alpha value for the measuring items, of all variables are highly reliable. The cluster analysis shows that there are two most prominent management styles being practiced and they are consultative and participative management style. In hypotheses 1, the T-test and Mann-Whitney test have been used to shows that there is a significant relationship between the two perceived management styles (consultative and participative) and the perceived learning organization practices ( $p < 0.05$ ). Regression analysis was used to test the moderating effects for hypotheses 2 to 4. Results shows that there were partially moderating effect (frequency of training program, length of service, age of company) between the independent (consultative and participative management style) and dependent variable (team learning, build shared vision, mental model, personal mastery, system thinking, close to customer, open and honest communication).

## Chapter 1

### INTRODUCTION

#### 1.0 Context of the problem

“The problem we face today cannot be solved at the same level of thinking we were at when we created them”. The force of technology advancement, volatile social, economic and demographic pattern, consumer demand and increasing world-class competition from all over the world had made corporate stability a thing of the past. The illiterate of the year 2000 will not be the individual who cannot read and write, but the one who cannot learn, unlearn and relearn (Alvin Toffler, 1982). Continued re-engineering, re-structuring, downsizing, right-sizing, mergers and acquisition are all conclude one in common, that is change. To compete globally during these turbulent times, organization must continually operate in a state of transformation. It must also adopt the appropriate management style that cultivates learning and promote peak performance in an organization. It is from the Western society that the current theories and practices of managerial style originated (Ahmad, 1993). Researchers at University of Michigan attempted the first study in identifying the different type of management style. Later Stogdill and Coons conducted a similar study at Ohio State University, which is known as the Ohio State Leadership Studies. Management style is the combination of what the manager brings with him into the organization and the way the organizational culture is recognized, interpreted and adhere to as well as the way the manager actually enacts his role (Jackson, 1991). The study conducted by Rowe and Mason (1987) showed that each and every manager has his or her own dominant style and a backup style to suit the need of the organization he works with. For organization of the 1990's, learning to understand the management style and its concept makes the

critical difference (Hayes, et. al., 1988) in facing the next millennium's challenge. Through learning the organization can achieve this; adapt to change, avoid repetition of past mistake and retain critical knowledge that could be lost. They must be nimble, fast in responding to market demands with faster product cycle. Those organizations that foster changes most effectively gain the advantage through the organization learning process. Learning organization can prepare the whole organization to accept changes, which represent growth, opportunity, innovation and high performance. Creating a learning organization requires an organization to go through the changing process that is unfreeze, change and freeze phase. The learning organization must be created in a conducive manner in order to tap the optimum performance through appropriate management style besides motivating subordinates. Learning has become a daily routine in many people's life as they continue to strive to better oneself in the society to achieve their goals in life. It is no exception to many organizations today. In some organizations learning became the greatest motivator in order to improve themselves to become one of the successful or high performance organization in turbulence environment. The great Roman philosopher Seneca said "most powerful is he, who has himself, in his own power". To improve is to change; to be perfect is to change often – Winston Churchill (Times Business, 1994). Organization like everything else is not free from the impact of change, so a learning organization is essential to face the upcoming competitive environment. To an individual learning can be defined as gaining knowledge or skill or to gain new information through many methods, for example; through serving the Internet, by observation, being taught or by experiences and etc... Henceforth learning is a continuous process in order to improve oneself, therefore it takes great commitment to learn and follow through. It is no exception to an organization, if they want to see a continuous improvement in the performance, they are

required to be committed to learning and to follow through. Should the organization or an individual ceased learning, they will continue making the same mistake again and again and this becomes an illusion and achievement becomes stagnated.

The primary objective of this study is to find out how the management styles cultivate the learning organization practices besides influencing the performance of the firm or company. This research is specifically interested in the manner, of how the staffs are performing in the learning organization. These types of research findings are insufficient in Malaysia. Malaysia as a multicultural country with various organization and industrial sector base can use the findings to create the learning organization with high performing workforce. The study will also help the multinational organizations to use the appropriate management style to improve productivity and maintain high performance level through organizational learning. It is in changing the way people work that I think the answer to productivity are going to be found - John Sculley (Times Business, 1994). The best way to inspire people to superior performance is convincing them by everything you do and by your everyday attitude that you are wholeheartedly supporting them. The largest room in the world is the room for self-improvement – Sidney Newton Bremer (Times Business, 1994). Most organizations aspire to attain peak performance in their respective endeavors. The pursuit of high performance has become more challenging for companies in today's increasingly competitive and rapidly changing business world. As stated by Peter Drucker, the turbulence of our time is not because change moves in so many different directions but many organizations don't seem to learn from the experience of others. Lindsay and Petrick (1997) defined performance as the contribution from both the individuals and system to the accomplishment of the objective of the organization. Past literature and research strongly endorses the view that improved manufacturing performance will



translate into higher profits, sales volume and market share (Hayes, Wheelwright and Clark, 1988). Widely accepted dimension of performance measure are quality, cost, delivery and flexibility (Wheelwright, 1981). Delaney and Huselid (1996) also used relative rating to measure organization performance by comparing performance of their organization to competitors. The measurement tools are quality of products, development of new products, ability to attract essential employees, ability to retain essential employees, satisfaction of customers, relations between management and other employees, relations among employees in general or all departments. From the above studies it shows that they have not only use financial measures but also non-financial measures that help the organization to grasp the competitive advantage in the turbulence market environment.

Management pays lip service to people. The slogan "people are our most valuable assets" has been reduced to a mere top-management oratory cliché. Employee creativity has been stifled and "management by remote control" reigns supreme. Customers are taken for granted and poor customer service is the order of the day. Richardson (1995) explores the spectrum of learning-related leadership task, ranging from classically administered ("hard") to facilitated self-organized, learning networks ("soft") approaches. He concluded that the learning organization of the future would be a place in which networks of learning communities thrive, despite the influence of "maverick" groupings of employees. The network of learning communities within the organization is the knowledge resource of the enterprise, vested in its workforce and their individual and collective expertise. McCrimmon (1995) considered the prospects for what he calls "knowledge workers" in organizations, linked to the trend towards knowledge-intensive businesses. He argues that the development of new products and services will depend increasingly on leadership from knowledge workers who are at the

leading edge of their technical field. This development, he feels, threatens the traditional role of the 'generalist' manager who holds a formal leadership role in the organizational hierarchy. Old (1995) argues that what she calls 'whole system' organizational change occurs on three levels: transactional (observable ongoing work); systemic (strategy, structure, culture, reward, technology, information) and 'deep' structure (underlying patterns). Old (1995) reasons that a well integrated change methodology is needed if organizations are respond well to change and embed new thinking and a change orientation in the organization's 'deeper' systems and interactions. Field (1996) observed that many workplace changes are occurring because of developments in technology and especially the convergence of computer and telecommunication technologies.

### **1.1 Research problem**

The problem being investigated here involves two major related issues: First, is there evidence of Management styles that encourage the building of the learning organization. Secondly, are the moderating factors important in affecting the Management styles and learning organization practices? This concepts and theories of management styles were originated for the Western management practices and now are being relied on by us in managing our organizations. The success or failure of an organization depends on the management style that they adopt in running their company (Kang and Saiyadain, 1994). Based on the ongoing study of local organizations, there is over-emphasis on management tools and techniques rather than looking into factors that influence the building of learning environment with peak performer. Roth (1989) viewed that manufacturing performance, such as production cost, delivery and flexibility is an important key to improve business performance and

the study by Maani et. al (1994) confirmed the positive relationship between manufacturing performance and business performance. Some organizations do not have clear mission statement, corporate objective, strategies and verifiable performance standards. What is most disturbing is that top management generally has a negative attitude towards training and lack of trust in employees. Top management seems to hold the belief that there is nothing for them to learn or re-learn and that they alone know what is best for the organization. Senior managers should take heed of John Naisbitt's statement that "in a constantly changing world, the most important skill to acquire now is learning how to learn in order to be a high performance organization". To influence management thinking that encourages managers to think and act responsively by acquiring new insights and learn from team members, frequent interaction among members of the organization must occur. In so doing, people understand more and begin to depend on one another to a greater extent. In evolutionary organization the employees are forced to solve their own problems and so expertise is enhanced and reinvested. 'Experts' learn to become even more expert as they take incrementally bigger risks and, when they succeed, they acquire the kind of knowledge that increases the likelihood of future success. In this way, Smith and Saint-Onge (1996) believe that around 75 percent of the organization's member will become active learners.

## **1.2 Purpose of the study**

This study or research is to find out the types of management style that enhances the learning organization practices in the private sector companies (multinational and local Malaysian companies) in Penang, Malaysia. We will also attempt to examine the relationship between the moderating factors such as age of company, frequency of

training and length of service toward creating learning organization practices besides the type of management style adopted in an organization.

### **1.3 Scope of the study**

This was chosen because many organizations claim to adopt participative management style in creating the learning organization practices, which influence the organization performance in Malaysia. The scope of this study will incorporate three main bodies of variables; moderating, management style and learning organization practices. The study will focus only on workforce (lower management staffs, middle management staffs and upper management staffs, such as engineers, officers, executives, administrators, managers, factory manager, and directors) based in Northern Malaysia Free Trade Zone industrial Area (Bayan Lepas and Perai) due to the limitation in research costs and time. The population of the study will consist of individuals in private organizations such as multinational and local private companies (electronics and non-electronics category based) which are located in Northern Malaysian Free Trade Zone industrial Area.

### **1.4 Significance of the study**

The organization that will excel and change before a remedial change in future will be the one which know how to tap their peoples commitment and capacity to learn at all level within the organization. Simon (1999) said that, "Business is the only institution that has a chance, as far as I can see, to fundamentally improve the injustice that exists in the world. But first, we will have to move through the barrier that are keeping us from being truly vision-led and capable of learning". Many organizations claim to be a learning organization. Will the organization truly know whether they are a learning

organization or it is just an illusion? In order to understand what is required for the organization to qualify as a learning organization, they must understand the concept of a learning organization that qualifies them as a high performing learning organization. First they need to address three criteria, which are essential for successful implementation of the learning organization. The three criteria are as follows:

- A) Understand the meaning of learning organization.
- B) Understand the change management effort related to learning organization practices.
- C) Understand the measurement techniques of learning organization practices.

## **1.5 Definition of variables**

This study will focus on the variable of the Management Styles and Learning organization Practices. The definition of the variable will be stated below.

### *1.5.1 Definition of Management Styles*

Likert's (1961) four systems of management are similar to McGregor's (1950's) theory X and Theory Y, except Likert has added two more. Likert's management styles are called system one, two, three and four. System one is what he calls Exploitative Authoritative. In this system leaders must strictly direct workers. (System one is very similar to McGregor's theory X). System two is what he calls Benevolent Authoritative. In system two, leaders allow workers to voice their complaints and opinions but maintain strict decision making authority. System three is what he calls Consultative. Leaders actively seek feedback from workers and use this feedback to direct organizational activities. System four is called Participative Decision-Making.

Workers are encouraged to participate fully in decision making and organizational goals setting. (This system is very similar to McGregor's theory Y)

### *1.5.2 Definition of Learning Organization*

Fortune magazine once had published the definition of learning organization that was quoted by Arie De Geus (1998) the head of planning for Royal Dutch / Shell which says " Forget your tired old ideas about leadership. The most successful corporation of the 1990's will be something called a learning organization". " The ability to learn faster than your competitors may be the only sustainable competitive advantage". The learning organization is defined as an enterprise that (Bob Minge);

- a) Focuses on the continuous improvement of its processes, product and services.
- b) Facilitates learning of its members, individually, independently and as group or teams.
- c) Continuously transforms itself in order to meet its strategic goals.(Bob Minge)

"A learning organization ..... Embodies an attitude, an atmosphere. The desire to learn can be found in individuals, teams, processes, systems and structures. Learning is the central cultural value of the organization. In this environment innovation is not just encouraged, it's celebrated. Change is avidly sought rather than avoided. – Al Flood, CEO CIBC Bank". High Performance Organization is organizations that are both effective and efficient in their operations. As popularized by Peter Drucker (1998), effectiveness is "doing the right things". Effectiveness is essentially the ability to choose appropriate objectives and attain them. It is the relationship between actual and planned results. An important element of effectiveness is quality, which can be defined as "conforming to customers" requirements. Efficiency is " doing things right".

Efficiency is basically a measure of how well resources are utilized in the process of attaining objective. It is concerned with cost reduction for given levels of output.

Beside that we can also definition of the learning organization is as below;

“ A learning organization is an organization skilled at creating, acquiring and transferring knowledge and at modifying its behavior at reflecting new knowledge and insight – As defined by David Garvin (1993). The management needs clear guidelines for practices. Distinctive polices are responsible for their success; therefore they form the building blocks or foundation of a learning organization. There are five main activities, which form the foundation of a learning organization. Therefore a learning organization should have skills when implements the following activities.

- a) Systematic problem solving
- b) Experimentation with new approaches
- c) Learning from their own experience and past history
- d) Learning from the experience and best practices of others
- e) Transferring knowledge quickly and efficiently throughout the organization

Organization learning can usually be traced through three overlapping stages;

- f) Create an environment conducive to learning. Example there must be time for reflection and analysis, for strategic planning, analyze customer needs, assess current work system and invent new product. Learning organization cannot be carried out in a rush. Management must cultivate the action to free the employees to learn through:-

- a) Open boundaries – encourage exchange of ideas. Flow of information is not stopped. With conferences, meeting, project teams and networking competition.

- b) Create learning forums – programs and events designed with specific goals in mind.

Example the strategic reviews, systems audit, internal benchmarking report, study mission, jamborees and symposiums. Allows these employees to wrestle with new knowledge and consider implication.

The steps taken are as below;

- a) Cognitive – knowing that members of the organization are exposed to new ideas, expands their knowledge and begins to think differently.
- b) Behavioral – employee begins to internalize new sights and alter their behavior.
- c) Performance improvement – with changes in behavior leading to measurable improvement such as quality, better delivery, effectiveness, efficiency, increased in market or other tangible gains.
- d) Surveys, questionnaires and interviews are useful too.



## Chapter 2

### LITERATURE REVIEW

#### 2.0 Review of relevant literature.

The review of the literature is divided into 6 sections which included the following;

- 1) Management styles and definition
- 2) Research on management styles
- 3) Moderating variable
- 4) Learning organization
- 5) Research on learning organization
- 6) Research in management style that encourages learning practices.

#### 2.1 Management style and definition

There are four types of Management styles as mentioned by Likert (1961):

- Autocratic
- Benevolent
- Consultative
- Participative

##### 1) Autocratic

In autocratic Management Style, the managers do as they are told and transmit orders.

The decision making is made at the top management level. It is used in the military type of organization such as 'line and staff' or 'chain of command'. It assume that people hate work, have to be forced to do it and have to be forced to achieve company's objective. Fear management motivates the people.

## 2) Benevolent

In benevolent authoritative, in which the leader has superficial, condescending confidence and trust in subordinates. It imposes decision-making activity to their subordinates but never delegate the responsibility. They are motivated by reward and sometimes involve subordinates in solving problems (paternalistic). Leaders actively seek feedback from workers and use this feedback to direct organizational activities.

## 3) Consultative

In consultative, in which the leader has some incomplete confidence and trust in subordinates. The leaders listen to subordinates but controls the decision-making activity. Reward and some involvement motivate the subordinates. They used ideas and opinions of subordinates constructively.

## 4) Participative

The leader has complete confidence and trust in subordinates. Work or responsibility is delegated. Managers co-ordinates own group's work with that of the group in which he is a subordinate. Manager clears difficulties out of path of subordinate. Work can be a source of satisfaction (voluntarily performed) or punishment (avoided) dependent on controllable conditions (manager and management). Decision-making involves the participation of all level. People learn not to accept, but to seek greater responsibility (work at a higher level). In modern industrial life, most people's intellectual potential is only partially utilized. Reward motivates the people.

## 2.2 Research on Management styles

Professor Dr. Rensis Likert (1961) and his research team at University of Michigan identified four main style or system of Management in organization. Based on their research:

- 1) System 1: The Autocratic – Exploitative authoritative system, where decision are imposed on subordinates, where motivation is characterized by threat, where high level of management have great responsibilities but lower levels have virtually none. There is very little communication and no joint teamwork.
- 2) System 2: The Benevolent – Authoritative system, where leadership is by a condescending form of master-servant trust, where motivation is mainly by rewards. Managers personally feel responsibility but lower levels do not, where there is little communication and relatively little teamwork.
- 3) System 3: The Consultative – Consultative system, where leadership is by superiors who have substantial but not complete trust in their subordinates, where motivation is by rewards and some involvement. A high portion of personnel especially those at the higher levels feel responsibility for achieving organizational goals, where there is some communication (both vertical and horizontal) and a moderate amount of teamwork.
- 4) System 4: The Participative - group system that is the optimum solution, where leadership is by superiors who have; complete confidence in their subordinates. Personnel at all levels feel real responsibility for the organizational goals, where there is much communication and a substantial amount of cooperative teamwork.

Likert's (1961) research shows that effective managers are those who adopt a system 3 or system 4, management style, which are based on trust and pays attention to the needs of the organization and the employees. Many managers believe, like Likert's (1961) less effective supervisors, that a participative management style is a luxury. It is too time consuming. Others believe that employee participation in management decision can only lead to anarchy, disorder and inefficiency, and that democratic management is a contradiction of the rights, duties and prerogatives of management itself. The research

shows however that participative management means involvement, mutual respect, openness, trust, motivation and commitment. It is an alternative organizational life style, which has been found mainly in successful companies. It is also one, which is the ideal for the profit oriented and human-concerned organization, and Likert says that all organizations should adopt this system. Clearly, the changes involved may be painful and long-winded, but it is necessary if one is to achieve the maximum reward from the organization. To measure the management-styles; I have used the questionnaires from R.Likerts and J.G.Likert (1976; 75), New way of managing conflict.

### **2.3 Moderating variables**

The moderating variable or the independent variable was broken into three dimensions, frequency of training program (continuous learning effort), age of company and length of service.

### **2.4 Learning organization**

Learning organization can be defined in several ways. Peter Senge's (1990) basic meaning of a learning organization is "an organization that is continually expanding its capacity to create its future...not enough merely to survive. "Survival learning" or "Adaptive learning" is important – indeed necessary. But for a learning organization, "Adaptive learning" must be joined by "generative learning", learning that enhances our capacity to create." . In order to distinguish the "Learning organization" from traditional authoritarian controlling organization will be the mastery of the 5 basic discipline, by Peter. M . Senge (1990).

#### *2.4.1 Team learning*

When teams are truly learning, not only are they producing extraordinary results but also the individual members are growing more rapidly than could have occurred otherwise – “Thinking together concept”. The discipline of team learning starts with “dialogue”. With “dialogue” the patterns of interaction in teams that undermine learning. The patterns of defensiveness are often deeply engrained in how a team operates. If unrecognized, they undermine learning. If recognized and surface creatively, they can actually accelerate learning. Although group meeting was a regular part of company practice, more time was allowed for group discussion and teams well informed and increase every individual input to their project. “Individual learning, no matter how wonderful it is or great it makes us feel, is fundamentally irrelevant to organizations because virtually all important decisions occur in groups. The learning units of an organization are ‘teams’, groups of people who need one another to act – Bob Minge”

#### *2.4.2 Building shared vision*

Where there is a genuine vision, people excel and learn, not because they are told to, but because they want to. In shared vision we must translate individual vision into shared vision or a set of principles and guiding practices. A shared vision was naturally introduced allowing each member to work towards the same goal irrespective of his or her position and thus foster genuine commitment and enrollment rather than compliance.

### *2.4.3 Mental model*

Images or picture that influence how we understand the world and how we take action. The discipline of working with mental models starts with turning the mirror inwards; learning to unearth our internal picture of the world, to bring them to the surface and hold them rigorously to scrutiny. It also includes the ability to carry on “learning-ful” conversations that balance inquiry and advocacy, where people expose their own thinking effectively and make that thinking open to the influence of others. Each employee of the company had their own mental model of how the organization, their managers and team colleagues operate. By trying to be in line with the rest of the team, the learning process was made more efficient and team acted more coherently.

### *2.4.4 Personal mastery*

Is the discipline of continually clarifying and deepening our personal vision, of focusing our energies, of developing patience, and of seeing reality objectively. Personal mastery was also addressed by encouraging managers to set their staff challenge but reasonable goals and introducing training programmers. So this is the learning organization spiritual foundation.

### *2.4.5 System thinking*

The systems thinking brought all the other factors together. At the heart of learning organization is a “shift of mind”. That is from seeing ourselves as a separate form the world to connected to the world, from seeing problem as caused by someone or something out there to seeing own action create the problems we experience. Through systems thinking people are continually discovering how they create their reality and how they can change it.

Peters and Waterman study of the 62 American companies with outstandingly high performance organization and identify eight basic attributes of excellence which appear to account for success. We adopted 2 out of the eight attribute as the variable to measure learning organization practices beside the 5 learning organization practices from 5 basic discipline, by Peter. M . Senge (1990).

#### *2.4.6 Close to the customer*

That is, listening and learning from the people they serve, and providing quality, service and reliable products. High performance organizations are customer-driven with mission statements centered on customer satisfaction by providing quality products and services. High performance organizations continuously listen to their customers; prioritize their needs and expectations; and respond accordingly in a creative and timely manner. They act quickly on customer complaints.

#### *2.4.7 Open and honest communication*

High performance organization encourages open and honest communication. They are fully aware that yes-men are the greatest enemy of performance improvement. Employees are given the freedom to speak the truth and suggest ideas without fear of any retribution.

### **2.5 Research on learning organization**

Knowledge and learning are inextricably linked and can be confused. Knowledge is a stock or resources, whereas learning is an ongoing activity – Coulson Thomas, (1997). An organization is imagined as a living thing that can learn. Bateson (1973), on

different types of learning, especially his theory of “deutero-learning” which is concerned with learning how to learn, has been influential. Gardner (1963) used the term “self-renewal” and Lippitt (1969) used the term “organizational renewal” to capture the nature of organizational learning. The term “learning system” was used by Schon and Revans (1978) to focus on organizational development and a key feature of this approach to learning and managing change is to improve the teamworking skills of organization members.

Argyris and Schon (1978) done a further studies on individual, team and organizational learning which was based on Bateson’s (1973) work and suggested that most team and organizational learning is “single-loop” (error detection) and that there are only isolated example of double-loop learning. Double-loop refers to learning organization that change current operating assumptions, norms and values which involved deeper inquiry and questioning regarding existing organizational arrangement. They also argues that organizations learn through the agency of individual members and it is through deuteron-learning that the capacity of teams and the whole organization to learn is brought about.

Peters and Waterman (1982) identify the tightly managed and hierarchical organization and the loosely managed and flatter organization. These organizational types share similar features to Rosabeth Moss Kanter’s (1983) segmented and integrative organizational types. Peters, Waterman and Kanter argues that to increase the rate at which firm can adapt, respond and learn to change they must change current organizational behavior and transform their traditional management structure into more flexible forms of management and organization or the loosely managed-integrative organization. Rosabeth Moss Kanter (1983) found that in team-oriented organizations innovation flourishes and these organization practices “integrative thinking” or



learning. Dr. V.R. Buzzotta, in his upcoming book, "Making Common Sense Common Practice" have discussed five major practices that make high performance possible. Each of these practices is a building block and an interlocking step that must be completed before moving on to the next is stated below.

- 1) First, know where you're going.
- 2) Next, ensure people have what it takes to reach the purpose and direction.
- 3) Next, develop and enable the members of the organization.
- 4) Next, help them stay on track.
- 5) Finally, nurture a trusting environment.

The organization that put the five practices in place will have the right people at the right job, who are working towards accomplish a set of common goals and committed to continuous improvement. For some thirty years observers of the business scene in the developed world have been trying to understand the changed requirements for corporate success. The successful companies of today are different from those of yesterday but what are the key factors that makes the different. What is the model of "the new organization" or the new "high performing organization". Theories of "the new organization" proliferate, many with their own names – Adhocracy, the Flexible Organization, Organismic Organization, Virtual Organization, Network Organization, Innovative Organization, Intelligent Organization, Matrix Organization, Boundaryless Organization, etc (Barry Sugarman 1999). From several landmark studies of "high performance Organization" the conclusion emerges that the new success formulas will be some form of "UN-bureaucracy" designed to escape from the limitations of the bureaucracy, especially its resistance to innovation. Disillusion with bureaucracy peaked in the 1980's and 1990's, but it had been building up for some time. In early 1967 Burns and Stalker studied electronics firms in the UK, finding that the more

innovative and successful ones were “Organismic” in their organization, in contrast to the more bureaucratic or “Mechanistic” ones. Rosabeth Moss Kanter (1983) published two important studies of innovation in some large U.S. Corporations. In *The Change Master*, (1983) she compares two sets of firms, one more and one less hospitable to change, contrasting two types of management policies, “Segmental” and “Integrative”, very similar to the “Mechanistic” and “Organistic” type in Burns and Stalker. Three new sets of skills are needed to manage in interactive situations:

- 1) Political skills – persuading others to invest information, resources and support.
- 2) Ability to manage employees participation and working in teams.
- 3) Understanding of change.

In *When Giants Learn to Dance*, Rosabeth Moss Kanter (1989) studies the attempts of some large companies to become more hospitable to innovation. She shows various ways in which these “giants” can set aside protected areas dedicated to cultivating innovation and examines some of the issues involved in bringing the results of these “newstreams” into the “mainstream”. The performance of some Japanese companies in knocking some established U.S. market-dominant companies off their perch, which grabbed the attention of the western management world and forced attention to the issue on management paradigms. Fisher (1993) reported that cultivating and generating innovative ideas could be done by effectively collecting and sorting the most appropriate, and then converting them into actual innovations that can be harnessed within products and processes that provide new value for the customer. He also said that the innovation could provide right environment for creativity to flourish. Fisher (1993) said that Innovative companies can be identified ten basic attributes of excellence, which appear to account for success.

- 1) Have visionary leaders within small flat organizations.

- 2) Have managers who set broad challenging goals for new programmes.
- 3) Encourages and reward entrepreneurial fanatics.
- 4) Give easy access to development of funds for good ideas.
- 5) Look to anticipate tomorrow's customers' value.
- 6) Ensure close interaction between technical and marketing people at all levels.
- 7) Accept the value of failure.
- 8) Pay attention to informal and formal communication routes.
- 9) Recognize and control the satisfiers (recognition of achievement) and dissatisfiers (company policy and administration).
- 10) Value and motivate their staff.

Andrew Lee-Mortimer (1995) reported the above ten criteria in the article "managing innovation and risk". Gustavsson and Harung (1994) argue that the level of collective consciousness determines the quality of life and the level of performance of an organization. McDougall and Beattie (1996) report on a two-year project designed to evaluate the processes and outcomes of learning groups and suggested that lessons learned from this project can be applied to help to maximize learning and performance in groups in a wide range of organizational contexts. Mirvis (1996) and Ford and Ogilvie (1996) presented a broad review of theory and research about organizations and show how alternative schools of thought explain the different outcomes from routine and creative action in organizations. Mirvis (1996) contends that knowing 'how' and "why" these different outcomes are achieved makes it easier to help people to 'unlearn' old habits and develop new behaviors. Mirvis (1996) also considered the extent to which holistic thinking and work arrangements can be used to promote organizational learning and how measures to enhance collective consciousness might enable people to learn how to learn. In order to investigate the range of business performance measures

used by UK companies, Stone (1996) conducted a survey of the Times Top 500 companies. The study sought to probe the issue relating to the use of so called "soft" employee-related performance measures, such as employee satisfaction, morale and commitment. The results, derived from 45 companies, indicated that few of the companies reporting were using or even developing innovative "soft" measures as a counterbalance to "harder" financially related measures. The findings suggested that the "balanced scorecard" approach be impeded by lack of company evidence that "soft" performance measures yield similar benefits to financially led ones. A review of a firm's existing organizational alignments will identify the synergistic potential for combining certain value activities. The importance of managing organizational boundaries is referred to as "achieving interrelations" where the value chain emphasizes synergy and integration as a source of competitive advantage (Porter, 1985). This bundle of value is composed of performance factors or effects that enable an organization to offer a product or services more effectively or efficiently than competitors (Carroll, 1989). In recent years, however, other streams of research emphasizing a "resource-based" bundle of capabilities perspective on organizational performance have evolved to characterize the firm's evolution and strategic growth alternatives (Diericks and Cool, 1989; Dosi, 1988; Itami, 1987; Mahoney and Pandian, 1992; Nelson and Whinter, 1982; Wernerfelt, 1984; winter, 1987). The resource-based view of the firm suggests that the firm's internal characteristic, especially the cultural patterns of learning and human capital asset accumulation, have significant impact on the firm's capability to introduce new products and compete within disparate markets. Hansen and Wernerfelt (1989) examined a sample of 60 fortune 1000 firms and found that economic factors (industry variable, market share and firm size) represent 18.5 percent of variance in business returns. Their findings also indicated that organizational

factors (goal emphasis and human resources) contribute 38 percent of performance variance. The research suggested that organizational factors influence firm performance to a greater extent than economic factors. They wrote in their conclusion, 'It would be interesting to move beyond variance decomposition and consider various interactions (contingencies) between economic and organizational variables'. According to Broersma (1995), a consultant specializing in developing higher-performance learning organizations, changes in the environment signal that transformation is necessary in order to sustain future growth. As organizations transform themselves, they will need to address the issue such as organizational structure, empowered workers, system thinking, ecosystem management quality focus, customer service, reward and organizational learning. When organization is going through a period of change, they must master three interrelated types of learning processes. They are:

- 1) Operational learning. 2) Systems learning. 3) Transformative learning.

Operational learning forms the foundation of any work organization. It springs from an organization's efforts to improve its basic work process by doing the best job possible. Systems learning focuses on the organization as a complex of interacting systems. This learning process addresses not only the work itself, but also the fundamental assumptions that shape the organization's behaviours. Transformational learning incorporates operational and systems learning into an ongoing process of evolutionary change (Broersma, 1995).

## **2.6 Research in management styles that encourages learning practices**

When firms striving to find new ways of ensuring their survival in the turbulent environment and / or highly competitive market conditions, De Geus (1988) has suggested that in situations where products and processes can be rapidly copied, the