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Asia Pacific Journal of Human Resources 1981; 19; 46

DOI: 10.1177/103841118101900212

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"The participative style encourages involvement and the seeking of responsibility by employees and this engenders an interest in the outcome of the employees' efforts."

The Participative Management Style: Does it Work?

G. K. KENNY and J. STEIGER

This article describes and compares the management styles of two individuals both of whom consecutively managed the internal audit department of an Australian investment company. The two management styles differ markedly as one is autocratic and the other is relatively participative. The manner in which both managers make decisions is described and the effect both management styles has had upon employee attitudes and departmental performance is examined. The participative style has, in this case, been shown to be the more effective.

Introduction

The purpose of this article is firstly to describe a change of management style which occurred in the Internal Audit Department of an Australian investment company (disguised as Clinic Holdings) and, secondly, to examine the effectiveness of this change. What occurred was that one departmental manager whose style was autocratic, was replaced by another departmental manager whose style was more participative.

Management Style and Performance

While there are many dimensions to management style (see Fleishman, 1957; Likert, 1967; Fiedler, 1967; House, 1971; House and Mitchell, 1974; Khandwalla, 1977), a recurring dimension is the participative dimension which may be depicted as a continuum from autocratic to participative. An autocratic manager "enforces decisions by the use of rewards and the fear of punishment" (Hicks and Gullett, 1976, p. 450) whereas a participative manager seeks "to encourage member commitment to the decision and to improve the quality of the decision through increased inputs for problem solution" (Hicks and Gullett, 1976, p. 452). Tannenbaum and Schmidt (1958, 1973) suggest that the participative style is appropriate when subordinates:

- Have relatively high needs for independence.
- Have a readiness to assume responsibility for decision-making.
- Have a relatively high tolerance of ambiguity.
- Are interested in the problem and feel that it is important.
- Understand and identify with the goals of the organisation.
- Have the necessary knowledge and experience to deal with the problem.
- Have learnt to expect to share in decision-making.

While it might be expected that members of the Internal Audit Department of Clinic Holdings would have these characteristics, in which case a participative management style would be appropriate, the question remains: does it work?

The Case Study

In this case study employee attitudes and the department's performance are examined under two departmental managers. The first manager, John Simmons, was employed by the company for two years (1974-1976) and had the task of setting up the department in 1974. The second manager, David Myers, was employed as Audit Manager by the company in December 1976 and he still holds this position today (1980).

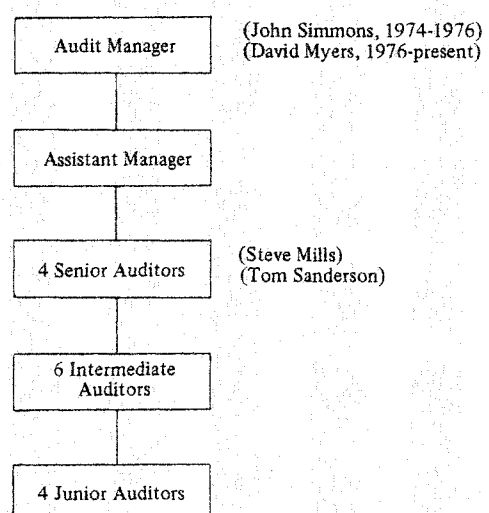
Internal Audit Department—Structure and Functions

The Internal Audit Department was established to reduce the cost of the external audit account of Clinic Holdings. Basically, the internal auditors check the work performed by the accountants of the company and the subsidiaries. The external auditors, in turn, check the work performed by the internal auditors. Before the establishment of the internal auditors, the external auditors would directly review the accountants' work.

The Internal Audit Department has a staff of sixteen. It contains an audit manager, an assistant manager, four senior auditors, six intermediate auditors and four junior auditors. (See Figure 1.)

Figure 1

Internal Audit Department - Organisation Chart



The Audit Manager is responsible for the performance of the department and he reports directly to the General Manager. The Audit Manager has autonomy in the running of his department and decides upon the number of staff to employ and the manner in which the duties of the staff are to be allocated. He also performs work on special projects handed to him by the General Manager.

The audit staff is arranged in four teams. A senior auditor is assigned one intermediate (sometimes two) and one junior auditor. Each team is responsible for the audit of one or more companies. The composition of a team is determined by the Audit Manager. The members of each team are rotated on a six monthly basis so that each member of the audit staff is given, (a) exposure to the audit of each subsidiary in the group, and (b) the opportunity to work with each staff member in the Department.

In brief, the duties of the Internal Audit Department are:

- To audit the annual and half-yearly accounts of the holding company and its subsidiaries.
- To conduct interim audits of the holding company and its subsidiaries.
- To audit the management accounts of the holding company and its subsidiaries.
- To perform special projects given to it by the Board and the General Manager.

Two Differing Management Styles

The styles of the two managers to be considered are in many ways completely opposite and have had opposite effects.

John Simmon's style (Audit Manager 1974-1976) can be described as 'autocratic', because he alone made many decisions that affected the Department. This can be illustrated by the comments made by Steve Mills (one of the four senior auditors), "John would normally report his decisions on a problem to

us without discussing the problem with the rest of the Department and obtaining some suggestions from us. He invariably gave little consideration to what we felt about his decisions". As a result John provided little opportunity for the rest of the Department to participate directly in the decision-making process.

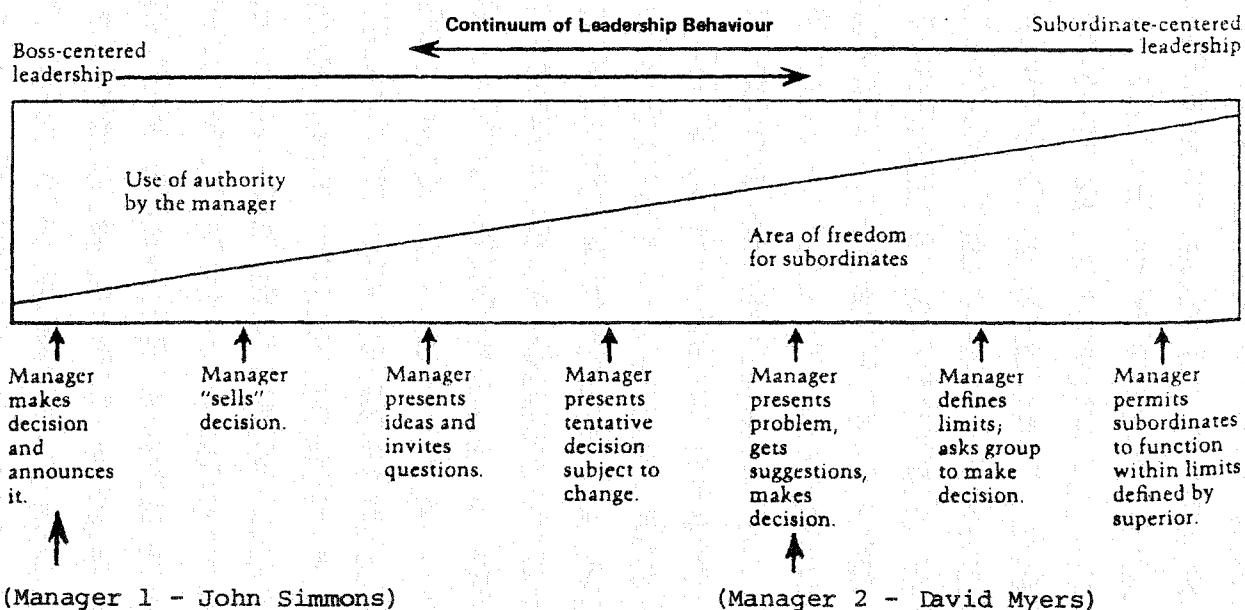
On the other hand, David Myers style (Audit Manager 1976—present) may be described as being 'participative' because he would normally present a problem to the Department, obtain suggestions, and then make his decision. David made the following remarks on his decision-making style, "I prefer to allow the staff the first chance to suggest solutions. I will initially identify the problem and then present it to the staff. I might say something like—'We are faced with a number of complaints from the external auditors on the reliability and adequacy of our audit programmes. What do you think is wrong with them? What ideas do you have for improving this problem?' From the list of alternatives developed by the Department, I then select the solution that I regard as being the best".

The two reasons why David uses this method of decision-making are: (1) by presenting the problem to the Department the experience of those who have first hand knowledge of the problem is pooled and (2) it assists members to work effectively as a team.

Whether David presents a particular problem to the Department will depend on the nature of the problem. If a problem is confidential it will not be presented to the Department. Also, if David has most of the background and factual data relevant to a given problem, and he feels that no advantage would be gained from the staff's suggestions, it is easier for him alone to make the decision.

Figure 2 illustrates the placement of the two management styles on the 'continuum of leadership behaviour' of Tannenbaum and Schmidt (1958, 1973).

Figure 2



Effects of the Two Management Styles

Performance before and after the change in Audit Manager may be assessed in at least two ways. One way is to consider employee attitudes and the standard of work presented by each employee. The second way is to consider the performance of the Audit Department as a whole.

The change in Audit Manager has improved individual attitudes. Extracts from interviews with members of the Department indicate the effect of John Simmons' style—

“We had to accept all his decisions and this caused resentment among the staff.”

“At times he treated us like schoolchildren by constantly supervising us and not giving us enough freedom.”

“None of us seemed to have much interest in our work.”

“We could do what was required of us and that was it.”

In contrast, David Myers' style of managing has produced comments such as these—

“He gives us a good deal of responsibility and freedom.”

“He gives us a say in the running of the Department.”

“I enjoy my work more than I ever have—at times I even look forward to coming to work.”

“I feel I'm doing something important and worthwhile which really gives me a good sense of achievement.”

“We respect his decisions and judgements.”

The standard of work presented by the auditors has improved since the management change. For example, the file prepared for Safe Insurance's yearly accounts for 1978 contained a higher standard of work than that in the 1975 file. The most striking differences occurred in the presentation, layout and the 'amount of digging done'. By 'digging' is meant searching for errors past the minimum audit procedure requirements.

Measurement of the performance of the Audit Department as a whole has been undertaken by comparing the ratio of actual hours to standard hours for certain standard jobs. The three jobs considered are the half-yearly audit of Publishers Ltd. and Clinic Transport and half-year audit of the trade creditors of Finance Corporation Ltd. (See Tables 1, 2 and 3.) (In these tables the standard hours have increased over the years because the size of the audit jobs has increased.)

What can be seen in Tables 1, 2 and 3, from the ratio of actual to standard hours, is that there has been a dramatic improvement in performance since there was a change of Audit Manager. An alternative explanation from these results—that in the early years the staff were learning their work—can be discounted since the staff were experienced when the Department started. (Also, the accounting

systems of the subsidiaries are continually changing.) Another point of importance is the fact that the quality of the work has improved jointly with the changes in job times.

Table 1
Actual and Standard Hours of the Half —
Yearly Audit of Publishers Ltd.

Date	Actual Hours	Standard Hours	Actual/Standard Hours (%)
31.1.75	760	600	126.7
31.7.75	792	620	127.7
31.1.76	789	620	127.3
31.7.76	795	690	115.2
Change of Audit Manager			
31.1.77	690	700	98.6
31.7.77	682	700	97.4
31.1.78	650	710	91.5
31.7.78	660	750	88.0
31.1.79	655	750	87.3
31.7.79	640	750	85.3
31.1.80	635	750	84.7
31.7.80	632	750	84.3

Table 2
Actual and Standard Hours of the Half-Yearly Audit
of the Trade Creditors of Finance Corporation Ltd.

Date	Actual Hours	Standard Hours	Actual/Standard Hours (%)
31.1.75	52	40	130.0
31.7.75	56	40	140.0
31.1.76	55	50	110.0
31.7.76	60	50	120.0
Change of Audit Manager			
31.1.77	40	50	80.0
31.7.77	41	55	74.5
31.1.78	40	60	66.7
31.7.78	39	60	65.0
31.1.79	40	60	66.7
31.7.79	40	60	66.7
31.1.80	42	65	64.6
31.7.80	41	65	63.1

Table 3
Actual and Standard Hours of the Half-Yearly Audit
of Clinic Transport

Date	Actual Hours	Standard Hours	Actual/Standard Hours (%)
31.1.75	960	900	106.7
31.7.75	972	900	108.0
31.1.76	966	920	105.0
31.7.76	982	940	104.5
Change of Audit Manager			
31.1.77	965	940	102.7
31.7.77	942	950	99.2
31.1.78	975	970	100.5
31.7.78	950	970	97.9
31.1.79	942	990	95.2
31.7.79	930	1000	93.0
31.1.80	935	1000	93.5
31.7.80	940	1010	93.1

Conclusion

This paper was not intended to (nor does it) **prove** that a participative style of management is always more effective than an autocratic style. For one thing the effectiveness of a style of leadership depends on situational factors such as the nature of the task being undertaken and the characteristics of the group members. Nor can one conclude a great deal from a single case. However, what this paper does is reinforce ideas from other sources—namely, that given the type of work involved in an audit department (or similar white-collar department) and given the type of people employed in such a department, the participative style of management is generally more effective than the autocratic style.

What this paper does disclose is why this appears to be the case. The participative style encourages involvement and the seeking of responsibility by employees and this engenders an interest in the outcome of the employees' efforts. This leads to employees who care about their work and feel

important to its accomplishment. From this, the kind of improvements witnessed in the Audit Department of Clinic Holdings could be logically expected.

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Graham Kenny lectures in organisational behaviour within the School of Business and Public Administration at the New South Wales Institute of Technology. He holds a Ph.D in organisational behaviour from the University of New South Wales and is presently conducting research on power and conflict in and between organisations, participative management systems, and managerial attitudes to organisational growth. His consulting experience has been concerned with the problems of small businesses, employee commitment, job satisfaction, decision-making systems and productivity improvement.



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