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Management Style at Turkish SMEs

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Abstract

Republic of Turkey is one of those countries where SMEs are flourishing and acting as a driving force of development. In this paper, we explore management style at Turkish SMEs. Being an intersection of eastern and western cultures and with the recent liberalization of domestic markets, we believe this exploration can lead to interesting results. In this paper authors take a glance at Turkish SMEs. We investigate the management style at Turkish SMEs. We have gathered data from 421 SMEs located in Republic of Turkey, using a previously developed questionnaire. This study is an exploratory one and no hypothesis is configured. There are significant results regarding management style of Turkish SMEs. Individuals are more likely to work within a group and formal organizational structures and management policies are implemented as SMEs grow larger.

Keywords: smes; management style; small and medium sized business.

1. Introduction

Many businesses start their journey as a small one. Based on founder's radical management skills, knowledge, resources and opportunities available, they grow and turnout as larger ones. Some even dominate international markets and evolve into multinational enterprises [1]. In today's world, small and medium sized firms (SMEs) are important actors of innovation [1,2], job creation [2], regional development and international trade [2].

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“SMEs constitute significant portions of the economy in both developed and developing countries and their contribution to employment may reach to 93% in some economies Globally, SMEs are the biggest contributors to employment across countries and this contribution is greater in low-income countries than the higher-income ones. SMEs with 250 employees or fewer generate 86% of the jobs. SMEs are the backbone of the European economy with 20.7 million firms accounting for more than 98% of all enterprises, 67% of total employment and 58% of gross value added” [3].

SMEs are important job creators because they are usually labour intensive compared to larger institutions. Even though technology created by SMEs is harder to advertise and export, they are still considered as innovators [2]. Thanks to globalization efforts, barriers to enter global markets are lower. This creates international trade opportunities for SMEs. On 21st century, SMEs can interact with global economy faster and easier. Even though some scholars state that SMEs are overestimated [4], we believe they are crucial for development of both regional and international economies and job creation. Thus, in this paper we focus on management style at Turkish SMEs.

2. Theoretical Background

2.1. SMEs in Turkey

Republic of Turkey is a special example being a hybrid of western and eastern cultures. Turkey is the world's 16th and Europe's 6th largest economy. According to HSBC's "The World in 2050" report, Turkey will be the world's 12th and Europe's 5th biggest Economy by 2050 [5] (Foreign & Commonwealth Office, 2014). Sitting on the throne of Ottoman Empire, country is a unique blend of many national and religious cultures. The economy of Turkey is expanding and since military coup of 1980, national economy is being liberalized and privatized each day. This creates opportunities for businesses, including small and medium sized ones.

There are various governmental and private sector institutions that define and work with SMEs in Turkey. KOSGEB (Presidency of Developing and Progressing Small and Medium Sized Enterprises, (A Division of Ministry of Science, Industry and Technology), a governmental organization that focuses on supporting SMEs financially and theoretically can be accepted as a prominent of these organizations. According to KOSGEB standards, Turkish SMEs are divided into 3 categories based on number of employees, annual turnover and balance sheet. There are micro firms that employ either less than 10 people and annual turnover/balance sheet is smaller than 1 million Turkish Liras. Small firms are described as businesses that employs less than 50 workers and annual turnover/balance sheet is smaller than 8 million Turkish Liras. Finally, medium sized enterprises, according to KOSGEB definitions are those that employ less than 250 workers and annual turnover/balance sheet is smaller than 40 million Turkish Liras. “Small and Medium-Sized Enterprises constitute 99.9% of total number of enterprises, 76% of employment, 53% of wages and salaries, 63% of turnover, 53.3% of value added at factor cost and 53.7% of gross investment in tangible goods” [3].

According to OECD's Western Balkans and Turkey SME Policy Index, Turkey has developed a sound and well-structured SME policy, supported by a range of well-established institutions. Turkey scored above average in all

measures except for bankruptcy regulations and the operational environment. This reflects its power in areas such as advocating SMEs, adoption of standards, export promotion and internationalisation. It has done less well on policies aimed at improving the broader business environment – regulatory reform, company registration and e-government services – as the pace of reform slowed. The regulatory burden on small enterprises remains relatively heavy in Turkey. Figure below demonstrates Turkey SME’s score on several items [6].

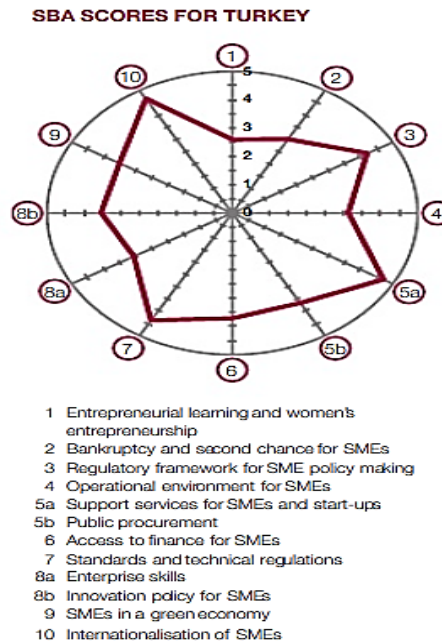


Figure 1: SBA Scores for Turkey

2.2. Management Style

It is difficult to define or classify management styles. Many studies in literature considered a different part of an organization and organizational issues. There is a lack of convergence in the academic field on definition of management style. Yet, there are numerous studies that tries to classify, identify and study different management styles.

Management style is an organizational term often used to describe the “how” of management. It is a function of behaviour associated with personality [7]. Management style can be understood as a way to operate the daily routines of an organization. According to another definition, management styles are collectively learnt behaviours and includes all the limitations and opportunities of human learning. Management styles include both contents and processes of decision making [8].

Beginning with the time of the Egyptian pharaohs and extending through the Dark Ages and the early stages of the feudal system, the only dominant managerial style being used was the autocratic rule. The autocrat was ruler supreme. The system by which he ruled was inseparable from his own desires, whims, and fancies. “His” leadership was total and absolute. During days of Industrial Revolution, there emerged this grass roots reaction

to the excesses of practicing autocrats and authoritarians. Amongst our general society arose the views that child labor, worker exploitation, sweatshops, and the like were morally unjust. The exercise of absolute authority was no longer to be tolerated in either industry or government [9].

After the industrial revolution and the foundation process of democratic nation-state, management styles changed dramatically. Voters were able to choose the ruler party of the nation, while autocrat was nothing more than the owner of a symbolic throne, of course if that throne still exists. All these developments led to a new understanding of the term “management”. Times, people and organizations were changing rapidly and so did management in throughout all 1900s and 2000s.

According to [10:248], management style is a certain and regular type of behavior that managers adopt to motivate employees to achieve organizational goals. Reference [11] demonstrates that management style can be very effective on success or failure of a business.

Management style is also related to organizational culture and organizational identity [12:902] which we argue that partly or completely affected by national culture. As per our study suggests, management scholars and researches contend that management styles are culturally determined and vary differently from culture to culture [13:170]. Management styles are dramatically influenced by the distinctive social culture, life style and climate in which an organization operates [8:328]. While some of the empirical work on management style focuses on single nation or culture, other studies are cross-cultural and often use a comparative approach [13, 14].

Religion also can serve as a backbone of management style. As an important aspect of culture, religion has significant impacts on life style, social climate and behaviors of a society. For a study, see [15]. Brown investigated and compared protestant, humanist and evangelic management styles through a perspective of ethics. Management styles vary from culture to culture, religion to religion and within the specific culture from industry to industry [8:328].

Cultures may dictate a core management style to the organizations that operate within. Based on organizational climate and culture, this core management style usually has variations such as conservative style, professional style, entrepreneurial style, familiar style etc [8:328]. Managerial actions, industrial conditions also may affect the management style of a firm. With the choices above and under the impact of culturally dictated core management style, an unlimited number of management styles can be built upon.

To understand, how culture controls management style, famous comparisons of American and Japanese enterprises can be analyzed. Some scholars [16] studied Japanese management style after the success of Japan in late 1900s. These scholars highlighted that the Japanese management style includes paternalism, collectivism, lifetime employment, seniority, lifelong learning, collective decision making, hard work, co-operation ethics, continuous adaptation and improvement. The management style of the American companies differed markedly from Japanese style and it pays attention to core values, individualis, a highly competitive work environment, high flexible structure, business unit autonomy, interactivity and innovation [17:200]. Despite both nations have many successful enterprises, we can see that they are achieving their goals with different management styles.

Reference [12:903] identifies five different types of management styles that can be implemented and further adds that available information and number of alternatives are two key factors that define the management style of an organization. According to their work, management styles can be classified as decisive, flexible, hierarchical, integrative and systemic. While decisive and flexible styles use less information, systemic and integrative styles are more complex and use much more information and selectable alternatives. Hierarchical style makes plans at the right time and focuses on a single and best solution.

Reference [18] argues that management style is a key element of management type and is determined by some organizational features. These features can be summarised as result orientation of organization, organization's externality or internality level, organization's reactive capacity and flexibility.

Some other authors' [19] management style classification is simpler. They propose that management style is either participative or competitive. While participative style is more democratic and relationship oriented, competitive style is autocratic and task oriented [20]. Participative style includes commitment, autonomy, self-management and engagement. Reference [10:248] also argues that management style is categorized based on two ranges of task-oriented and relationship-oriented categories with a degree of strength and weakness.

According to [21], management style is "like a tie that binds diverse operations and functions all together". It is the philosophy or set of principles by which the manager capitalizes on the abilities of the workforce. Management style is not a procedure on how to do but it is the management framework for doing things.

A management style is a way of life operating throughout the enterprise and permits an executive to rely on the initiative of human resources of an organization. Management styles is a phenomenon where several theories were built on. Different management styles have evolved as distinct managers utilized unique approaches in performing responsibilities in the course of their official work. Sequel to the emergence of styles of management, scholars have identified and described a variety of formal styles of management since the 1950's [17:199].

Likert classified four approaches of management that constitute a continuum of participative, paternalistic, exploitative and autocratic, and consultative management style while Burn and Stalker identified organic and mechanistic styles of management. Furthermore, Mintzberg considered entrepreneurial and strategic planning as forms of management styles adopted by managers in organizational entities. In recent times, commonly exhibited styles of management includes authoritarian, coercive, authoritative, democratic, affiliative, permissive, indifferent, coaching, pacesetter, visionary, bureaucratic and defensive styles of management [17:199]. As demonstrated above, a large variety of management style definitions and studies are included in social sciences literature. While some research is culture based, others focus on intra-organizational, managerial and/or human resources issues.

3. Methodology and Study Design

In this section of the paper, authors would like to share information about the methodology and sample data of the study.

3.1. Measurement of Constructs

To measure collectivism and management style, a quantitative mentality has been used. We have prepared a 9 item questionnaire which includes 4 questions for management style as used by [22]. Rests of the questions were to gather information about the participant age, education and similar demographics. All the analysis on the gathered data was conducted via SPSS software version 22. Cronbach's Alpha value for the reliability of the 4 item scale is 0,71.

3.2. Sample Group and Administration of Survey

The target population of this study is small and medium sized enterprises that operate in Turkey. Our research concept for this paper is an exploratory survey and we have chosen questionnaire method. The questionnaire was administrated via hard copy papers and through an online survey tool link personally sent to participants of the sample group. Authors received 421 completely filled in questionnaires, out of 600 sent (200 hard copy and 400 online survey tool). Firms were selected randomly, from different regions of Turkey. However, to reflect the current economic activity based on geography, we have tried to select participating firms from more developed regions of Turkey. Turkey, a country consisting of seven different regions and many cultural differences is hard to simulate with quantitative studies. The sample selection method and sample size are critical limitations for the findings since an accurate representation of Turkey's business population and distribution looked nearly impossible. The random selection of the businesses involved in the study might have created a selection bias, despite authors' vast efforts.

Most of the participants were young employees, reflecting Turkey's dynamic and energetic work force. 45,8% of the participants were aged between 25-30. 74,1% of the responders were male workers. Work experience was another question of our survey to better understand the affect of experience on collectivistic or individualistic behaviour. A majority of responders (35,25%) had 2-5 years of work experience. Most of the responders were from service sector (70,02 %) which also reflects the rise of service sector in Turkish economy.

4. Findings

First, by using ANOVA analysis, we have found significant differences among communication styles of different firm types. This means that industrial production firms, service sector firms and trading companies have significantly different communication styles which is a key element of management style. Interestingly, service sector firms seem to adapt a more formal communication style (Mean=3,08). Trading firms have the most informal communication style (Mean=3,67). Production firms are in between, with a mean of 3,35. Second, with the use of ANOVA analysis again, we have found a moderately significant difference (sig. 0,66) among firm types about democratic decision making. Decision making is an essential part of any management style. According to our sample group, trading firms seem to have the most democratic decision making processes (Mean=3,15). Production firms and service score similar on decision making (Mean=2,66 and Mean=2,67 respectively). Third, by using ANOVA analysis, we are able to distinguish how firm size (human resources) is an important factor that impacts management style. Please see table-1 below to get a better

understanding of responses to the statement about informal organization (95% confidence interval for mean).

Table 1: Means of the Answers for Different Firm Sizes on Informal Organization

	Firm Size (Number of N Employees)	Mean	Std. Deviation	Std. Error	Lower Bound	Upper Bound	Minimum	Maximum	
Please select the statement 1-10 which suits best for your work environment: The firm i manage/work is based on an informal organization mentality. (Informal organization mentality means less management levels, loose control, less bureaucracy etc.) (1-Strongly Disagree,....5-Strongly Agree)	1-10	79	3,75	1,41	0,16	3,43	4,06	1	5
	11-25	47	3,26	1,42	0,21	2,84	3,67	1	5
	26-50	42	3,17	1,40	0,22	2,73	3,60	1	5
	51-250	68	2,53	1,40	0,17	2,19	2,87	1	5
	251+	185	2,03	1,30	0,10	1,84	2,22	1	5
Total	421	2,68	1,52	0,07	2,54	2,83	1	5	

Table 1 can be interpreted in an understanding that as firms get bigger, they get more formal and bureaucratic. Micro firms are the most informal organizations (Mean=3,75). As firms grow bigger on personnel size, they seem to be more bureaucratic and formal (M=2,03 on firms more than 250 personnel). Fourth, we can argue that firms get more political as they evolve to bigger entities. Please see Table 2 below for more details (95% confidence interval for mean). An intriguing result is that, firms seem to be more political as they get bigger regarding personnel number. This means, an individual can play a bigger role in decision making or can hold the complete power in decision making process. Small firms seem to be more apolitical, decisions are based on facts, analysis and goals, instead of power conflicts and personal ambitions. This result is intriguing because our previous finding on Table-1 shows that businesses get more formal as they evolve and improve towards a bigger structure. This formal organization means a stronger bureaucracy, more standards on decision making, strict rules and guidelines for almost any process in management and production line. A more political organization on the other hand means conflicts of power, clash of inter-individual goals and ambitions, informal group activities to seize power etc. which are not suitable for a bureaucratic and formal organization. Fifth finding is about the decision making process. Decision making process is an essential element of any management style. Some firms/manager use authoritarian decision making processes while others implement a more pluralist approach and encourage employees to get involved in decision making process. Our study demonstrates that in

Turkish SMEs, small firms use a more pluralistic approach on decision making. Firms with more employees use stricter and authoritarian decision making processes. This means that decisions are made via top management or the entrepreneur himself/herself on medium sized businesses. Micro firms with 1-10 employees have the most democratic decision making process (Mean=3,46) while medium sized businesses with more than 250 employees employ a singularistic and less democratic decision making process (Mean=2,35). Sixth and last, we take a look at communication methods of businesses. We identify communication tools as formal (written, regular such as meeting memos, announcements, intranet memos, guidelines, commands etc. and informal ones (word of mouth, informal meetings, after work activities, social activities such as dinners, sharing a few drinks or a small chat at lunch break etc). According to our sample group, smaller firms tend to use informal communication methods more often. As firms get bigger, they implement formal communication methods. This finding is compatible with previous results we discussed above. Since firms tend to be more bureaucratic and formal as they grow, it is understandable to use formal communication methods to match the new communication environment with the firm size and organizational structure.

Table 2: Means of the Answers for Different Firm Sizes on Political Organization

	Firm Size (Number of N	Mean	Std. Deviation	Std. Error	Lower Bound	Upper Bound	Minimum	Maximum
Please select the statement which suits best for your work environment: The firm I work/manage is an apolitical organization (Decisions are based on facts and analysis. Employees, managers and/or their covert goals can not affect decision making process. (1-Strongly Disagree,....5-Strongly Agree)	<i>1-10</i>	79 3,18	1,32	0,15	2,88	3,47	1	5
	<i>11-25</i>	47 3,17	1,32	0,19	2,78	3,56	1	5
	<i>26-50</i>	42 2,90	1,39	0,22	2,47	3,34	1	5
	<i>51-250</i>	68 2,78	1,28	0,16	2,47	3,09	1	5
	<i>+ 251</i>	185 2,59	1,45	0,11	2,38	2,80	1	5
<i>Total</i>	421	2,83	1,40	,07	2,70	2,96	1	

5. Conclusion and suggestions for future research

In this paper, authors focused on investigating management style of Turkish SMES. SMEs are particularly important on contemporary economy because they provide the most of employment, production and taxes of a nation. Using a four item scale, we were able to get valuable insight regarding management style of Turkish SMEs. Based on our sample group, we can argue that SMEs implement a more bureaucratic, more political and

formal management style as they grow. Smaller firms seem to be more open to employee participation. Trading SMEs adapt the most informal communication style and the most democratic decision making process. In general, we can say that firm size (number of employees) is a key variable that determines management style on Turkish SMEs. Further research can focus on collectivism on Turkey businesses since we were unable to find any differential elements. Are there any individualistic work environments in Turkey? Where are they hidden and what pushes/motivates those businesses and employees to create such an environment in a clearly collectivistic culture? Future research can also rely on better sampling methods. Instead of using a random selection method, new studies can focus on certain industries, geographies or other micro levels.

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