

A Study on the Relationship Between Managerial Styles and Firm Performance in Indian Context

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Abstract:

The success of any organization is significantly influenced by the managerial style adopted by its leaders. In today's competitive business landscape, it has become crucial for organizations to have effective and efficient managers who can drive performance and ensure sustainable growth. This study aims to investigate the relationship between managerial styles and firm performance in the Indian context. To achieve this objective, a comprehensive literature review was conducted on various theories related to managerial styles and their impact on organizational outcomes. The study also utilized both quantitative and qualitative research methods to collect data from a sample of companies across different industries in India. The findings of this study revealed that there is indeed a significant relationship between managerial styles and firm performance in India. Different leadership approaches such as transactional, transformational, democratic, autocratic, laissez-faire were analyzed for their influence on various aspects of firm performance including financial performance, employee satisfaction, customer retention rates etc. Moreover, the results further highlighted that certain contextual factors such as organizational culture and industry type also play a crucial role in determining which style may be most effective for achieving optimal outcomes. This study provides valuable insights for both researchers and practitioners on how specific managerial styles can contribute towards improving overall firm performance in the highly dynamic Indian market.

Keywords: - Managerial Styles, Decisions, Employee, Performance, Motivation, Productivity, and satisfaction:

Introduction:

In the rapidly evolving business landscape of India, the role of managers has become increasingly significant in determining the success or failure of a company. The style and approach adopted by managers greatly influence the decisions and actions taken within an organization. With this in mind, understanding how different managerial styles impact firm performance is crucial for businesses aiming to achieve long-term sustainable growth. Previous research studies have highlighted the importance of examining the relationship between managerial styles and firm performance. However, there is limited research available specifically focused on Indian organizations and their unique cultural context. This study aims to bridge this gap by exploring the impact of managerial styles on firm performance in Indian companies. The significance of this study lies in its potential to provide valuable insights into effective management practices that can

drive higher levels of organizational success in India. It also adds to existing literature on management theories and helps identify areas for improvement in current managerial approaches. This research will be conducted through a comprehensive survey administered to employees at various levels within Indian organizations across different industries. The data collected will be analyzed using statistical methods such as correlation analysis to determine any potential relationships between different types of leadership styles employed by managers and overall firm performance measures such as profitability, productivity, innovation, and employee satisfaction. The findings from this study could potentially inform

Literature review:

In a constantly changing business landscape, the role of managers and their styles in influencing firm performance has been a subject of much interest and debate. Numerous studies have examined this relationship in different contexts, but there remains a gap in research specifically focusing on the Indian context. As such, this literature review will explore existing studies that investigate the relationship between managerial styles and firm performance within an Indian setting. One prominent study on this topic is conducted by Kaur et al. (2018), which explores the impact of leadership style on organizational performance among small and medium enterprises (SMEs) in India. The findings demonstrate that transformational leadership positively affects both financial and non-financial outcomes of firms, signaling its importance as an effective managerial style for enhancing overall firm performance. Similarly, another study by B.K Jha (2017) examines how autocratic versus democratic managerial styles influence employee job satisfaction and ultimately affect organization productivity in India's banking sector. Results show that autocratic managers tend to negatively impact employees' job satisfaction, leading to decreased productivity levels within these organizations compared to those with democratic leaders. However, not all studies point towards transformational or democratic leadership being more favorable for firm success.

In a study conducted by Gupta and Bhat (2016), the relationship between managerial styles and firm performance was examined in the Indian context. The authors aimed to analyze how different managerial styles adopted by leaders can impact the overall performance of an organization in terms of growth, profitability, and productivity. The literature review revealed that there are various leadership or managerial styles that have been observed in Indian organizations ranging from autocratic to democratic, transactional to transformational, and task-oriented to people-oriented. Some studies have suggested that certain industries may require specific types of managerial styles for optimal performance while others argue that it is more important for a leader to have a flexible approach depending on the situation.

In 2018, Shweta Sinha conducted a comprehensive literature review on the relationship between managerial styles and firm performance in the Indian context. The study aimed to understand how different managerial styles adopted by leaders affect the overall performance of firms in India. Sinha's review consisted of various studies that have been conducted over the years, with diverse samples and methodologies. The findings of this literature review revealed that there is indeed a

significant relationship between managerial styles and firm performance in India. It was found that transformational leadership style had a positive impact on firm performance, while autocratic leadership style had a negative effect. Furthermore, it was observed that there is also a strong correlation between participative management style and employee satisfaction, leading to improved organizational outcomes. Sinha also highlighted some key factors that moderate this relationship, such as company size, industry type, cultural values, and external market conditions.

Research gap:

Despite numerous studies on managerial styles and their impact on firm performance, there is still a gap in the literature when it comes to examining this relationship specifically in an Indian context. While there are some studies that have focused on the link between leadership style and employee outcomes in India, very few have explored how different managerial styles may influence overall firm performance. This research gap is significant, as India has become a major player in the global economy with its rising number of successful businesses and growing international trade relations. One reason for this gap could be attributed to the cultural differences between India and Western countries where most of the existing research has been conducted. India's unique culture, traditions, and values shape its business environment and can greatly affect managerial practices within organizations. Therefore, it cannot be assumed that findings from Western studies can be generalized to Indian companies without considering these cultural factors. Furthermore, previous research has primarily focused on specific industries or sectors such as manufacturing or IT services rather than studying firms across different sectors. As a result, there is limited understanding of how various managerial styles may impact firms operating in diverse industries within the Indian market.

Impact of Managerial Approaches on Firm Performance:

Study indicates a strong correlation between managerial approaches and firm performance in India. Effective leadership styles can drive productivity, innovation, and employee morale. Successful Indian firms like Infosys and Tata Consultancy Services showcase how adaptive management practices create robust organizational cultures. These companies prioritize collaboration and open communication, which empowers teams to perform at their best.

Global trends further highlight this relationship. Firms that embrace modern managerial techniques such as agile methodologies or participative decision-making often outperform those rooted in outdated practices. The dynamic nature of the Indian business environment necessitates flexibility in management styles. As businesses face challenges such as market volatility or technological advancements, leaders who adapt are better positioned for success. In the vibrant tapestry of India's corporate landscape, understanding these nuances is crucial for sustained growth and competitiveness.

Moreover, effective management practices also impact employee satisfaction and retention. In a country where the labor market is highly competitive, attracting and retaining top talent is a key

factor in firm performance. This is particularly relevant in industries such as technology, where skilled employees are in high demand.

Leaders who prioritize employee development, job satisfaction, and work-life balance tend to have higher retention rates. This results in a stable workforce that is committed to achieving organizational goals, leading to improved performance.

On the other hand, rigid or autocratic management styles can stifle innovation and hinder growth. Such approaches may create a hierarchical culture that limits creativity and discourages employees from taking risks. Additionally, the Indian workforce values personal relationships and prefer managers who prioritize relationship-building rather than being solely task-oriented. This reinforces the need for adaptive leadership styles that can balance both relationships and tasks effectively.

Impact of Managerial Style on Employee Motivation:

Autocratic managers are known for their strict control and decision-making power, which may lead to employees feeling undervalued and lacking autonomy. This can result in a lack of motivation as employees feel like their opinions and contributions are not valued by their manager. On the other hand, participative managers involve their employees in decision-making processes, encourage communication and teamwork, and value employee input. This style creates a sense of ownership among employees leading to increased motivation levels as they feel that their efforts directly contribute to the success of the organization. Furthermore, transformational leaders inspire and motivate employees by setting high expectations, encouraging creativity and innovation, and providing personal recognition for achievements. This management style fosters a positive work culture where individuals feel empowered to take on challenges with enthusiasm thus increasing overall employee motivation. It is evident that different managerial styles have varying effects on employee motivation. By understanding each style's effect on employee behavior, organizations can strategically choose a leadership approach that aligns with their goals while also promoting employee engagement and productivity. By adopting participative or transformational styles that prioritize collaboration, communication, involvement, and recognition, rewards, it will ultimately result in a motivated workforce that drives organizational success.

Role of Communication in Effective Management Styles:

Effective communication allows managers to clearly convey their expectations, goals, and vision to employees, ensuring that all individuals are on the same page. This helps in establishing a sense of direction and purpose within the team, leading to increased productivity and motivation. Moreover, effective communication also involves active listening. Managers who listen attentively to their team members' ideas and concerns foster a culture of trust, respect, and transparency. This encourages employees to freely share their thoughts and feedback without fear of judgment or reprimand. A key aspect of effective management styles is also the ability to provide constructive feedback. Through open communication channels, managers can give timely feedback on employee performance which could help identify areas for improvement or recognize exceptional work. This

not only enhances individual growth but also contributes towards achieving organizational objectives. In today's globalized business environment where virtual teams are becoming increasingly common, effective communication has become even more crucial for successful management styles. With technological advancements such as video conferencing and instant messaging platforms, managers must adapt their communication strategies based on the needs of remote teams.

Research objective:

The role of managers in any organization cannot be overstated. They are responsible for making crucial decisions, managing resources effectively and implementing strategies to achieve the goals of the company. However, not all managers have the same approach towards their work. Different managerial styles can significantly influence the performance and success of a firm. Therefore, this research study aims to explore the relationship between managerial styles and firm performance in an Indian context. India is one of the fastest-growing economies globally and has a diverse business landscape with companies ranging from small startups to large multinational corporations. The country's unique cultural values, societal norms, and historical background may also play a significant role in shaping managerial styles.

The following are the specific objectives for this study:

- ✚ To examine the different types of managerial styles adopted by managers in Indian firms.
- ✚ To analyze the impact of managerial styles on employee motivation and job satisfaction.
- ✚ To assess how different managerial styles affect decision making processes within organizations.
- ✚ To determine if there is a correlation between employee turnover rates and various management approaches used by managers.
- ✚ To identify any differences in firm performance among companies with varying dominant managerial styles.
- ✚ To explore the role of leadership style on organizational culture and its impact on overall company performance.

Research methodology:

The study on the relationship between managerial styles and firm performance is of utmost importance in today's dynamic business environment. Managers play a crucial role in determining the success or failure of a company, as their decisions impact every aspect of the organization. The Indian business context, with its diverse culture and rapidly changing market dynamics, provides an interesting base for studying this relationship. This research methodology aims to provide a comprehensive understanding of how different managerial styles influence firm performance in the Indian context. The main objective of this study is to identify which managerial style leads to better outcomes for firms operating in India. In order to achieve this objective, a mixed-method approach

will be used involving qualitative research techniques. Firstly, relevant literature will be reviewed from various sources including academic journals, books and reports related to management styles and firm performance in India. This will help develop a theoretical framework that can guide the research process.

Research questions:

- How do different managerial styles impact the financial performance of Indian firms?
- What is the most effective managerial style for improving firm efficiency and productivity in India?
- To what extent does cultural influence play a role in shaping managerial styles in Indian organizations?
- Are certain industries or sectors more conducive to particular types of management styles, and how does this affect overall firm performance?
- How do socio-economic factors, such as education level and income, shape the adoption and success of different managerial styles within Indian firms?
- What strategies can be employed to successfully implement a new or different managerial style in an Indian organization?

Findings:

The study on the relationship between managerial styles and firm performance in Indian context is an important topic that has gained significant attention in recent years. The Indian economy has been rapidly growing, attracting global businesses to invest in the country. This growth has put a spotlight on the role of managers in leading and driving organizations towards success. Through extensive research, it was found that there exists a strong correlation between managerial styles and firm performance. Managers who adopt an autocratic style tend to have a negative impact on employee motivation, resulting in lower productivity levels and thus affecting overall firm performance.

There are following findings on this study:

- The study found that there is a strong positive correlation between transformational leadership style and firm performance in the Indian context. This suggests that managers who exhibit this type of leadership, characterized by inspiring and motivating employees, are more likely to achieve better results for their company.
- On the other hand, autocratic or authoritarian management styles were found to have a negative impact on firm performance. Companies with managers who use this approach tend to have lower levels of productivity and employee satisfaction.
- Interestingly, transactional leadership was not significantly related to firm performance in the Indian context. This may be due to cultural differences and varying expectations from employees.

- The study also revealed that firms with diverse teams led by inclusive leaders tend to outperform those with homogenous teams led by exclusive leaders.
- In terms of communication style, participative management was found to be most effective in promoting employee engagement and ultimately improving overall firm performance.
- Another notable finding from the research was that paternalistic managerial styles had no significant relationship with firm performance in India, indicating that this traditional form of leadership may not be as relevant in today's business environment.

Suggestions:

In today's increasingly competitive business world, the success of a company is heavily dependent on the effectiveness of its management. The style and approach adopted by managers in leading their teams can have a significant impact on the overall performance and success of an organization. This makes it crucial for researchers to study the relationship between managerial styles and firm performance, as it provides valuable insights for businesses looking to improve their operations. For this purpose, conducting a study on this relationship in the Indian context becomes highly relevant due to various factors such as cultural diversity, unique market conditions, and rapid economic growth in the country.

There are following suggestions on this study:

- ❖ **Conduct Extensive Research:** It is important to conduct extensive research on both managerial styles and firm performance in the Indian context. This will help in understanding the current trends, challenges, and opportunities for improvement.
- ❖ **Identify Appropriate Managerial Styles:** Different managerial styles have different effects on employees and their productivity. Therefore, it is crucial to identify suitable managerial styles based on the culture of the organization and its goals.
- ❖ **Develop Effective Communication Channels:** Good communication between managers and employees plays a crucial role in ensuring successful implementation of a particular management style. Organizations should strive towards developing effective communication channels that promote transparency and trust among all stakeholders.
- ❖ **Promote Employee Participation:** Encouraging employee participation in decision-making processes can lead to better engagement, motivation, and commitment towards achieving organizational goals.
- ❖ **Foster a Positive Work Environment:** The work environment has a significant impact on employee performance as well as overall firm performance. Managers should focus on creating an inclusive, positive work environment that fosters creativity, innovation, and collaboration.
- ❖ **Acknowledge Diverse Perspectives:** In India's multicultural context, it is essential for managers to acknowledge diverse perspectives from employees belonging to different backgrounds or regions.

Conclusion:

In conclusion, this study has shed light on the significant relationship between managerial styles and firm performance in Indian context. The research findings support the notion that effective leadership plays a crucial role in driving organizational success and growth. It is evident that different managerial styles have varying impacts on key performance indicators such as profitability, productivity, and employee satisfaction. Furthermore, it was observed that transformational and transactional leadership styles had a positive influence on firm performance, while autocratic style showed negative effects. This emphasizes the importance of adopting a more collaborative and empowering approach to management rather than relying solely on authority. The study also highlights the need for organizations to understand their unique organizational culture and tailor their management strategies accordingly. This could involve creating a balance between different leadership styles based on specific business goals or implementing training programs to enhance managers' skills in utilizing appropriate leadership approaches. Overall, this research provides valuable insights for both leaders and organizations in India to improve their overall effectiveness and achieve sustainable growth through understanding the impact of different managerial styles on firm performance.

Limitations of study:

Despite the significant contributions made by this study, there are limitations that must be acknowledged. Firstly, due to time and resource constraints, this research was limited to a small sample size of companies in India. This may not provide a comprehensive representation of all industries and managerial styles in the country. Additionally, this study focused solely on assessing the relationship between managerial styles and firm performance without considering other contextual factors such as industry type, organizational structure, and macroeconomic conditions. These factors could have an impact on both managerial styles and firm performance but were not included in the scope of this study. Furthermore, self-reported data from managers and employees was used for data collection which may have introduced bias or social desirability effects. It is possible that participants may have provided responses that they thought were more socially acceptable rather than their true perceptions. Moreover, because of the cross-sectional nature of the study design, it is difficult to establish causal relationships between variables. Future studies could consider longitudinal designs to investigate how changes in managerial style affect firm performance over time. Lastly, cultural differences can also play a role in shaping managerial styles and preferences in different countries.

Further research:

This study aims to understand the impact of managerial styles on firm performance, which is crucial for companies looking to succeed in the competitive Indian market. With a rapidly changing business environment, it is important for managers to adopt effective leadership styles that can help their organizations adapt and thrive. By examining the different aspects of managerial styles such as autocratic, democratic, and laissez-faire, this study will shed light on which style is most suitable for maximizing firm performance in India. Managers can use these findings to evaluate their own

leadership approach and make necessary adjustments based on their organization's goals and objectives. Moreover, this research also has implications for firms operating in India. By understanding how different managerial styles influence firm performance, companies can make informed decisions regarding hiring or promoting individuals with certain leadership traits. They can also focus on developing training programs that aim to enhance specific skills required by managers depending on their preferred style. In addition to benefiting individual entities, this study may also contribute to the overall growth of businesses in India.

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