The Relationship among Participative Management Style, Strategy Implementation Success, and Financial Performance in the Foodservice Industry

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ABSTRACT

This study looked at the degree of participative management used by firms in the restaurant industry. Findings indicated higher levels of action plan implementation success and financial success for restaurant firms using a higher level of participation in decision-making and plan execution. Smaller firms (single unit) were more likely to use an approach with greater participation by middle-level managers and lower-level managers than larger firms (multi-unit). While larger firms had higher financial performance in general, implications include the value of higher participatory approaches by managers to enhance financial and implementation execution, particularly, for smaller restaurant firms.

Key Words: Participative management; Restaurants; Strategy implementation; Organizational size; Performance.

INTRODUCTION

Directive and participative management style in decision-making and strategy implementation process has been an area of research interest for a long time in the management literature. While some past hospitality strategic management studies were based on strategy formulation, strategy structure-debate or environmental scanning, few studies were based on directive or participative approaches in the strategic process and implementation in the hospitality industry (Dev and Olsen, 1989; Harrington, 2004; Okumus, 2001; Parsa, 1999; Schmelzer and Olsen, 1994).

This study builds on past studies and examines the relationship between organizational members' involvement and the degree of participation in decision-making and strategy implementation process in the foodservice industry. The relationship between organizational structure, directive or participative management style, hierarchical level of participation, implementation success and financial performance are investigated. Some of the objectives of this study include the following: (1) to examine the relationship between management hierarchical level of involvement and organizational structure, (2) to determine the relationship between participative management style, strategy implementation success, and financial performance, and (3) to investigate the differences between the degree of overall participation on strategy implementation success, and financial performance.

Literature Review

As changes in the economy and in the hospitality industry continue to transpire, managers in the foodservice industry should be prepared to continuously enhance their strategic decision-making skills. Decision-making-skill is one of the many skills managers and leaders employ on a daily basis regardless of their leadership style. However, it is common knowledge that decision-making strategy varies from one manager to another depending on the leadership style or styles employed by the manager. A manager that predominantly employs a directive leadership style is likely to restrict the involvement of his or her subordinates in strategic decision-making than a manager that predominantly employs a participative leadership style (Northouse, 2004).

Directive leadership style is characterized as a leadership style where leaders instruct subordinates about what to do, how to do, and when to do. A directive leader
clearly makes decisions, set standards of performance and make them clear to their subordinates. The major potential benefit of directive leadership style includes its ability to get the job done (Ogbeide, Grove and Cho, 2008). In contrast, participative leadership is characterized as a leadership style where leaders invite subordinate to share in the decision-making. A participative leader confers with subordinates and integrates their suggestions, ideas and opinions into the decision-making process (Northouse, 2004). Some of the potential benefits of participative leadership (management) style include its positive impact on employees’ motivation/satisfaction, its ability to get job done, and its likelihood to increase quality decision-making (Ogbeide, Grove and Cho, 2008; Smylie, Lazarus, & Brownlee-Conyers, 1996).

Decision-making has been an area of study from a variety of perspectives. Earlier studies indicate decision-making process tactics can be categorized into three primary types and are identified as analysis, judgment, and participative tactics. Harrington and Ottenbacher (2009) considered how managers in the hospitality industry make significant organizational decisions and how this process is impacted by contextual features. The study found direct and interacting relationships among several contextual features with decision-making tactics. Key contextual features included decision urgency, risk level, complexity, dynamism, level of decision maker, and internal or external support/opposition. While this study pointed out many of the relationships among context and process, it also pointed to the importance of a participative approach to decision process success when used in hospitality and other high-contact service business sectors.

Despite some of the advantages of participative management style, the breadth and depth of organizational members’ participation or involvement in the strategic process varies from one organization to another (Harrington, 2004). Breadth of involvement relates to the opportunity to gain knowledge from business units, departments, project teams, and stakeholders of the organization (Forbes and Milliken, 1999). Depth of involvement relates to involvement through organizational hierarchy (from the upper management to frontline employees) (Barringer and Bluedorn, 1999). Past studies on the relationship between the breadth of involvement and implementation success is not clear and can be described as mixed (Simmons, Pelled and Smith, 1999). Thus, further hospitality studies are needed in this regard to examine the relationship between breadth of involvement and implementation success in the hospitality industry. Similarly, due to the discrepancies in the measurement of the depth of involvement (Harrington, 2004), the value of hospitality studies with a complete measurement of hierarchical involvement cannot be understated.

Based on a synthesis of research in the strategic management and innovation areas, Ottenbacher and Harrington (2008) provided a matrix defining four categories of influence distribution or involvement types during the strategic decision-making process. These types are defined by the level of depth and breadth of involvement within and across an organization. These two collective processes have been suggested as ways for teams to utilize more heterogeneity in their backgrounds under the assumption that the team will make better strategic decisions. The basic idea is that diversity in specific knowledge will provide more information, a better understanding of the situation and more alternatives (e.g., Forbes & Milliken, 1999; Simmons, et al., 1999). The possible downside of this more collective approach is that, if not properly managed, teams have more dissent and in some cases be unable to reach consensus (e.g., Dooley & Fryxell, 1999).

Several studies in the hospitality literature have indicated a relationship between higher level of involvement of organizational members and higher firm success (Chorengel and Teare, 1994; Harrington, 2004, 2005; Okumus, 2003; Schmelzer and Olsen, 1994; Teare, Costa and Eccles, 1998). However, these studies were based on case studies, qualitative approaches, small sample sizes or conceptual fashions that need further study for a better substantiation. This study draws from the previous research but employs a quantitative research method and a larger sample size to examine the relationship between participative management style, organizational structures as it relates to degree of participation, implementation success and financial performance.

Definitions

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The concept of involvement has been used to describe a variety of concepts in the literature (e.g., Gursoy and Gavcar, 2003; Nutt, 1989; Varki and Wong, 2003). For this study, we follow the earlier work of Barringer and Bluedron (1999) and define involvement as the level of participation by members of organizational levels during action plan decision-making and implementation. A related concept in this study is degree of participative management style. Where level of involvement in this study considers the level for each organizational level (upper, middle, lower management and frontline employees), degree of participation in this study taps into concepts of breadth and depth of involvement. Therefore, degree of participation is defined as the collective level of involvement across and within the firm, ranging from minimal to robust participation.

Organizational structure and size are long studied variables of interest in business research. Typical measures include sales, assets, and number of employees (Harrington, 2004; Hart and Banbury, 1994). Because earlier researchers have indicated unique differences for restaurant industry due to the number of geographically-dispersed units (Bradach, 1997; Ritchie & Riley, 2004), this study defines structure/size by number of units in the firm (single versus multiple).

HYPOTHESES

Organizational structure/size and level of involvement

Larger foodservice organizations are generally composed of an organizational structure that is characterized with multiple units that are geographically dispersed in terms of location, and more hierarchical levels. Although past studies on the relationship between the level of involvement and an organization’s size is not clear due to discrepancies in the conceptualization and measurement of involvement (Dalton, et al, 1998; Harrington, 2003; Simmons, et al, 1999), it would seem logical to assume that the larger your organizational structure is (in terms of the number of units) the greater the level of involvement per business unit, departments, project teams, and stakeholders of the organization.

This study builds on previous studies with Hypotheses 1a-1d focused on the level of involvement for each organizational level. Although this relationship has not been wholly tested in the foodservice industry, we hypothesize that the larger your organizational structure will require a greater level of involvement at all organizational levels per business units and departments. Formally stated:

H1a: Larger (smaller) organizational structure will utilize strategic processes with higher (lower) level of involvement of upper managers.
H1b: Larger (smaller) organizational structure will utilize strategic processes with higher (lower) level of involvement of middle managers.
H1c: Larger (smaller) organizational structure will utilize strategic processes with higher (lower) level of involvement of lower managers.
H1d: Larger (smaller) organizational structure will utilize strategic processes with higher (lower) level of involvement of frontline employees.

Degree of participation on organizational performance

Past studies have indicated a relationship between the likelihood of organizational performance and the level of involvement (Ashmos, Duchon, McDaniel, and Huonker, 2002; Cloudhury and Sampler, 1997; Harrington, 2005). However, due to discrepancies and inconsistencies in their measurement of the level of involvement, further hospitality studies with a complete measurement of hierarchical involvement cannot be determined.

Harrington (2004, 2005) examined the relationship between involvement and implementation success by using the firm size, number of units, and the level of involvement as determinants of organizational performance. While these approaches could provide valuable relationships between the level of involvement and organizational performance, it does not provide an adequate and complete representation of the extent to which other moderating factors within the organization could affect organizational performance.

This study focused on the extent to which degree of participation of all the hierarchical level affects organizational performance. This approach takes into account the breadth and depth of involvement.
in calculating the degree of participation. We took this approach because breadth and depth of involvement varies from one organization to another, and organizational hierarchy varies from one ownership type to another due to size and complexity (Harrington, 2004).

Although this relationship has not been critically tested in the foodservice industry, we hypothesize that there is no difference in strategy implementation success between small and large organizations. However, we propose differences in implementation success and financial performance per degree of organizational participative management style. Formally stated:

H2a: No difference in strategy implementation success between small and large organizations.
H2b: No difference in overall profitability/financial performance between small and large organizations.
H3a: Foodservice organizations with higher (lower) degree of participative management style will achieve higher (lower) implementation success than their competitive sets.
H3b: Foodservice organization with higher (lower degree of participative management style will achieve higher (lower) overall profitability/financial performance than their competitive sets.

METHODS

The population for this study is membership in a U.S. southeastern State restaurant association. The sample selection for this study was a random sample of 1600 members.

The survey instrument utilized for this study was adapted from previous studies (Barringer and Bluedorn, 1999; Brews and Hunt, 1999; Harrington, 2004; Nutt, 1989). The questionnaire is made up of (1) some forced choice questions regarding management implementation tactics, foodservice segments, organizational structure, ownership type, and educational level; (2) some fill in the blanks questions regarding the total number of employees in the organization, and the official title of the respondent; (3) five-point scale, which ranged from 1 = “Low” to 5 = “Top” was used to measure organizational performance; and, (4) ten-point scales, which ranged from 1 = “No/Low/Little” to 10 = “High/Very” was used to measure the environmental factors impacting the foodservice industry, implementation success, and the hierarchical categories of employees involved in the strategy implementation process.

Measurements

Organizational structure: Organizational structure was based on two categories—single-unit or multi-unit organizations. These choices were coded 1 for single-unit and 2 for multi-unit for hypothesis testing.

Level of involvement: The level of involvement was based on the work of Barringer and Bluedorn (1999). It was measured by assessing the level of involvement of the upper management, middle management, lower management and frontline employee in the implementation of strategy. Participants rated involvement at each hierarchical level within their respective organization using a 10-point scale.

Implementation success: Respondents used 10-point scale (1 = not at all successful and 10 = very successful) to rate how successful they perceived the most recent strategy-implementation process they were involved in.

Overall profitability/financial performance: Respondents were asked to rank their organization’s overall profitability and financial performance relative to their competitive set. The ranking of the organizations overall profitability and financial performance were based on a 5-point scale (1 = lowest 20%, 3 = middle 20%, and 5 = top 20% as compared to peers/competitors in their primary foodservice segment) (Brews and Hunt, 1999). Prior to talking about our findings, it is important to acknowledge that the use of self-reported measures raises the possible concern for bias. However, earlier studies have indicated that comparative relationships and interactions, such as those used in this study, are relatively unaffected by mono-method bias distortions (Dooley and Fryxell, 1999; Kerlinger, 1986). In addition, information on organizational performance and involvement levels of the population of interest are difficult to obtain. Hence, this necessitates the need for self-reported measures.

Degree of participative management style: The degree of participation was measured by averaging the level of involvement for each organizational level in strategy implementation and execution decisions. Participants rated involvement at each hierarchical level (upper management, middle
management, lower management, frontline employees) within their respective organization using a 10-
point scale. The average score across the four hierarchical levels of the organization was calculated and
divided into three groups (degrees) based on their average score. A minimal degree of participative style
(1°) was determined if the average score ranged from 1 - 6. A moderate degree of participative style (2°)
was determined if the average score ranged from 6.1 - 7.9. Finally, a high degree of participative style (3°)
was determined if the average score ranged from 8-10.

Data analysis: Descriptive statistics (e.g., mean) were used to assess the profile of the
respondents. The mean, or arithmetic average, is the “most widely used measure of central tendency, it is
the sum of all the values in distribution divided by the number of cases” (Ary, Jacobs, and Razavieh, 2002:
p. 128). Independent sample T-tests were used to assess whether the means of two groups (multi-units vs.
single-unit) statistically differ from each other in terms of depth of involvement. Independent sample T-
tests were also used to assess whether the means of the implementation success and the overall
profitability/financial performance differ per degrees of involvement. Bivariate correlation coefficient was
used to assess the following: (1) the relationship between organizational structure and degree of
participation (2) the relationship between ownership type and degree of participation, and (3) relationships
between the degree of involvement and organizational performance (implementation success and the
overall profitability/financial performance).

RESULTS AND DISCUSSION

Of 1,600 surveys, 424 (26.5% response rate) were returned but 324 response were usable,
containing all information. This response rate is similar to other studies of a similar population (Dev and
Olsen, 1989: Jogaratnam, 2002). However, in order to minimize the possibility of non-response error,
Foodservice segment characteristics of the sample were compared with the LRA membership, percentages
by ownership-type and numbers of units were compared between our sample and the National Restaurant
Association, and all firms that responded were sent a second copy and asked to have a second informant
respond to the survey. Overall, these findings indicated minimal effects due to non-response bias, ensure
inter-rater reliability of the environment and organizational processes, and increase the external validity
beyond the borders of this sample.

Tests of H1b and H1c provided strong support. There was a significant difference between the
means of large and small organizations in terms of the level of involvement by two organizational levels.
Findings indicated a significantly higher level of involvement for middle management (p < .01) (Large
[mean = 8.02, s.d. = 1.97] vs. Small [mean = 7.01, s.d. = 2.79]) and lower management (p = .02) (Large
[mean = 6.66, s.d. = 2.78] vs. Small [mean = 5.86, s.d. = 3.13]).

Table 1
Differences between Large and Small Organizations in Terms of Level of Involvement (LOI) and
Organizational Performance

<table>
<thead>
<tr>
<th></th>
<th>S-unit = 1</th>
<th>N</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>T-test Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOI of Upper Management</td>
<td>1</td>
<td>183</td>
<td>8.33</td>
<td>2.29</td>
<td>0.08</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>130</td>
<td>7.86</td>
<td>2.42</td>
<td></td>
</tr>
<tr>
<td>LOI of Middle Management</td>
<td>1</td>
<td>181</td>
<td>7.01</td>
<td>2.79</td>
<td>&lt;0.01</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>129</td>
<td>8.02</td>
<td>1.97</td>
<td></td>
</tr>
<tr>
<td>LOI of Lower Management</td>
<td>1</td>
<td>175</td>
<td>5.86</td>
<td>3.13</td>
<td>0.02</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>123</td>
<td>6.66</td>
<td>2.78</td>
<td></td>
</tr>
<tr>
<td>LOI of Frontline Employees</td>
<td>1</td>
<td>208</td>
<td>5.89</td>
<td>3.22</td>
<td>0.18</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>139</td>
<td>6.35</td>
<td>2.95</td>
<td></td>
</tr>
<tr>
<td>Implementation Success</td>
<td>1</td>
<td>210</td>
<td>7.02</td>
<td>1.91</td>
<td>0.09</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>140</td>
<td>7.36</td>
<td>1.74</td>
<td></td>
</tr>
<tr>
<td>Financial Performance</td>
<td>1</td>
<td>215</td>
<td>3.34</td>
<td>1.15</td>
<td>&lt;0.01</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>136</td>
<td>3.90</td>
<td>1.14</td>
<td></td>
</tr>
</tbody>
</table>

H1a and H1d were not supported. There was a no significant difference between the mean of large
and small organizations in terms of the level of involvement of upper management and frontline employees.

In test 2, H2a was supported. There was no difference in strategy implementation success between small and large organizations. H2b was not supported; there was a significant difference in overall profitability/financial performance between small and large organizations. Findings indicated a significantly higher level of performance by large firms (p < .01, mean = 3.90, s.d. = 1.14) compared to small firms (mean = 3.34, s.d. = 1.15).

Table 2
Differences between Degree of Participative Management Style and Organizational Performance

<table>
<thead>
<tr>
<th>Degree of PMS</th>
<th>N</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>T-test Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation Success</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>69</td>
<td>6.28</td>
<td>2.141</td>
</tr>
<tr>
<td></td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>112</td>
<td>7.15</td>
<td>1.725</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>67</td>
<td>3.24</td>
<td>1.338</td>
</tr>
<tr>
<td></td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>109</td>
<td>3.71</td>
<td>1.083</td>
</tr>
<tr>
<td>Implementation Success</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>69</td>
<td>6.28</td>
<td>2.141</td>
</tr>
<tr>
<td></td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>109</td>
<td>7.64</td>
<td>1.642</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>67</td>
<td>3.24</td>
<td>1.338</td>
</tr>
<tr>
<td></td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>109</td>
<td>7.64</td>
<td>1.642</td>
</tr>
<tr>
<td>Implementation Success</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>112</td>
<td>7.15</td>
<td>1.725</td>
</tr>
<tr>
<td></td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>109</td>
<td>7.64</td>
<td>1.642</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>109</td>
<td>3.71</td>
<td>1.083</td>
</tr>
<tr>
<td></td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>100</td>
<td>3.82</td>
<td>1.086</td>
</tr>
</tbody>
</table>

In test 3, H3a was supported. Foodservice organizations with higher degree of participative management style achieved higher implementation success than their competitive sets. Tests for differences in the degree of participative management style were significant comparing 1<sup>st</sup> to 2<sup>nd</sup> degree (p < 0.01), 1<sup>st</sup> to 3<sup>rd</sup> degree (p < 0.01), and 2<sup>nd</sup> to 3<sup>rd</sup> degree (p = 0.03). These findings indicate consistently greater success in action plan implementation for higher degrees of participative management style.

H3b was generally supported. Foodservice organization with higher degree of participative management style achieved higher overall profitability and financial performance than their competitive sets. Tests for differences in the degree of participative management style were significant comparing 1<sup>st</sup> to 2<sup>nd</sup> degree (p = 0.01) and 1<sup>st</sup> to 3<sup>rd</sup> degree (p < 0.01). But, when comparing 2<sup>nd</sup> to 3<sup>rd</sup> degree participative levels, the relationship with financial performance was non-significant (p = 0.45). These findings indicate an impact of 2<sup>nd</sup> and 3<sup>rd</sup> degree levels of participative management styles over 1<sup>st</sup> degree levels.

CONCLUSION, LIMITATIONS AND IMPLICATIONS

This study considered the relationship between management hierarchical level of participation during action plan implementation and organizational structure (single and multi-unit firms). Findings indicate mixed results. On average, single unit firms used management techniques with greater involvement by middle and lower-level managers during execution and decision-making of firm-level strategies and action plans. This approach seemed to minimize some of the inherent performance advantages based solely on size by firms in the foodservice industry.

While earlier studies have suggested that managers prefer to use low involvement methods in action plan implementation (e.g., Nutt, 1989), this study also supported the notion that greater levels of involvement by a variety of management levels was related to greater strategy implementation success and financial performance. Where the relationship between level of involvement and greater implementation success appears to be tied directly to successful outcomes of specific project implementation, the more long-term relationship with financial performance appears to be partially derived through more participative approaches and may result through a lag effect from higher success in project implementation accumulating over time.

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The degree of overall participation across four organizational levels also provided support for
taller strategy implementation success and financial performance. Firms utilizing moderate (2nd
degree) approaches to high (3rd degree) levels of organizational participation outperformed firms using a low
participative style (1st degree). This relationship appears consistent across small and large firms and across
foodservice sectors.

This study has several limitations. The sample was drawn from a specific region in the US,
therefore, the findings may not be generalizable to other geographic locations. Although we attempted to
minimize the potential for non-response bias and to ensure inter-rater reliability of responses in this study,
these potential threats to validity cannot be totally ruled out.

Future research should be designed to expand the assessment of participative management styles
for greater detail and determine if degree of participative management varies by situation (e.g., strategic,
tactical or operational decisions). One approach for this assessment is to utilize scenarios of organizational
decisions and implementation as a method to capture rich descriptions of management processes.

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