THE EFFECTS OF MANAGEMENT BEHAVIOR AND COLLABORATION ON MARKETING EFFECTIVENESS AND FINANCIAL PERFORMANCE

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ABSTRACT

Top management plays an important role in forming a market-oriented culture and delivering high quality services to customers. To date, limited empirical work has been done to examine the effect of the management behavior and the management-subordinate collaboration in the marketing context. Furthermore, although the effect of market orientation on business performance has been widely reported in the literature, not much has been shown on how top management influences the formation of a market-oriented workforce. The present study investigates the impact of management behavior and management-subordinate collaboration on two marketing effectiveness measures, marketing orientation and service quality. Their effects on financial performance are scrutinized and important managerial implications as well as future research directions are provided.

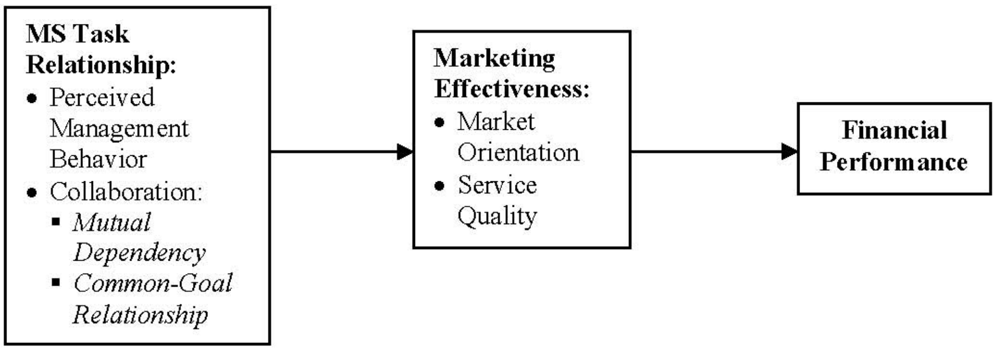
INTRODUCTION

Marketing concept has been the foundation of modern marketing theories and practices. The significance of customer and market orientation, i.e., the implementation of the marketing concept, has been closely examined in the marketing and management literature. Theoretical frameworks and consequences of market orientation have been developed and empirically tested [1] [2]. Some recent empirical work has focused on how to assess the effect of market orientation on business performance via various mediating and situational variables. Some recent empirical work has focused on how to assess the effect of market orientation on business performance via various mediating and situational variables [3] [4].

An intriguing factor that helps shape the formation of a market oriented culture is the way top management exerts its influence on subordinates through various management behaviors. Such influence can have fundamental impact on the behavior of the subordinate and the subsequent management-subordinate relationship. The present study investigates how management-subordinate task relationship, as measured by management behavior and management-subordinate collaboration, may affect overall marketing effectiveness, measured by market orientation, service quality, and, ultimately, financial performance. Specifically, the following issues are examined:

1. *How does management-subordinate task relationship affect marketing effectiveness measures?*
2. *What is the relationship between management behavior and management-subordinate collaboration?*
3. *Is there a relationship between marketing effectiveness and financial performance?*
4. *Is there a direct effect of management-subordinate relationship and financial performance?*

A manager often encourages participation by allowing the subordinate to influence job decisions to a large degree. This type of management behavior is analogous to participative management, in which subordinates share a significant degree of decision making power with their superiors. A supportive manager creates a facilitative task environment of psychological support, mutual trust and respect, and helpfulness and friendliness [5]. The manager also need to play a directive role by providing specific directions to subordinate work activities, organizing and defining the task environment, assigning the necessary functions to be performed, specifying rules, regulations, and procedures to be followed in accomplishing tasks, clarifying expectations, scheduling work to be done, establishing communication networks, and evaluating work group performance [5]. Finally, a goal-oriented manager focuses the overall corporate effort on achieving corporate and individual goals, allocates required resources, and empowers employees to accomplish their goals. The present study examines management behavior based on the four management behavior patterns.



Collaboration between the management and subordinates is important for an organization to provide excellent operational results. When top management and subordinates cooperate with each other, they share the same goals and feel a degree of mutual trust and reliance. The organization is likely to be more efficient in allocating resources and directing its focus in achieving goals. Collaboration could foster the open-minded and constructive discussion of various views. Corporations who engage in open-minded discussions of opposing views can effectively deliver quality services to their customers. On the other hand, when top management and subordinates do not work in partnership, an organization may make improper decisions that alienate the relationship among members in the organization and service quality and customer satisfaction could be harmed eventually. Therefore, it is expected that a strong collaboration between top management and subordinates leads to desirable results.

The degree of management-subordinate collaboration can be measured with two components: the strength of the common-goal relationship and the degree of mutual dependency. The common-goal relationship is the degree of consistency in their respective goals. Within a well-managed organization, top management effectively communicates with its subordinates and establish consistency how the management and employees view their goals. As a leader accomplishes goals through subordinates, it is imperative to both the management and employees to communicate fully and share common goals, i.e., to have the common-goal relationship.

Management leadership affects an organization in several areas. An immediate effect of management behavior is the collaboration between the management and employees. An effective leader will use a proper combination of the four management behavioral patterns to achieve close collaboration between the management and its employees. A culture of management-subordinate solidarity can be achieved when the management and subordinates share common goals and depend on one another to accomplish those goals [6].

A packet of survey questionnaire along with a cover letter was delivered to respondents in a major U. S. metropolitan area. Each respondent received a questionnaire along with a cover letter. On average, respondents completed the survey in about 20 minutes. The participation was voluntary. Respondents were asked to fill out the questionnaire at their convenience and return it within one week. A total of 1,200 questionnaires were distributed, resulting in 330 completed, valid responses (27.5% response rate). The sample comprises middle-level and lower-level managers from a variety of industry sectors.

Several exploratory factor analyses were conducted to confirm the dimensions of major constructs. The results showed that management behavior has four distinctive factors as expected. The items also loaded on the expected factors. The four-factor solution of management behavior explains 65.0% of the variation, while a one-factor solution only explains 27.2% of variation. The results confirm that management behavior is a multi-dimensional construct. Collaboration is also shown to have a clear two-factor structure, explaining 61% of total variation. The results of factor analysis on market orientation showed that all eleven items loaded on a single factor, explaining 40.2% of total variation, while a two factor solution only explained 44%. Therefore, only one aggregate measure of market orientation was included in the subsequent regression models. Service quality is also a multi-item measure of business performance. A factor analysis revealed that the factor structure is congruent with those found in previous studies [7]. The reliabilities of study measures are supported by their respective Cronbach alphas.

We examine the effect of management-subordinate task relationship on marketing effectiveness. Task relationship factors, management behavior and collaboration, have significant effects on market orientation and service quality (all regression models have significant F values). Closer examinations reveal some intriguing findings. All task relationship factors have significant effects on market orientation, except the directive management behavior. The supportive management behavior has not only the strongest effect on market orientation, but also the strongest effect on service quality. Both collaboration factors have significant effects on market orientation and service quality, while common-goal relationship has a stronger effect on both. The effect of marketing effectiveness on financial performance is also supported by significant F values. Both market orientation and service quality are found to have significant effects on the four performance measures. Among the five service quality components, tangibility and empathy show more consistent effects, while reliability and responsiveness show little effect.

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