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BNDE/MIT JOINT DEVELOPMENT BANK TRAINING
AND RESEARCH PROJECT

→ THE EMPLOYEES' VIEWS OF MANAGAMENT SYSTEMS IN BRAZILIAN
DEVELOPMENT BANKS:
A PRELIMINARY REPORT

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GRUPO DE TRABALHO MISTO

WORKING PAPER

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BANCO NACIONAL DO DESENVOLVIMENTO ECONÔMICO
MASSACHUSETTS INSTITUTE OF TECHNOLOGY

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A B S T R A C T

Likert Organizational Profiles were completed by 160 bankers in 9 Brazilian Development Banks. Findings show that employees generally view their actual management systems as system 2 (authoritarian) or system 3 (consultative) and the ideal bank as system 4 (participative-group). In two areas gaps between the ideal and actual system were especially large: participation in decision making and subordinate influence in setting and pursuing goals. Although there are some differences between banks, these were not found to be related to our measures of bank effectiveness. A suggestive relationship was found between effectiveness and the range of actual ratings by levels within a bank. The similarity of these findings to findings from studies in the United States suggests that the actual and ideal management systems in the two countries may be quite similar.

The Grupo de Trabalho Misto is the working entity carrying on the goals of the BNDE/MIT Joint Development Bank Training and Research Project. The Project was created in 1967 with the support of a Ford Foundation grant. It is providing training, technical assistance, and action research designed to increase the capability of development finance institutions serving as BNDE financial agents in Brazil. The members of the Grupo de Trabalho Misto are:

Banco Nacional do Desenvolvimento Econômico

Dr. Hélio Schlittler Silva, BNDE Director and Co-ordinator
Dr. Roberto Félix de Oliveira
Dr. João Lourenço Corrêa do Lago Filho
Dr. Tarcísio B. Arantes
Dr. Juvenal Osório Gomes
Dr. Luiz Carlos Borges Fortes

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Professor J.D. Nyhart, Co-ordinator and Chief Investigator
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Professor John F. Rockart
Dr. Heinz E.F. Luzny, Senior Representative, Resident in Brazil
Dr. D. Anthony Butterfield, Senior Representative, Resident in
Brazil

November 18, 1969

This paper is designed as a brief report of our preliminary studies with the Likert Organizational Profiles completed by members of several banks in the BNDE/ITT Joint Development Bank Training and Research Project.

The Likert Organizational Profile (LOP) is a questionnaire designed to measure the perceptions of members of an organization about ways in which it is managed. It has been used in a number of studies to show how different management systems are related to employees' attitudes and effectiveness. Studies have also shown that responses to the LOP vary according to the level of the respondent in the organization.¹

Framework of Analysis

We will be concerned here with several basic questions of areas of interest. These involve both differences between banks and differences between employees levels. Specifically, we will be concerned with the following:

1) How do employees see the management system of their banks? Is the management basically authoritarian or participative? How do they feel an ideal bank should be managed?

2) Does the employee's view of the management system vary by the area of concern (for example, communication versus decision making)?

3) Are there differences between banks in the type of management system used? Are there differences between banks in the view of an ideal bank?

¹ For a more complete discussion of the LOP, see Likert; Rensis. The Human Organization. New York: McGraw Hill, 1967. See Appendix A for a copy of the questions used in this study.

4) Do responses (actual or ideal) vary with the level of the respondent (i.e. do Supervisors view the management system differently than their subordinates)?

5) Are the differences in responses between banks related to bank effectiveness, and if so how? Is bank effectiveness related to how far from ideal the employee feels his bank is?

6) Is the range of actual ratings by the three levels within a bank related to bank effectiveness? In other words, is agreement among the three levels in the bank as to the actual rating of the bank related to effectiveness?

Method

The questionnaires were administered to 160 respondents at nine banks by Dr. D. Anthony Butterfield. Each respondent was asked to rate his bank as he thought it was and then to show where he believed an ideal bank would be rated on the same scale. These scores were then translated into a numerical score on a scale of 1-20 with 1 being the most authoritarian response possible (system 1) and 20 the most participative (system 4). There were 20 questions, so we ended up with 40 ratings (20 actual; 20 ideal) from each respondent. Respondents also gave their level within the organization (technical, supervisory, or higher administration).

Banks were rated for overall effectiveness and quality of project appraisal by judges from the BNDE. Each of five judges assigned rank orders to those banks with which he was familiar. Since some judges were familiar with more banks than other judges, these scores were converted to percentage scores and averaged to produce a final rating.

We took the 1968 overall effectiveness ratings as our standard of effectiveness. The median intercorrelation among judges rankings for this measure was .60. The intercorrelation among judges is given in Figure 1.

J u d g e

	1	2	3	4
5 (11)	.62* (13)	.55 (12)	.86** (8)	.34 (12)
1 (11)		.86* (7)	.90* (5)	.82* (7)
2 (11)			.20 (5)	.57 (8)
3 (11)				.54 (6)

(N) = Number of common banks ranked by both Judges

* = $p < .05$

** = $p < .01$

Intercorrelations among Judges - 1968 overall effectiveness ratings.

Fig. 1

The responses to the questionnaire and the effectiveness ratings were entered on punched cards. These cards were then processed to compute average responses for the tables of results. The distribution of the 160 respondents by bank and level is shown in Figure 2 along with the effectiveness ratings for 1968.

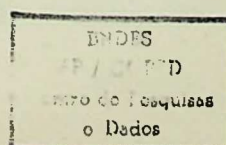
	<u>Bank Number</u>								
	1	20	15	5	18	4	13	16	17
Effect.Rat.1968	90	87	77	69	59	50	50	31	\$
Technical	18	43	10	6	15	6	4	2	14
Supervisory	7	5	2	1	1	1	1	1	8
Administrative	0	8	1	0	1	0	0	1	4

\$ No rating available

Distribution of respondents by bank and level

Fig. 2

One of the major problems in this study was the small number of respondents and the uneven distribution of these respondents among banks and levels.



Results and Discussion

Figure 3 shows a graph of the average ratings for each of the questions in our study. Most of the actual ratings are in the range of 10-15 (System 3); the ideal ratings fall in the range of 15-20 (System 4). The bankers surveyed view their banks as fairly participative but not as participative as the ideal bank. Similar findings have been reported in studies in the U.S. and other countries.

We divided the questions into six groups on the basis of question area. These groups were concerned with: 1) Leadership; 2) Degree of teamwork; 3) Communication; 4) Decision making; 5) Goal establishment and pursuit; and 6) Controls. Figure 4 shows the average response in each of these question areas.

	<u>Actual Response</u>	<u>Ideal Response</u>
Leadership	11.7	16.8
Degree of teamwork used	11.9	17.8
Communication	12.0	18.0
Decision making	9.7	17.1
Goal Estab. and Pursuit	10.2	17.0
Controls	11.8	17.4

Average response by question area

Fig. 4

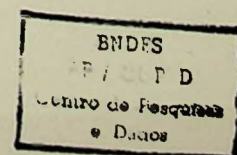
We can see from these figures that there is no substantial difference in ideal ratings between question areas; however, actual ratings are lower in the areas of decision making and goal establishment and pursuit.

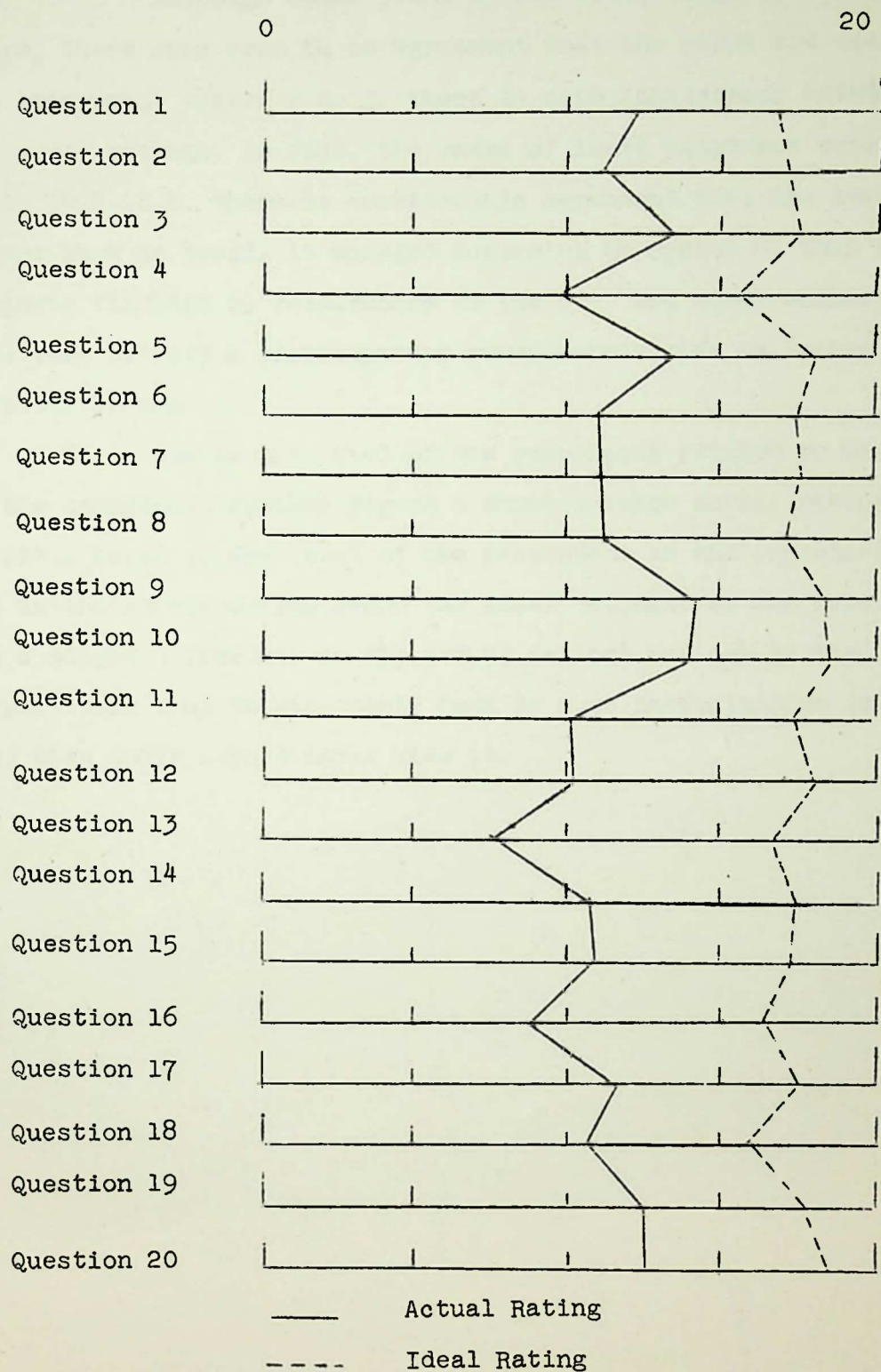
We were also concerned with differences between banks in the type of management system used and the view of an ideal bank. Figure 5 shows the ratings for each bank averaged over all 20 questions.

	1.	20.	15	5	18	<u>Bank Number</u>		16.	17.
						4.	13		
Actual	11.2	11.2	13.7	8.2	11.6	13.9	8.4	12.1	11.3
Ideal	17.1	17.5	16.9	17.7	18.0	17.9	17.0	16.8	17.1

Average rating over all questions

Fig. 5



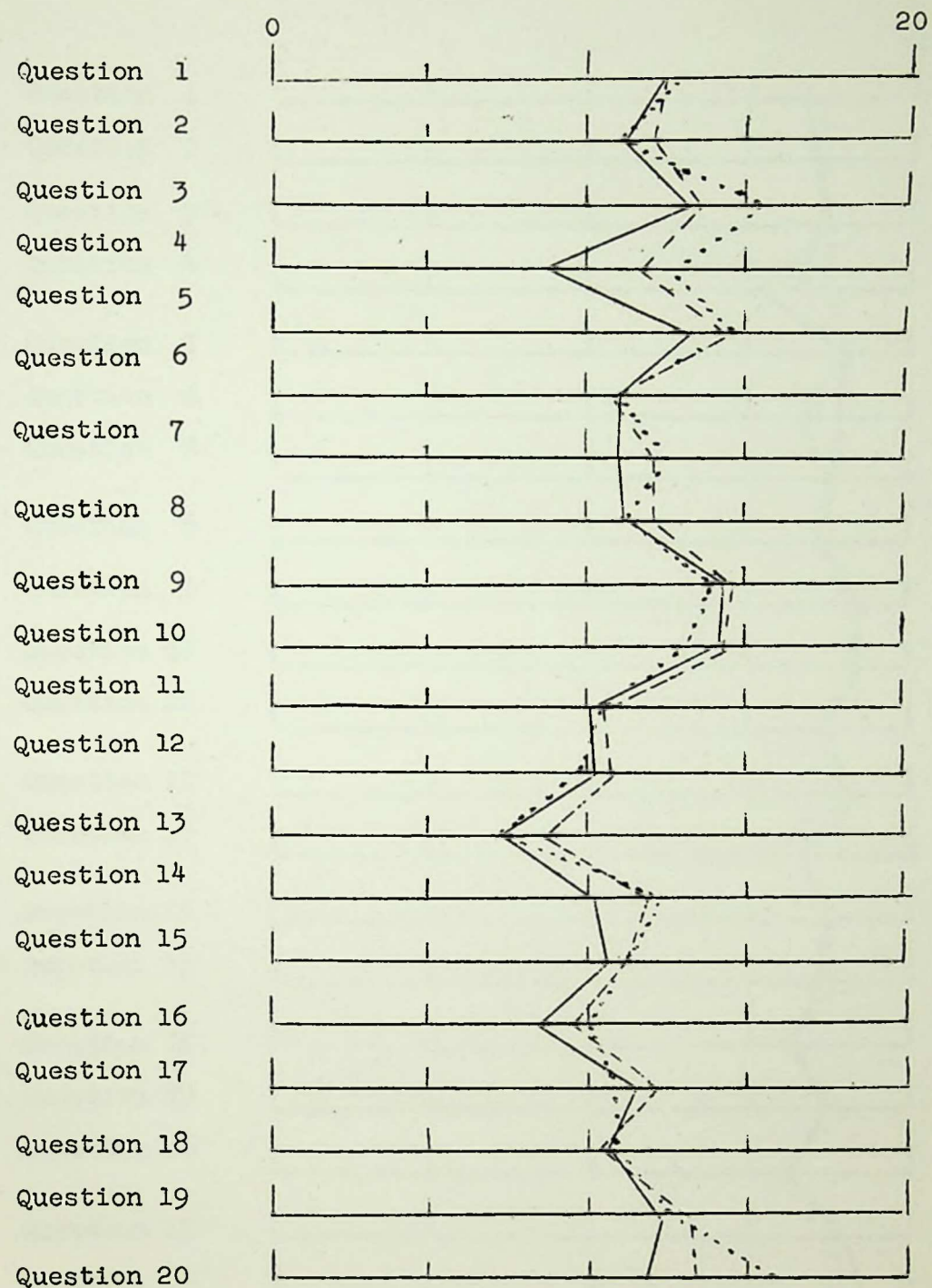


Average Ratings for each Question

Fig. 3

Although banks 5 and 13 are rated slightly lower than the others, there does seem to be agreement that the banks are operating with management system 2 or 3. There is also consistency between banks in ideal ratings. In fact, the range of ideal responses over all 9 banks is 16.8-18.0. There is considerable agreement that the ideal development bank in Brazil is managed according to System 4. This outcome supports findings by researchers in the U.S. and other countries that employees believe a participative management system is better than an authoritarian one.

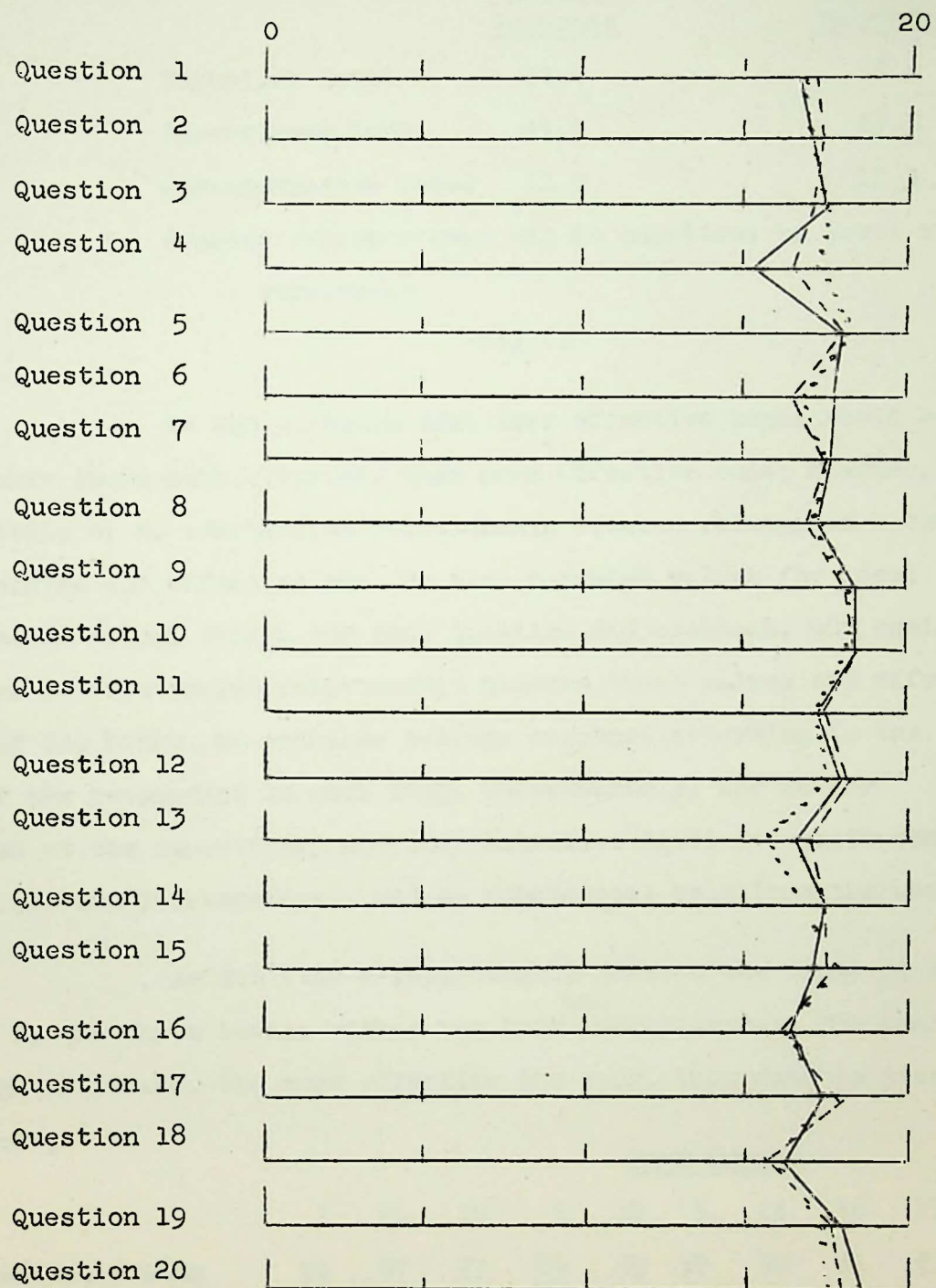
How is the level of the respondent related to his view of the management system? Figure 6 shows average actual ratings to each question based on the level of the respondent in the organization. Figure 7 is the corresponding graph for ideal ratings. We see here that there is a slight difference in the actual ratings but not in the ideal ones. Supervisors tend to view their bank as more participative (closer to ideal) than their subordinates view it.



————— Technical Level
 - - - - - Supervisory Level
 Administrative Supervisory Level

Average Actual Ratings based on Level of Respondent

Fig. 6



_____ Technical Level
 - - - - - Supervisory Level
 Administrative Supervisory Level

Average Ideal Ratings based on Level of Respondent

Fig. 7

This relationship is clearer in the ratings averaged over all 20 questions. This data is shown in Figure 8.

	<u>Actual Response</u>	<u>Ideal Response</u>
Technical Level	11.2	17.4
Supervisory Level	11.9	17.3
Administrative Level	11.9	17.3
Average response over all 20 questions by level of respondent.		

Fig. 8

We had expected that less effective banks would be rated lower (more authoritarian) than more effective ones; however, we found little or no substantial relationship between ratings on the questionnaire and effectiveness. We also computed values for ideal rating minus actual rating for each question and each bank, but again there was no substantial relationship between these values and effectiveness of the banks. We examined average response according to the level of the respondent in each bank. Unfortunately, the number of responses at the supervisory and administrative level was quite small (0-2 in all but 3 categories); and no substantial relationships were found.

We did find a relationship between the range of actual and ratings by the three levels within the bank effectiveness. The smaller the range of values, the more effective the bank. This data is given in Figure 9.

	<u>Bank Number</u>									
	1	20	15	5	18	4	13	16	17	
Effectiveness rating	90	87	77	69	59	50	50	31	§§	
Range of actual rat.	0.0§	1.4	1.6	2.8§	6.7	3.0§	2.2§	4.6	1.1	

§§ = No rating available

§ = No data at Administrative level

Relationship of effectiveness ratings to range of actual ratings.

Fig. 9

This relationship is only suggestive, however, because of the small number of respondents in the upper levels of the banks.

Conclusions

One reason that we did not find a relationship between responses to the questionnaire and bank effectiveness may have been the way in which the effectiveness ratings were obtained. The effectiveness ratings are strongly related to the size of the bank and may actually reflect only the amount of business the bank does with BNDE. We need an effectiveness rating that is independent of the size of the bank before we can draw more certain conclusions. (One such rating might be the percentage of loans that are paid back)..

Another major problem mentioned earlier is the small amount of data especially in upper levels and in less effective banks. More information would make relationship clearer by eliminating chance findings.

We do feel that the instrument used here remains a valid one for this type of study. The expected relationship between levels were found, and the lack of relationship between responses and effectiveness can be explained independently of the questionnaire. In addition, the consistency of ideal ratings supports the validity of the questionnaire. Of course, this study is only a preliminary one; and much analysis still remains as we obtain information from other banks.

APPENDIX A

Questions used in this study

<u>English</u>	<u>Portuguese</u>
1. How much confidence is shown in subordinates?	1. Qual é o grau de confiança nos funcionários demonstrado pelos superiores?
2. How much confidence is shown in superiors?	2. Qual é o grau de confiança nos superiores demonstrado pelos funcionários?
3. How free do they feel to talk to superiors about job?	3. Que grau de liberdade de falar com os seus superiores a respeito do trabalho sentem os funcionários?
4. Are subordinates' ideas sought and used, if worthy?	4. As idéias dos subordinados são solicitadas e aplicadas?
5. Is predominant use made of: 1 fear, 2 threats, 3 punishment, 4 rewards, 5 involvement?	5. Os principais processos de motivação usados na Organização são: 1 medo, 2 ameaças, 3 punição, 4, recompensas, 5 participação.
6. Where is responsibility felt for achieving organization's goals?	6. A responsabilidade por atingir as metas da organização é sentida principalmente?
7. How much cooperative teamwork exists?	7. O trabalho é feito, realmente, em equipe, com a cooperação de todos os participantes?
8. What is the direction of information flow?	8. Qual a direção usual do fluxo de informações?
9. How is downward communication accepted?	9. Como são encaradas as comunicações vindas de cima?
10. How accurate is upward communication?	10. Qual é a precisão das informações prestadas para cima?
11. How well do superiors know problems faced by subordinates?	11. Os superiores conhecem os problemas dos subordinados?
12. Do subordinates know the operational politics of the organization?	12. Os subordinados conhecem a política operacional da Organização?
13. At what level are decisions made?	13. A que níveis são tomadas decisões?
14. Are subordinates involved in decisions related to their work?	14. Os subordinados participam de decisões relativas a seu trabalho?
15. What does decision-making process contribute to motivation?	15. O processo de decisão contribui para a motivação?
16. How are organizational goals established?	16. Como são estabelecidas as metas da entidade?

Appendix A, pg. 2
Questions used in this study

English

Portuguese

- | | |
|----------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| 17. How much covert resistance to goals is present? | 17. Que grau de resistência existe para alcançar as metas estabelecidas para a entidade? |
| 18. How concentrated are review & control functions? | 18. Como se distribuem as funções de controle interno da entidade? |
| 19. Is there an informal organization resisting the formal one? | 19. Existe alguma organização informal resistindo à formal? |
| 20. What are the cost, productivity and other control data used for? | 20. Para que são usados os dados de controle interno? |
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