

Relationship between Superior Management Model and Business Success- A Study

Mohammad Khalil Ahmad

Associate professor and Head, Department of Commerce, Burhani College of Arts and Commerce, Mumbai

Abstract: Companies win in the marketplace by producing superior quality of products and services through an effective business model which has a sound value proposition for the customers. Ever heard of companies winning because of a unique management model at work? Yes, if the recent trends are to be tracked, there has been a shift from a pure business model to one in which an effective management model is wrapped inside a business model. In such management model, innovation is a key area for business success. This article takes a closer look at how management models can be effectively utilized for delivering business success.

Keywords: Superior Management, Business Success, business model

INTRODUCTION

A management model constitutes of the choices made by the management regarding how they define objectives, motivate people, coordinate activities and allocate resources. In other words, how they define the work of management. Many companies are now discovering that a distinctive management model can aid substantially by creating superior competitive advantages, which can result in renewal and revitalization.

Typically, a management model addresses the following four issue

How Companies Make Choices about the Nature of Objectives to be accomplished: It seeks to address the question whether executives in a company make decisions about objectives to be achieved through short-term means or the company has a culture of thinking for the long-term in defining objectives to be pursued.

How are Individuals in Organizations Motivated: Whether executives in organizations are motivated to induct, train and people by making rewards attractive through some external means like raises, salary, benefits and bonuses or do they work for some internally-driven rewards which could be like an opportunity to contribute to society meaningfully, a feeling of achievement of the job well-done, or recognition by the company.

How Activities or Management Processes are coordinated in the Company: Some companies might have formal and well-structured management processes to accomplish objectives while in other companies it could be informal and self-learning.

How Decision Making Happen in the Company: In some companies, executives may take personal responsibility for decision making and it may happen hierarchically while in others it could be by empowerment and decentralization.

As such if the framework for dimensionalizing management is to be understood the means of the management seeks to address the core issues of coordinating activities and making decisions. The ends of the management model seek to address the issues of managing objectives and motivating people (Refer Exhibit 1).

AIMS AND OBJECTIVES OF THE STUDY

1. To define the management model of a business.
2. To take a closer look at how management models can be effectively utilized for delivering business success.

RESEARCH METHODOLOGY

The paper is conceptual in nature. Secondary data has been used to substantiate the study. References have been drawn from the books, periodicals, journal and different web sites.

DISCUSSIONS

Difference between what corporate try to do and how they try to do it?

The 'how' dimension refers to the nature of the involvement of the corporate and the type and degree of intervention that the top managers make in the operations of the organization. This is precisely what a management model seeks to deliver and when interpreted in terms of core issues, it boils down to how directions are set, how decisions are made, how people are rewarded and resources are allocated. It basically tries to answer the questions of the means and ends that the management seeks to undertake its task. Thus, the nature of corporate involvement/ intervention speaks of the management model.

Similarly, the 'what' dimension seeks to find out what is the source of competitive advantage of a firm? By justifying a firm's value creation logic in two ways—either it somehow reduces the total costs of the company in terms of economies of scale or scope or concentrates on new knowledge creation or it does something that adds more value to the group than outweighs the costs.

At its very simplest, the corporate center of a firm can intervene directly by doing things for businesses within the organization, or it develops an indirect method of involvement by influencing how these businesses behave. In order to realize this potential added value, each corporate has to ensure that it is operating within the appropriate configuration. The appropriate configuration depends on the specific external environment that the group is facing and the mix of businesses.

Using the Framework to Make Explicit Management Choices

Detailed studies carried out around the world in different industries has revealed that based on the usage of the management model, organizations can be classified into basically four types. The patterns that can be observed are of the traditional kind as also some of the emerging kind which are actually innovations in the management model. This will enable companies to identify their competitive advantage and help in their sustenance by following any of the typical patterns.

To understand the different types of management models that can exist, a framework helps to understand the model used vis-a-vis the organizations that fit into it.

Organizations address the means of the management model by being direct or indirect in their approach. This means the ways by which decisions are taken or activities are coordinated can be either directly addressed by the management or the same can be delegated or empowered at appropriate levels to achieve the means indirectly.

Also, organizations seek to achieve the ends in terms of defining objectives and motivating people. This can be achieved by tighter control in terms of management fixing targets and monitoring for effective performance and suitably rewarding the performers or it can also have a loose approach of collaborative goal setting and intrinsic motivation characteristics. This may vary from company to company. Based on the above argument organization can be basically clubbed under four heads to fit into such a framework. For easy understanding they have been designated as Regimental, Retorting, Reformist and Revolutionary types. As can be observed traditional models have given way to some emerging management models (Refer Exhibits 2&3).

REGIMENTAL ORGANIZATIONS

These types of organizations cater to the management model in which the means are direct as well as the ends are tightly controlled. Such types of organizations basically fall under the

Exhibit1: The framework for Dimensionalizing Management

Ways of the Management Model	Core Issues	Traditional Organizational Norms	New Organizational Norms
Ends	Managing Objectives	Compartmentalized/ Functional Goal Setting	Shared Fate/ Team-based
	Motivating People	Extrinsic	Intrinsic
Means	Coordinating Activities	Command & Control/ Bureaucratic	Empowerment
	Making Decisions	Top-down	Bottoms Up/ Collective Wisdom

Source: Birkinshaw J. and Goddard J (2009), "MIT Sloan Management Review." -Vol. 50, No.2.

Category of command and control' culture, which invariably drives its management model. These types of organizations are characterized by typically well-defined management processes and strict hierarchical decision making. The old organizations GEC and Westinghouse would fall under this category of hard driving management. In modern times, Wal-Mart, Reliance Industries, etc. would also fit in such scheme of things. Let us see the management model at work in Reliance Industries.

Exhibit 2: Emerging Management Models

Ends in the management mode	Loose	Retorting Organisation	Revolutionary Organisation
	Tight	Regimental Organizations	Reformist Organisation
		Direct	Indirect
		Means of the Management model	

Exhibit 3: So how does one know which organization mode is right for one's company?

Organizational Model	Suitability
Regimental Type	Mature business, operating in a stable and predictable industry. Command and control culture is in place and hierarchical norms are strictly followed. Management approach of the leaders is that of master strategists and administrative controllers. Turnaround or Transformational situations, where clear rules are needed.
Retorting Type	Organizations which seek huge growth opportunities across geographies. Management draws up a framework within which the company is supposed to operate. Management seeks to address itself as vision upholders and not as grand strategists. Typical middle management role is of developmental coaches and not administrative controllers.
Reformist Type	Businesses which are driven with human intellectual capital like research and development labs, professional service firms, suitable for firms in established and growing businesses. Organizational structures are very fiat in nature. Market conditions are dynamic and competitive. Management which is focused on outputs and not on inputs.
Revolutionary Type	Businesses which are highly uncertain and operating in fast changing environment. Uses cutting-edge technology for sustainable competitive advantage. Conventional organizational structures and reporting systems are not followed. Philosophy of shared fate.

Source : Developed by the author

Reliance Industries Limited is one of the India's largest private sector companies. The evolution of the same happened under Dhirubhai Ambani who led and built the foundations to be a globally admired company in the textiles and hydrocarbons value chain businesses. As on date RILs activities range from one end of the spectrum which is oil exploration, covering the entire value chain up to branding and selling of oil as also it has made a foray into retail. In majority of the businesses, it enjoys global leadership position. The success of Reliance is typically because of principles which are hard driving in terms of the means and ends. The company sets very high and ambitious targets for its employees with adequate performance incentives' tied to the business results. Directions are well set as also the means of coordination and decisions taken. Reliance has been extracting the best of these management models since inception. However, it is to be seen whether with globalization these models shift to being a reformist or a hybrid form.

RETORTING ORGANIZATIONS

These type of organizations have a management model structure which tries to weave the direct means of the management model with loosely controlled ends. Such type of organizations are typically high growth organizations in which the management model spells out some of the values, beliefs and code of business practices within which the associates are bound, and the ends are loosely controlled. These type of organizations are bound by these means to achieve loose ends as deemed fit. Typically, Unilever, Infosys, General Electric, etc. would fall in such category. As an illustration let's have a look at Infosys Technologies.

Infosys Technologies is one of the leading IT solution providers which provides end-to-end business solutions. It truly follows the tag line—"Powered by intellect, driven by values." Infosys has reputed clients spread all across the globe and has pioneered in strategic offshore outsourcing of software services. Infosys has set one of the highest standards in corporate governance by following business principles and work practices which are trendsetters for the country. The management model is driven by

the fact that the top management creates a sense of purpose for the organization through a framework which is designed to deliver the ends. The means of working are guided by a framework within which the employees are free to experiment. This management model, has also delivered exceptional business results as per the study.

REFORMIST ORGANIZATIONS

Organizations of the reformist mode are those that typically are not bound by means but bound by ends. The management model is driven by the fact that coordination in terms of resources and decisions are quite indirect, however, the ends are tied up in terms of how directions are set to achieve business results. Such type of organizations are created with the view that experimentation is allowed and people are not bound by systems to achieve some objectives. Notable examples of such would be Whole Foods Market, HCL Technologies, etc. Let us see an illustration as to what is at work at Whole Foods Market.

If we see the retail space today in terms of profitability per square foot, Whole Foods Market (WFM) stands out among others as the world's leading supermarket chain of natural and organic foods. Worldwide it has around 275 stores and has annual revenues of \$8 bn. The company has been repeatedly mentioned in Fortune magazine for its unique team-based operations and work culture. For many of the employees at WFM, culture is the source of competitive advantage for them.

WFM had a culture where employees at all levels were empowered to take decisions and had a voice in the company's policies. At WFM, the basic organizational unit is not the store, but the team. Empowerment and teamwork are the keyword which drives its work practices and the degree of autonomy granted to employees is legendary in today's times.

A unique practice at WFM was that all recruitment for full-time employees was done at the team level. The powers of the store leaders were restricted. If we see the retail space today in terms of profitability per square foot, Whole Foods Market (WFM) stands out among others the world's leading supermarket chain of natural and organic foods. Worldwide it has around 275 stores and has annual revenue of \$8 bn. The company has been repeatedly mentioned in Fortune magazine for its unique team-based operations and work culture. For many of the employees at WFM, culture is the source of competitive advantage for them.

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A unique practice at WFM was that all recruitment for full-time employees was done at the team level. The powers of the store leaders were restricted to screening candidates and recommending them for the job. The extent of decentralization at WFM was demonstrated in 2003, when the company put the entire benefits package, from medical plans to vacation time, up for a company-wide vote.

COMPETITIVENESS AND GAIN SHARING

WFM's culture of teamwork and transparency promoted intense competition between its different teams, stores, and regions, with each trying to outdo the other in service, quality, and profitability. The company encouraged comparisons of performance and competitiveness among the employees, and leveraged on competition to create a culture of excellence. It did this by linking bonuses, rewards, and promotions directly to the performance of the team or the store.

REVOLUTIONARY ORGANIZATIONS

The fourth type of organizations is one in which the means and ends of management are deliberately kept loose. Revolutionary organizations are basically a case of total experimentation in the management model. Such types of organizations are probably in the self-discovery mode. It may basically be many new start-ups with a culture yet to be standardized. Though such organizations are quite new and few, these are revolutionary organizations and are trying to redefine the definition of management and total experimentation is the norm as long as business goals are achieved. Typically, example of such organizations would be WL Gore & Associates, Sasken Technologies, etc.

The Bangalore headquartered Sasken Technologies is an embedded communications and solutions provider. Sasken helps organizations add value in the communications value chain by accelerating product development life cycles. It has state-of-the-art research and development centers and is fully committed to innovation. Sasken has developed expertise in the current and emerging technologies in the communications industry. The management model basically lays stresses the fact that people are free

to experiment with their ideas in all matters so long as business results are being delivered which are also kept loose. As such typically critics would comment that such a model would result in chaos for the company, however, so long as the alignment of the business model and management model exists, it is delivering high performance.

APPLICABILITY OF THE MANAGEMENT MODEL ON THE BUSINESS MODEL BY DIRECT INTERVENTION/INVOLVEMENT

Where the organization is seeking to leverage existing knowledge across the group directly by intervening or by involvement. The skills required are primarily those of system and process management. The vital role of the organization is to codify the know-how that already exists in a single business. By codifying the know-how, the center transforms it into corporate knowledge that can be exploited across the group. Systems and process management skills are needed for the codification/ distillation of the existing knowledge prior to its being leveraged across the group.

The other combination of type and source also involves direct intervention but with a focus on reducing total group costs. The resulting emphasis tends to be on the center actually doing things on behalf of its business units. Thus, the center's primary role can be described as centralizing, in order to achieve cost advantages for the group as a whole. As such the corporate center needs high degree of supply chain management skills, so that it can centralize those processes that generate a high level of true net savings for the group.

BY INDIRECT INTERVENTION/INVOLVEMENT

The primary role for an indirect type of involvement combined with cost-reducing economies of scale, based source of corporate advantage is to establish appropriate control processes for the businesses within the groups. The key skills needed at the corporate center for this type of role is that of financial management.

The other type of indirect corporate involvement involving knowledge as a source of advantage has a fundamentally different primary role, which requires an almost diametrically opposite set of skills required by the corporate. Where the corporate advantage is based on knowledge and the value-added by the corporate center is facilitating the creation of new corporate know-how, the emphasis is on stimulating creativity and innovation across the group, particularly among separate business units. The management team requires skills to uphold the values and create a sense of purpose throughout the organization, successfully guiding the vision of the organization (Refer Exhibit 4).

Exhibit 4: Management Model on the Business Model

Corporate Involvement / Invitation	Direct	Centralising	Leveraging
		(Supply Chain Management)	(systems/Process Management)
		MANAGER	CONSULTANT
	Indirect	Controlling Shareholder	Creating
		(Financial Management)	Vision /Values Management
		SHAREHOLDER	LEADER
		SOURCE OF CORPORATE ADVANTAGE	

CONCLUSION

Taking the learnings from the above perspective, and as per the illustrations of the four companies cited as examples, it is possible to categorize companies following a particular type of management model based on the management practices. The purpose of this article is not to point out the flaws or deficiencies in any of the model, but to question the management of companies in terms of following a characteristic management model. As Internet-based technologies are here to disrupt traditional ways in which the work of management was perceived, each company's management model should be unique in the way by which

value creation is being done, as such there is no right or wrong configuration.

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