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Introduction

The purpose of this document is to analyze the influence of the leadership on the organizational behavior, development and future perspectives of the BMW Group. In the scope of this research the author will look at the general concept of leadership and its influence on organizational effectiveness based on the theoretical analysis of existing business and scholarly studies and provide share personal view on the this topic. This will outline the direction of the analysis specific for the chosen organization – BMW Japan. The choice is justified by the interesting external environment that put pressure and to some extend determines the direction in which leadership in this organizational branch defers from other country divisions.

The fact that leadership is widely discussed in academic and philosophic literature is not a secret. A number of studies have been made to identify five major leadership styles, laissez-faire, autocratic, participative, transactional and transformational. What can come as a surprise is the amount of research and analysis that has been performed on organizational level in regards to the leadership style and its influence on organizational development and effectiveness. The interest in this subject came along with the strengthening position that strategic Human Resource Management (HRM) is taking in large and medium companies.

What could be the reasons for this sudden interest in these elements of organization? The answer lies in the growing market competition and reducing opportunities of gaining competitive advantage through traditional elements, such operational and commercial sides of the business. Modern companies place increased emphasis on the strategic role of HRM and

impact of proper leadership on the effectiveness of the organization today and its internal capabilities to meet strategic goals of tomorrow. BMW is not an exception and the path through which this organization went over the last decade builds on interesting case.

As it was already mentioned, there are several leadership styles that comprise the majority of behavioral patterns in individuals or groups. It is interesting to outline core characteristics of each style to be able to apply these criteria for further analysis.

First of all, laissez-faire leader is focused on direct and immediate tasks. This leadership style works well with people under the supervision who are highly experienced and are able to work with little direction and feedback, enjoying autonomy and room for decisions. Less experienced employees, however, require much more supervision and often laissez-faire leader fails to give this close supervision. Given that, this leadership style is not effective for lower organizational levels and employees with “ amiable” profile.

Second leadership style is autocratic leadership that is much more distinct and easier to identify. Autocratic leaders tend to make decisions in isolation and take 100% top down approach in their managerial tasks. There is no room for discussion or opinion with autocratic leader and all the decisions are imposed on employees. This style is beneficial in relationships with non-experienced employees or individuals that require a lot of supervision and guidance. It is not effective, on the other hand, for organization that target innovation and input of its employees.

Participative leadership is another alternative that brings the contrast to the organizational leadership profile. Participative leaders are effective in

building on team spirit and buy-in from the employees, especially at times of transformation and changes for the company. This leadership style is characterized by high average level of motivation and effective response of internal organizational input. Major challenges of this leadership style, however, come from the time-consuming and inefficient decision-making process.

Transactional leadership is one of the most common practices in large organization that require standardization of the processes and result measures. This leadership style is based on the performance based relations between a leader and subordinate, where control over completion of the tasks and performance is done through reward and punishment system, such as Performance Management System (PMS) and Key Performance Indicators (KPI). The drawback of this leadership style is the long-term development of human resources within the organization. More specifically, transactional leadership brings high return on effectiveness and efficiency targets, but often leaves behind the issues of personal and professional development of individuals within the organization.

Transformational leadership is the newest approach developed to address the challenges that transactional and other leadership styles – developing practices. Transformational leaders seek high quality of vertical and horizontal communication and visibility of decision-making process and goal formulation. The objective these leaders are to transform high level goals into individual objectives and motivate employees by creating transparency on their contributions to meet these goals. The downside of this approach is, however, is more complex process and, therefore, longer response time for

goal achievements.

Modern organizations aim to utilize the advantages of each of the leadership styles and create healthy mix of leadership capabilities within the organization that brings effectiveness by switching from one style to another depending on situation and at times, departmental need. At the same time it is evident that there is always a predominant leadership style and approach that companies attempt to bring through strategic HRM.

Having briefly researched each of the leadership styles it is difficult to argue that one or another can be considered appropriate for an organization.

Rather than delimiting the acceptability of each method, it is important to analyze their applicability to the organizational structure, based on the current market and internal environment and strategic goals.

Honeybee Practices Overview

Avery and Bergsteiner (2011) have developed a sustainable leadership matrix (Appendix 1) that is successfully applied by the BMW organization across the country. The idea behind the matrix is all-around leadership initiatives that involve customer satisfaction, brand and recognition, financial performance and long-term stakeholder and shareholder value preservation. The distinctive characteristic of the system is its top down and bottom up approach to leadership, whereas strategic goals are set on top organizational level as performance outcomes, key performance drivers, higher level practices and foundation practices. Performance outcomes determine the resultant organizational outcomes, key performance drivers are set to measure the effectiveness of the objectives in terms of customer's experience, such innovation and product and service quality. Foundation

practices build supportive base on lower organizational levels to the leadership and higher level practices. The model is build in a way to offer dynamic and flexible structure, where each indicator depends on at least 2 or 3 others. This creates strong matrix leadership structure that contributes towards sustainable leadership (Avery and Bergsteiner, 2011).

BMW Case

Company Overview

BMW was founded in Munich, Germany back in 1916. Modern organization employs almost 100, 000 employees globally and operates 24 production facilities including three in Japan. Global sales network of the organization is built on 140 locations with three core brand representation: BMW, Rolls Royce and Mini (Avery and Bergsteiner, 2011, p. 11).

Origin of Leadership at BMW

Leadership of BMW at BMW headquarters in Germany is more focused on visionary style of leadership. This style was originated in BMW by its former Chairman Helmut Panke. Unlike other automobile executives, Panke is considered as the late bloomer of the industry due to the fact that he did not even entered the automobile industry till his mid 30s. He used to be a university lecturer and nuclear scientist before entering the automobile industry. He was appointed as the Head of planning and control in the year 1982. Panke revitalized the BMW brand during the year 1990 as being the head of the revitalization strategy of the company. This revitalization of the company mainly featured the conversion of the company from making just cars to luxury and performance cars which stood in competition with

Mercedes-Benz. The efforts of Panke were greatly appreciated in the company and he got promoted to the Chairman of BMA management board during the year 2002. During holding this prestigious appointment, Panke exercised his best talent and started fulfilling his goal of making BMW the world's biggest seller of luxury with performance cars. In his efforts as chairman of BMW, Panke succeeded very well in overtaking its biggest competitors in the industry which included Mercedes-Benz. Panke strongly believed that the leadership is all about good vision. During his stay at BMW, he ensured to couple up the BMW brand with the concepts of visionary success. Panke was famous for his strong and visionary statements during his stay at BMW as chairman. The two of his famous statements are “ Every model we make has to earn the right to wear the BMW badge” and “ I want to be able to blindfold a person, set him down in a BMW and have him know it's a BMW by the feel of it”. These statements feel even stronger with great impact on the audience if one could hear these in the German accent which make such statements even more forceful in their meaning (Rich, 2009).

Current Leadership Practices

BMW can be considered the market leader in producing luxury cars due to its visionary leadership. BMW has continued with its visionary style of leadership through putting in place the higher level of leadership practices within the company. The higher level of leadership practices includes implementation of performance based culture within the organization on the principles of teamwork. For instance, the remuneration of each individual is calculated on the basis of three level performance of that individual. These three levels are performance at individual level tasks, performance of the

individual at group level tasks and performance of the individual at the organizational level tasks. The organizational level tasks are difficult to be analyzed; however, BMW appraises each individual on their organizational performance based on the overall sales of the company through bonuses given to company employees on regular basis. At BMW, the compensation and remuneration of each individual is given with the intention of promoting the individual's personal achievements as well as motivating the individuals towards participating and contributing their best efforts in the overall performance of the company through effective cooperation and coordination. Work teams at BMW operate throughout the company from administration groups and design teams to highly collaborative and self managing teams. This form of collaboration occurs not only within the same plant level but also across various plants which include collaboration about suppliers, new products, and many other initiatives to counter the strategies of the company's competitors in order to safeguard the overall brand image of the company.

One of the most significant point about the leadership practices at BMW is that the important decisions taken at the higher level are devolved within the company to the lowest level which is at the production line of the company. This delegation brings up a positive force in each individual working within the company while making the work teams self managing to the highest degree possible. Each and every worker in the production line feels responsibility and acts accordingly. The delegation of power to the lowest possible level includes identifying training requirements, suggesting improvement in processes and even stopping the production line at any time

without taking any prior permission from the supervisors. In order to make this leadership practice work in its optimum level, BMW leaders have developed sense of understanding in the company's employees about the overall strategy of the company and the business issues it faces or may face as the consequence of exercising the autonomous powers. This all can only be made possible in an organization with dedicated, skilled and loyal manpower with the focus on attaining the company's objectives with strong motivation. Such a workforce can not be acquired overnight. Same is the case with BMW in which the skillful workforce is developed over a period of decades who understand the company's overall strategies and perform their best in line with the same. This development of strong workforce is a resultant of the visionary leadership of BMW top management.

The last but not the least, is the sharing of information at the organizational, teams, and individual level at BMW. This is very important aspect of the company which has enabled the company to perform so well during last couple of decades. The collaboration and sharing of information results in development of skilled manpower who is able to resolve even those issues which they have not faced by themselves. This is possible through developing the understanding at all the three levels of the company about the problems faced by parallel teams, individuals at the company level.

Since one problem faced at a plant in Germany during the production of the car may duplicate itself in production line of the company at Canada so the company has a comprehensive structure of communicating the problems that are faced by one unit of the company to the other units. The communication does not stop here, the company has a system in which the

problem's solution is also sought from other units and when the problem gets resolved, the company disseminates the problem as well as the solution to all the units so that in case of repetition of the same problem elsewhere within the company, it could get resolved easily. This collaboration and communication is not just limited to problems and their solutions but it extend far beyond that. This includes sharing of design information about modifications, experiences of technical and administrative staff, marketing strategies etc. This collaboration and sharing of information has brought BMW to a whole new level due to the visionary steps taken by the top leadership of the company (Gayle & Harald, P. 11-18, 2011).

In spite of economic downturn and its impact on organizational activities, BMW Japan managed to avoid high scale redundancies, by cooperation with unions and open channels of employee communication. As a result, the major part of the headcount reduction and downsize process was done through volunteer redundancies and early retirements of the employees. This talks in favor trust and work-time relationships that build on sustainable leadership.

The Canada based BMW Group commonly known as BMW Canada Inc is another good example of exceptional leadership at BMW. This organization has not only stood the economic recession very well despite the fact that BMW manufactures luxury cars. BMW Canada Inc is wholly owned by BMW AG. It is responsible for production and distribution of BMW cars including luxury automobiles, sports cars and other BMW vehicles throughout Canada. The leadership of BMW Canada did their best during the recession through introducing retail financing and other leasing programs. The same group

offers protection products on pre-owned as well as new BMW vehicles. The top management of BMW Canada Inc has developed strong market penetration through the development of about 43 BMW cars retail centers, 28 MINI retailers, 20 BMW motorbikes retailers, while representing the BMW Group throughout the country.

BMW is operating on divisional basic across the world with effective utilization of local resources and focus on local management capabilities as core organizational strength. Japan is one of the strategic offices that give a lot of attention to the technological research and cost-reduction project that are further implemented across the organization.

BMW Annual Report 2012 shows that the company realizes the challenges that it will have to face in 2013-2015 as a result of slow economic recoveries in its major locations. Japan is not an exception: due to high level public debt and domestic consumption issues it is expected that organic growth will not reach projected levels. With that in mind one of the core objectives that have been set in front of the BMW Japan leadership is cost-saving initiatives, one of which is the pillar of 2013-2014 strategy – reduction of fuel consumption. The BMW Japan works with a wide range of products and offers exclusive services for international and diplomat sales. These services are innovative from the organizational perspective and this pilot project proved to be successful over the years of its existence (BMW, 2013).

BMW Japan has a large divisional structure with hierarchical matrix structure. In other terms,, company has two types of management: functional and divisional. This relationships on one side make leadership challenging due to the complexity of decision-making process and, on the other hand, help to

ensure quality and apply in-house core capabilities through variety of skills and “ leadership filters” in project implementation.

Leadership As It Is in BMW Japan

Corporate view on leadership within BMW organization is focused on development sustainable leadership capabilities within divisions and across the countries. Japan organization is a typical example of the manner in which BMW is trying to reach its objective. Some of the basic characteristics of BMW Japan leadership structure include the following elements:

- 80% of the middle and top management are local employees.
- Japan organization is a part of the global leadership development program that offers commercial and operational rotations for high potential BMW leaders.
- Organization has strong focus on strategic Human Resource Management (HRM) and diversity management that among other targets, involves expat management, motivational schemes, remuneration schemes and other modern initiatives.

Honeybee Practices in BMW Japan Organization

BMW Japan is a classic resource-based view organization, as it views human capital as a core resource within its production process (Bruggemann et al., 2004, pp. 7-11). By making employees as the core capability of the company it attempts to build its sustainability through this competitive advantage. This strategy is based on the belief that at times of uncertainty and economic instability, such capital-intensive business as BMW becomes extremely vulnerable to the changes in external forces. With that, the

organization understood that developing internal capabilities and more specifically human assets can leverage this risk and bring stability and flexibility of decisions in its operations. Japanese organization operates several production plant that make the influence of external environment even larger. This served as a trigger for the implementation of sustainable Honeybee practices into the organization.

Japan case is interesting, as labor regulations in the country are reasonably liberate. What it means in the reality is that organization can take decisions on redundancies and downsizing of the company as it wishes to respond to the market conditions. In this sense, Japan labor regulations are very employer-oriented. In contrary to other divisions, such as BMW HQ in Germany where unions are strict in regards to redundancy regulations, the choice of Japan leadership to focus on in-house expertise and minimize headcount cuts is the decision, based on the sustainable leadership goals. Behavior of high BMW Japan management during the global financial crisis reflects strong focus on human capabilities that seem to reflect general understanding of individual contribution to the company as its core competence. Avery and Bergsteiner (2011) highlight the following practices:

- Close stakeholder relationships on upstream (suppliers) and downstream (customers) activities.
- Premium leadership is reflected not only in the final product but in BMW choice of internal systems as process organization.
- Application of working patterns: reduction of staff during crisis and maintaining skilled employees those contribute to organizational stability in a long-term.

While the above is the general strategic trend, it is important to highlight the financial investment and time spent in the Japanese organization on employee training and development programs. This training initiative takes place on strategic (Leadership program), operational (Individual professional course online and offered to the staff) and tactical levels (basic organizational culture training and system introduction).

Strength and Weaknesses of Leadership

Based on the analysis of the BMW Corporation itself, product life cycle of the premium car brands is extremely short. On average each of the brands has lifecycle between nine months to one year (Appendix 2). In strategic terms it means highly demanding market in terms of response time, from operational perspective, this finding is the realization of higher production and development costs. The attention that we give to the product life cycle in this study is determined exactly by the significant influence that this factor has on the formulation of the Strategy Number One – a way forward to 2020, developed by the BMW Corporation. More specifically, the impact of the production and development needs have contributed a lot to the shape and definition that the leadership in BMW Japan today.

Leadership strategies with the BMW Japan organizations are long-term oriented with the focus on responsiveness at any point in time. By that we understand the ability of the company to build strong resource base to be able to switch between the strategic goals and deviate from competitive pressure. It is evident that BMW Japan is well recognized by its strong Research and Development (R&D) department and lean production process at all production locations in the country. This internal competence reflects

on the major leadership strength. In other terms, it managed to bring the expertise in-house to assist the growth and competitive advantage at favorable economic conditions and reduce the cost pressure and impact of market forces during the crisis.

Strength of current leadership within the given organization is the operations of HRM that successfully implemented a range of performance management practices and non-monetary motivational scheme. This makes BMW Japan one of the organizations with the highest retention rates on the market.

With all the advantages and clear success of the company in maintaining current leadership approach, it is critical to understand the drawbacks and challenges of these approaches. One of weak points of resource-based view in general is the high internal costs. Resource-based view organization focusing on a long-term development becomes somewhat vulnerable to the immediate changes of the external environment. In many cases it results in inability to react on the challenge or opportunity from external environment as fast as the competition. Transformational leadership, being a type of leadership that BMW Japan has chosen for itself, is strong in bringing long-term sustainability. When it comes to decision-making process, however, BMW Japan appears to be slower than the competition. One could argue that this filtering process helps to sustain the quality, but given the short product lifecycle of their product, responsiveness should always remain in the focus. This aspect of leadership choice had seen evidence in luxury cars segment in which BMW competes on Japanese and global markets. Time that the company's leadership spent to respond to the competition, such as Cadillac and Mercedes-Benz, is an area for improvement since in 2011. This slow

response, along with the natural disasters that external environment show inability of the BMW Japan management to effectively respond to the market conditions and resulted in production shortage and drop of market share (Elsenstein, 2012).

Leadership Contribution to Strategy and Success

Between 1999 and 2006 BMW organization went through a strategy realignment that brought new brand definition of BMW as a premium car brand. BMW Brand latest long-term strategy is based, according to Norbert Reithofer, around the success that is gained through “ motivation and dedication of all employees” (BM Group Presentation, 2010). This strategy is brought forward through all three brands with their explicit and self-explanatory slogans: “ BMW – Sheer Driving Pleasure”, “ Mini – the World’s Most Exciting Premium Small Car Brand”, Rolls-Royce – the Pinnacle of Automotive Luxury”.

In organizational terms the company had to go through a long and complex transformation process from within the core of its leadership. Strong leadership and vision of new BMW leader Reithofer helped the organization in Japan to implement its strategic goals not only through effective operational management, but through newly created structure that allowed bringing internal control and facilitating decision-making process. This leadership initiative was seen in creation of Strategy Implementation Committee and Profitability Improvement Committee. For BMW Japan only this new structure made a great contribution to pursuing its 7S model, where skills, staff and shared values became the pillars of Strategy Number One (BMW Group, 2012).

Major leadership reflection in the strategy of BMW is its fast and effective shift from operational HRM to strategic HRM, whereas BMW Japan became a part of so called Talent Academy. The program aimed at a) maintaining and training high-potential individuals in the company and b) opening the opportunities for potential managers outside the company. To achieve this objective the management of the Japanese organization signed annual contracts with top universities around Asia.

Leadership and Effectiveness Link

Talking about leadership and success of the organization in regards to the goals of the Strategy Number One 2020, it is critical to understand what the pillars of this vision are. For BMW, the entire strategy was shaped around the 100% success of the brand as premium product with outstanding quality and innovative design. For that, leadership strategy focused on four pillars:

- Organic growth through market share acquisitions in North America, Europe and Asia,
- Shaping the future through brand image development,
- Access to technology and skills,
- Sustainability in profitability.

Current financial results and the analysis of the brand allow one to argue that the company if not achieved its main objectives, but definitely on a right track. With that in mind it is interesting to look at how leadership within the organization actually contributed to this process. Our report focuses on BMW Japan and, thus, further evaluation will look at the third pillar of this strategy – access to technology.

It is important to mention that to succeed with the strategy, BMW

organization determined focus locations for each of the four pillars development. Skills set and external environment in Japan made this location a great asset for the focus on technology and innovation drivers. Based on the management reports, it is the multicultural environment and highly transformational leadership focus that contributed to current success of the company in achieving its efficiency and effectiveness objectives. This success is presented by fine-tuned and dedicated work of both, Tokyo Head Quarters (HQ) and Makuhari Test Center that deliver on the effectiveness targets, including fuel efficiency, electro mobility, intelligent traffic systems, robotics and others (BMW Group website, 2013).

While the focus of BMW Japan on technology and innovation determined the direction in which leadership strategy and techniques developed in this particular location, it worth mentioning that one of the most exciting elements of BMW leadership platform is its impressive level of integration and alignment across the globe. Multinational profile of the BMW in general and Japan organization specifically, expatriation programs and international Talent Academy, perhaps, explain the success that the company reached today in terms of efficiency of operations. Communication channels and information flow throughout the organization serve as a perfect facilitator for effective decisions and operations within each location.

Findings and Conclusions

This report enacted the elements of general understanding of leadership, leadership styles, objectives and its impact on other organizational aspects. The objective of this document was to analyze leadership through the prism of one of the most successful organizations in the world – BWM Corporation.

Given the scale and diversity of the company, the scope of this research was narrowed down to the BMW Japan, which allowed more in depth and specific study. The reality, however, reflected some of the core findings:

- BMW Japan in terms of leaderships and strategy is a smaller version of the BMW Corporation in general.
- Operations and management practices are impressively aligned throughout the organization.
- Leadership focus for BMW Japan is skills, staff and shared values. These three elements are plotted into the core strategic goal of development of employees as core capability of the organization.

The study shows that current leadership structure and organizational position is the result of a long transformation process. This transformation took the company through a number of mistakes, learnings and findings. All this experienced is comprised in a long-term strategy that BMW Corporation presents as Strategy Number One. First of all, already successful organization was aiming to increase its market share and have chosen inorganic growth through acquisition of Rover. This resulted in number of failures, generally identified is a wrong focus on shift from premium brand products to mass production.

This mistake served as a trigger for the realignment strategy. Learning came from the reevaluation of its core capabilities and its relationships with the customers. BMW Corporation went through numerous studies and research to better understand their customer and built the BMW user profile. The outcome of this learning process was determination of BMW, Mini and Rolls-Royce Brands as pillars of BMW portfolios.

When it comes to the findings, it is not possible to leave without attention some of the impressive leadership tactics. First of all, the corporation managed to identify the poles of its strength, such as technology and innovation in BMW Japan, sales strategies and market intelligence in BMW Singapore and USA and other “ task delegation” that contributed to the way, BMW organizations function around the globe. The example of BMW Japan, retention rate of its employees and highly effective operation serve as evidence to the success of this leadership strategy.

Secondly, BMW Japan is a perfect example of how foreign company, such as German BMW, managed to integrate itself and benefit from a mix of cultures and local knowledge. Strategic HRM in Japan organization drove the company to further internalization and creation of multicultural profile among senior and middle management. This strategy was also supported by the leadership development program that brought into the company new people with wider vision and international experience as well as gave an opportunity to talented employees to gain international exposure through the company. This became a key to success of BMW Japan in building on its core competence – people.

Finally, leadership is the ability to communicate, delegate and motivate the tasks. Organizational division based on split of sales, innovation management, production plant locations shows that BMW Japan benefited from the economies of scales by applying the advantages of different locations. BMW Corporation is operating in divisional structure, delegating high decision authority to local offices and Japan is not an exception. A lot of technological innovation is implemented and tested in Japan before it goes to

the “ world”.

The discussion around the effectiveness of the decision-making process brought us to the conclusion that slow response and inability to avoid bureaucracy could be identified as one of the weakest links of the BMW leadership. While the company still remains reasonably slow in regards to the above strategic components, it is possible to see that Strategy Number One is focused on bringing BMW Japan management to a new stage. The objective is clearly be able to be ahead of its competition not only in quality and design of innovation, but also in responding to the demands of short product life cycle of the product - less than one year for almost all car categories (Appendix 2).

All the changes that the company went through took place majorly over the last decade. The results that the company achieved today are impressive given the complexity of changing the mindset of the entire organization. BMW Japan leadership managed within this time frame not only identify and formulate its strategic needs, but also partially go through the transformation of management mindset. Leadership today is responsible for finding a healthy balance between pursuing organizational long-term goals and work on meeting short-term objectives and grasping opportunities. The structure of BMW Japan organization gave it enough flexibility and focus on innovation and advancements of the market to be able to benefit from short-term market conditions and build on long-term opportunities.

One of the key contributions of leadership in Japan is the level of proximity and type of relationships that the organization managed to achieve with its customers and suppliers. BMW Japan uses internal expertise and knowledge

to providing consulting and operational help to its suppliers in order to improve the operations and increase effectiveness levels on upstream. This allows BMW Japan test center and production facilities to be more responsive and reduce the switching risk of their core suppliers. Similar type of relationships can be observed with BMW customers, which allows the company to produce the product that is already sold to the market, before it is produced. This is a major contribution to the production costs and general cost-leadership strategy of the BMW Corporation.

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Appendix 1

Appendix – 2: BMW Product Life Cycle