

Strategic
management and
leadership semco
case study business
essay



**ASSIGN
BUSTER**

Executive Summary:

The purpose of this report is to identify the leadership and management styles adopted by Ricardo Semler and their impact on the strategic choices of Semco. This report will also explore various management and leadership theories and the resultant effect on organisational and leadership strategy.

Introduction:

The report intends to take a holistic view of the management and leadership styles and theories and their impacts on organizational leadership and strategy in the backdrop of Semco. Continuing further, the report will assess and evaluate the leadership requirements of Semco and formulate a suitable leadership development plan. A brief look into the evolution of Ricardo Semler's Semco is necessary to understand the organization.

Semco, despite challenging the traditional style of corporate management, has continued to grow by leaps and bounds ever since the legendary Ricardo Semler took charge. The organization that was thought to have adopted a management style often termed as “ a recipe for disaster” has been a champion of change with profits growing consistently. Semco had a manifold increase in profitability, growth and productivity, which is remarkable considering the many years of economic melt-down and the volatile political scenario it was operating in.

Such an accomplishment requires full faith in employees and a commitment from the top management, but it was not always so. This progress was gradual and methodical as will be demonstrated in the following sections.

1: Leadership styles adopted by Mr. Semler and impact on strategy

Ricardo Semmler – The authoritarian:

When Ricardo Semmler joined his father's company in 1979, the company was involved in manufacturing equipment for the shipping industry. The revenues were shrinking and despite Semmler's insistence to diversify into other businesses, the management stuck to the same industry. When Mr. Semmler was made in charge in 1980, his first action was to fire 60% of the top management which opposed his radical ideas.

An "autocratic" style of leadership, as theorized by Kurt Lewin, is evident from many actions taken by Semmler. This was combined with a traditional management style which involved following a strict policies and procedures framework for almost every task. Reports and manuals were a norm. The focus was on productivity and achievement of goals. The management performed the traditional roles, as described by Henry Fayol in his theory of 5 functions of management, namely; planning, organizing, commanding, coordinating and controlling the organization. This management style suited well to the fairly authoritarian style of leadership of Ricardo Semmler who held the power to decide for the organisation.

Impact on strategy

He changed the strategy of the organization, shifting the focus from shipping industry only to diversification into various industries. His vision was to reduce reliance on one industry only and expand into different businesses.

This meant that the achievement of tasks were the focal point of the strategy while the employees felt stressed and de-motivated. Innovation seemed non-existent and steadily the staff turnover began to rise. Stress took its toll on Ricardo Semmler himself and his health condition became worse. This was the time for a change.

The Change:

Source: <http://www.shkaminski.com/Classes/images/Managerial%20Grid.gif>

The management grid by Blake and Mouton perfectly describes the styles of management adopted by Semco. Initially, Semco was located in the bottom right section aiming for high production with low concern for people but gradually the shift towards Team management whereby the organization is divided into small teams operating fairly independently of others but in a coordinated way with high productivity while keeping employees motivated and satisfied.

Ricardo Semmler - The Democrat:

This was when he turned the tables around, making the change by involving the employees in almost every decision made in the company. The change was not a drastic one, it was gradual yet steady.

Ricardo Semmler had realized that employees' involvement in the decisions related to the organization was essential. They must be well aware of what the organization wants to achieve. Employees should give in their 100% regardless of the skills set they possess. For these reasons, Semmler transformed himself and adopted a leadership style that was identical to Kurt

<https://assignbuster.com/strategic-management-and-leadership-semco-case-study-business-essay/>

Lewin's "participative" style of leadership. Reforms such as removing the formal line of authority, discarding the organization chart, letting employees set their salaries, select work hours that suit them and even choose their managers and spiraling the organisation into one where there are no cabins and where employees are involved in all major decisions made by the organization are all evidences of the change in management style by Ricardo Semmler.

Impact on strategy

These actions have brought about a change in the overall strategy of the organization. The employees are aligned with the strategic objectives of the organization. The organization now operates with a strategy that promotes culture of overall openness – sharing ideas and providing feedback. The strategy of Semco is now to involve employees in the organization's benefits through its unique profit-sharing scheme, motivating them to work for the growth of the company they can call their own. The organization's structure has been re-defined, moving from hierarchical to business unit approach with teams at the core. Teams mutually decide upon what needs to be done and who will be responsible for what tasks. For this to be achieved multi-tasking is pivotal and most employees are adept at majority of the tasks performed within the unit. This promotes ideas of self-governance and self-management and incorporates responsibility among employees into the overall strategy of the organization. The focus has shifted from being task oriented to more people oriented with high importance given to productivity.

2: Link between management and leadership theories

2. 1 Leadership and Strategic Management:

Leadership and management are two distinct systems that must co-exist in any organization. Managers tend to have a short-term orientation and usually solve problems as they appear. Leaders on the other hand are more forward looking and make decisions that suit the long term interests of the organization.

Leadership and management both shape up the organization. While leaders decide on the direction of the organization, provide the resources and set the frame, managers ensure that the objectives are achieved within the allocated resources. Theoretically, managers and leaders are considered to be separate. However, managers will not be working alone and will be managing a team of individuals for achieving the targets set for them. This will require a degree of leadership skills too as this would call for influencing the actions and thoughts of other people.

Henry Fayol's 5 Functions of Management (1916)

<http://www.oppapers.com/essays/Leadership-Management/48673>

Henry Fayol devised a theory which suggested that management is essentially a combination of stepped activities, namely;

Planning: Plans are made, budgets are decided, limitations are taken into account and parameters of operations are established. This role is commonly shared by both the leader and the manager. A leader would usually be

<https://assignbuster.com/strategic-management-and-leadership-semco-case-study-business-essay/>

planning for the longer-term while the manager's viewpoint is fairly shorter and focuses on immediate targets.

Organizing: The second phase invariably includes the allocation of resources that would be consumed for achievement of objectives. Decisions about financial capital, human capital and the structure to be followed for attaining success are taken.

Commanding: This ensues deriving the optimum out of the resources.

Managers communicate clearly what is expected from the employees and lead by example.

Coordinating: Teams will be striving for their individual targets and a balance needs to be maintained among all activities. Harmonization of activities is vital and so is management of conflicting interests. Leaders would take the driving seat.

Controlling: Sizing up the benefits of activities is important. Controlling is measuring performance to be able to plan for the future. Leaders would again be looking at the long-term implications of the actions performed and decide on the future strategy. Managers on the other hand will be more concerned with what needs to be repeated and what is to be avoided.

To sum it up, Henry Fayol proposed a management theory which describes the functions of management but in effect, it also categorizes the traditional role performed by the leaders as well.

Peter Drucker's 5 Management Processes (1954)

<http://www.oppapers.com/essays/Leadership-Management/48673>

Peter Drucker, a renowned management theorist had a similar viewpoint of the process of management. According to him, management plays a predefined role in any context. These are:

Objective Setting: Leaders provide the vision of the organization as a whole and managers, for their part, set the direction of their individual units.

Motivation: Employees need to be motivated if managers want to extract their full potential. Leaders and managers have a variety of motivational tactics to use. Some could be financial incentives, while others are more humanistic in nature.

Task Organisation: A manager needs to organize the task and organize the activities for the smooth operations leading to realization of objectives.

Measurement: Performance needs to be measured in order to identify any divergences from the required performance and to find ways to fill any gaps in the desired and actual performance.

Training and Coaching: Managers and leaders must develop their subordinates. Managers and leaders have to train and coach their subordinates in order for them to perform to the required level.

Transactional Management and Transformational Leadership

The transactional and transformational theories are another way of describing the inter-relationship and distinction between managers and leaders. According to this theory, managers are more involved with day to day activities of the organization while leaders are concerned with the strategic vision. Managers follow the set principles while leaders challenge the status quo. Leaders are more concerned with bringing about the change in the culture while managers implant that change in the organization. The primary role of a leader is to set the direction while managers ensure the organization is kept on track.

Mckinsey's 7S Framework

http://www.mindtools.com/pages/article/newSTR_91.htm

Source: http://www.mindtools.com/pages/article/newSTR_91.htm

The model suggests that any organization has 7 building blocks. The blocks are categorized as:

Soft Elements: Shared Values, Skills, Style & Staff

Hard Elements: Structure, Systems and Strategy

The model places highest importance to the shared values placed in the middle. It re-iterates the fact that all other elements are derived from the vision for what the organization wants to achieve. The Hard elements are determined by the leadership style chosen while the soft elements are drawn from management.

<https://assignbuster.com/strategic-management-and-leadership-semco-case-study-business-essay/>

Leaders would;

evaluate what set of skills are possessed by the employees and what should to be developed

select the staff taking into consideration their abilities and the needs of the organization; and

Decide upon The style in which the organization is taken forward. The style of leadership would depend on circumstances

Managers on the other hand;

Shape the structure of the organization using tools such as reporting lines, organization charts etc

Develop a plan, allocate resources and decide the course of action. In short, devise a strategy

Craft the policies and procedures and standards on how tasks are performed.

Leadership style may have profound impact on the strategy of an organization. A transformational style of leadership may stir up the enterprise, motivate and spur action. Such a leader provides an insight into the future, takes the initiative, inspires followers, involves stakeholders, improvises, thoughtful about individuals and implements successfully. This form of leadership would lead to an overhaul of the way the organization operates. A transactional leader on the other hand would have a strategy of maintaining the status quo and keep the current operations.

Add Emotional Intelligence

3: Utilize appropriate techniques to review Semco leadership requirements

3. 1: Use appropriate methods to review current leadership requirements

In order to completely understand the requirements of leadership, it is necessary to understand the environment Semco is operating in, the phase the Semco itself is going through, what pressures are exerted from an industry sector, what its structure is and what the strategic direction it has assumed by the corporate parent.

Semco strives to develop a competitive advantage. This is achieved by looking at four factors according to Porter's Diamond. These are:

Firm strategy, structure and rivalry: strategy is what the organization wants to achieve. Structure of the enterprise should be developed to support the strategy and rivalry serves as motivation.

Demand Conditions: portrays the demand of products and services. Factor conditions would be developed according to these demand conditions

Related and supporting industries: an industry cannot survive without its associated industries. Semmler saw this when the shipping industry was shaking and Semco was badly hit.

Factor conditions: The resources of the nation are the factor conditions.

Education, mineral resources, capital goods all account for here. What we already possess and what needs to be developed.

STEEPLE: Semco is primarily involved in production of heavy industrial equipment and development of intelligent systems however, it also holds stakes in an investment company and energy sector. A STEEPLE analysis is used to understand the environment that Semco operates in.

<https://www.cia.gov/library/publications/the-world-factbook/geos/br.html>

Social factors: Semco has shown high concern for social factors. It pays its staff good salaries and keeps them motivated. Semco's policy is to maintain a work/life balance evidenced by initiatives such as "Retire a little bit" allowing employees to do what they want.

Technological factors: Technological advancement is the need of time and organizations need to identify and discover new technologies to improve efficiency and effectiveness.

Economic: Semco operates in the fastest growing South American economy. It is among the emerging economies that have shown revival signs. Growth is expected to be 5% in 2010 as per the Central Bank. GDP composition by sector is:

Agriculture: 6.1%

Industry: 25.4%

Services: 68.5% (2009 est.)

Environmental: Brazil is the 7th largest oil consumer in the world and 10th largest when it comes to electricity. This is largely because major part of economy is related to industry. This poses a threat to environment.

<http://www.semco.com.br/en/content.asp?content=2&contentID=548>

Political: Semco operates in a political environment where, in the past, the government has often changed monetary, fiscal, taxation and other policies to influence the course of Brazil's economy. Such actions are beyond control and Semco cannot predict what measures or policies the Brazilian government may take to influence the economy.

Legal: The legal structure in Brazil is one that welcomes foreign investment. There are no requirements for government approvals or minimum investments.

http://www.lexmundi.com/images/lexmundi/PDF/guide_brazil.pdf

Ethical: Ethics is a major issue of concern in Brazil. It ranked among the 15 most corrupt countries in the world. There have been cases of corruption in the public sector.

<http://www.brazzil.com/cvrmar97.htm>

STEEPLE provides an insight into the macro environment Semco operates in. It is also important to understand the phase that Semco is going through as an individual organization.

<https://assignbuster.com/strategic-management-and-leadership-semco-case-study-business-essay/>

The organization has taken a strategy of diversification by entering new markets and developing new products. This has been done by revolutionizing the current practices, regular reinvention and constant renewal. Semco operates in a complex environment although the environment provides plenty of opportunities that might match its strengths. Semco needs to adopt a strategy of global companionship and to partner with international, well-reputed organizations to achieve economies, compete effectively and lead the market. It has to build strong bonding between the sister concerns and develop strong networks within the group and with parties external to the group. It needs a leadership that promotes mergers, acquisitions and alliances in order to continue its long run of success.

3. 2: Plan development of leadership according to future needs:

Semco needs to develop leadership that has the ability to foresee the future requirements and have a strong sense of responsibility. Semco needs to make use of the corporate parent theory to productively apply the concept of diversification through mergers and acquisitions. Strong communication skills are an essential attribute that must be developed to avoid ambiguities. The leader must be able to network well with inter-related parties and command respect so that others may give heed to his ideas. The leader should have the strength to accept his mistakes and the humility to give credit where it is due. Semco's culture is the core competency that it has developed over the years. Its competitors have been unsuccessful at adopting the culture, either because of lack of resources or lack of conviction.

4: Produce a future leadership plan for Semco