Different approaches to leadership and management

In this approach the subordinates or employees have very minute opportunity to make a decision by themselves most of the time the leader used to dictate his employees and control them by himself. This approach is the extreme type of transactional leadership. In which the reward of the work is directly defined by the leader.

This approach is mostly used in unskilled labour work where there is no or lessor need of skill or expertise are required. This approach often results in high turnover and high level of absenteeism.

In my point of view Marcionne has used this kind of leadership. But because of his foresight thinking and proactive decision making pull out the fiat from the worst crisis of its history when it was about to collapse but Marcionne bravely and intelligently stabilize the condition of the fiat.

Democratic leadership approach

This is the moderate approach towards the decision making process of the company. In this approach employees are often called for participation. Although the final decision is made by the leader but the employees feels more confidence in decision making because they think that their destiny reward management and other matters are settle by themselves.

This approaches although takes more time but the results are often fruitful. This type of leader ship is often used where there is more importance of team work rather than just speed in productivity. In case of Oticon Kolind established this kind of environment in its organisation and there was no segregation on the behalf of seniority or hierarchal rank but just if they want do a work they have to just ask from their team leader.

Laissez-faire Leadership approach

Actually this is a French phrase which means “ leave it be” and in this approach managers or leaders often leave their employees to work by themselves. it can be proved effective if there is proper and effective feedback system prevails. This kind of approach often prevails where the workers are highly skilled and self-motivated.

In Google Corporation this type of the approach is being followed.

Oticon

Background and market position

Oticon was the first hearing aid manufacturing Danish company came into being in 1904. Oticon was number one in market shares of 15% in worldwide hearing aids products in the end of the 70′ because their technology advancement in miniaturization enabled them for the mass production of hearing aids. This position was challenged by the invention of the ITE (in the ear hearing airs device) that was a better technological substitute than the BTE which dominated by Oticon. The market share of Oticon dropped from 15% to 7% by 1987 since the introduction of the ITE. Lacking the economies of scale from BTE,

Oticon became the number three hearing aids behind Siemens Audiologische Technik (Erlangen, Germany) and Starkey (Minneapolis, USA). With these conditions, we can address the competitive requirements of Oticon in the audiology industry. Being number three is very difficult to sustain any profitable business because it cannot compete with the market leaders in financial resources, marketing, brand equity, as well as technology creation with the companies like Siemens and Starkey. To survive they need to improve from their current strengths of high quality and high cost manufacturer to agile company with highly selected customer focus since quality hearing aids is the standard of regular products.

Steps to improve financial and market position.

The strategic plan for achieving competitive advantage in this industry can be addressed using

Technology advancement

Economies of scale

Customers

Organization innovation.

The breakthrough invention of ITE that eroded the market share of BTE is the best way for any company to gain the competitive advantage. The know-how on how the mass produce the needed hearing aids can realize the economies of scales for the new invention like ITE. Targeting specific market segment for the best ROI as well as making a company more agile is also valid method to achieve competitive advantage in audiology industry.

After Lars Kolind assumed the position of Oticon's CEO, he cut 10-15% of corporate employees and loss-money businesses. He also realized that the company cannot compete with two bigger competitors in technology, marketing and sales because of the financial resources. With these constraints, he could only try to focus on customers and organization innovation. Oticon was targeting the high-priced segment of the market as well as emphasizing to nearly 5000 key hearing aid dispensers and hearing clinics. In the organizational change to make Oticon more agile, he thought if he wanted to compete with big company like Siemens, he could not just make 10% change and expected to beat Siemens. This change has to be radical, the radical new organization will not have formal hierarchical reporting relationships but with a resource allocation system build around self-organized project teams

Revolution in Oticon

With the globalization of the hearing aid productions and the price pressure from the competition, the best production in the industry is not good enough as the foundation to sustain the business for Oticon. For Oticon to survive and to succeed in this industry, it will need to reduce total cost of conducting the business by 30%. With this figure set as the ultimate goal, a project for Oticon was formed as project 330 to achieve 30% business expense reduction in 3 year. To accomplish this goal, the current organization structure needed to be overhauled. Sustainable competitive advantage can only be achieved with an organization that is creative, innovative as well as flexible. Two tangible actable steps: " Dialogue" and " Action" can be used to support this conceptual road map to construct this new organization. This organization should be unique and fast moving as well as highly efficient. The basic characteristics of this new organization are

self-defined role (employee can initiate, participate and assemble a project to complete for proper funding) multi-level role (every employee should participated at least 3 projects, in different fields)

transparency (knowledge is shared organization wise). This new organization would be a team-based (project-based) organization without formal structure.

Three key inhibitors needed to be removed for this new organization:

(1) paper, the document that circulates around offices and

(2) wall, the partition among offices.

The “ dialogue” and “ action” is a more efficient way for communication. With the intention to disband the old, formal hierarchical structure of Oticon A/S, the process to establish an new organization is truly a revolution in business reengineering.

After the cost cutting and tweaking the company, Lars Kolind started to turn the company around by producing profit of DKK 22 million in 1989. He knew this business model was not sustainable. He needed to use a radical approach for reorganization to find a sustainable business model. On January 1, 1990, Kolind wrote a 4-page memo (asked all Oticon employees to “ think the unthinkable”) for change, it was the revolution needed for the organization change in Oticon. three critical issues of creating an agile team of 150 employees in head quarter could be identified from this case study

(1) The disagreement among “ old” and “ young” employees on this changing process, “ old” – managers and older employees and “ young” – newer employees that felt the need for the change.

(2) Culture barrier in Oticon’s functional departments that located in different cities, R/D versus Corporate administration. To create this cross-functional team- based organization, he need to breakdown the barrier among internal functional divisions. He felt it would be a disaster to merge these two distinct departments with different cultures. He proposed to have every department to third place to start a brand new corporate culture.

3) Kolind introduced new open plane office structure that removes the wall between upper level and lower level management and introduce latest computer and IT system which enables the employees to directly access any manager at any time.

To gathering sufficient momentum for adoption of these new ideas, Kolind devoted himself to preparing employees to move to this new head quarter. He hired Sten Davidsen to manage the change process. Davidsen prepared a one-page “ map” of the change process to informed the progress and steps for employees to follow. Three groups were involved in this changing process

(1) one group worked directly with the architects and engineers as they designed the new buildings for the new head quarter

(2) one group edited and published “ projected 330,” the newsletter to keep every employee posted on the progress

(3) one group was formed with 13 people to train other employee to use the new IT system. Monthly meetings were help to keep every employee with the concept of new organization as well as the new business model.

Kolind's leadership in Oticon

Without the production of new innovative ITE, Oticon slipped to number three market share in the global market. Although the tweaking of the business by cutting 10- 15% corporation employees and some money-loss business to turn the company around with profit. This cut and cut business model is not sustainable. Being number three, the Oticon lacked the financial resources to compete with Siemens in every business aspects from R/D spending for new technology, marketing, branding, even distribution channels or targeting specific customer segment. The only way to complete with Siemens and Starkey were to create an agile organization that can not be replicated. The thought of non-replicated organization was the main reason for the " think the unthinkable"

Manifesto written by him on January 1, 1990. the only way to compete and survive is to create a total different organization that is agile and competent. As a CEO, Kolind had done enough to prepare his troops to march to the field for the flight. It is always the internal inertia of the " old" that prevents this advancement. The perception of the company was performed OK created a false impression the change was not needed, to see a CEO full charged for this radical change was viewed as trouble-some by a lot of " old" employees.

Fiat

Fiat is an acronym for Fabbrica Italiana Automobile Torino, (Italian Automobile Factory Turin). It was founded in 1899 by a group of aristocrats and businessmen, including Giovanni Agnelli, in the northern Italian city of Turin in Piedmont.

The first car produced was called " 3V2 HP" One hundred fifty workers in a small local factory produced 24 of them in 1900. In 1902, Giovanni Agnelli became the managing director. Fiat's first modern factory, Lingotto, was inaugurated in 1923, and a more modern one, Mirafiori in 1939. Both were named for the neighbourhoods in Turin where they were located. Fiat cars first appeared in America in 1908 when a factory in Poughkeepsie, NY was licensed to make them. It functioned until 1917.

Currently, Fiat has five factories in Italy; two in Brazil; one in Poland and one in Argentina altogether employing about 53, 000 workers, about half of whom are in Italy. Fiat has been controlled by the Agnelli family from the beginning. After Giovanni died in 1945, Vittorio Valletta ran the company on their behalf until 1966 when Giovanni's grandson, Gianni Agnelli took over. By the time of his death in 2003, Fiat had grown into a multi-national corporation.

Apart from automobiles, Fiat also makes trucks, buses, agricultural vehicles. It invests heavily in research and development and controls such famous luxury car makers as Alfa Romeo, Lancia, Maserati and Ferrari. The company operates in 50 countries, and owns Ia Stampa, Turin's daily newspaper.

Currently Luca Cordero di Montezemolo is the president but John Elkann, an Agnelli heir, is vice-president, maintaining the Agnelli presence in flesh and blood. In 2008, the Fiat Group had gross revenues of nearly $88 billion.

GM And Fiat Strategic And Industrial Alliance

Quick facts of the case:

– In 2000 Fiat and GM enter into a ‘ strategic and industrial alliance (Fiat acquires a 5. 1% stake in GM and GM acquires a 20% stake in Fiat).

– The agreement included a ‘ put option’, which stipulated that Fiat would have the right to sell the remaining 80% to GM after 4 years at a fair market value.

– Fiat entered into the alliance to save its declining auto division (losses since early 90’s)

– GM entered to keep pace with consolidation trend and to help its European and Latin American divisions.

– Synergies like cost savings, cross sharing of automotive technologies were focused upon.

– By 2004, Fiat planned to exercise the ‘ put option’, but GM rendered it void because Fiat had sold its financing arm and had recapitalized.

End of the alliance

– Mid-2004 GM agreed to help Fiat out of its financial turbulence. However, by end 2004 there were speculations that GM was seeking to sell its stake in Fiat and deny the obligation of the put option.

– GM argued that the put option was void because Fiat had sold its financing arm Fidis. Fiat countered by saying GM could buyout 51% of Fidis and that Fiat’s strategic freedom was restricted because the alliance between GM and Fiat stipulated that Fiat could not enter into alliances with others (relationship-specific investment).

– Fiat agreed to cancel the put option if GM paid $3 billion, but GM only agreed to pay up to the book value of its stake, which was $500 million ultimately GM pays $2 billion toget rid of this put option.

Recovery of fiat

Back in Turin, the break-up of the Fiat-GM alliance was presented as a triumph. Fiat placed advertisements proclaiming “ Fiat is all-Italian again”. It was about to launch the Grande Punto – a sharply-styled, larger version of the mainstream Fiat model – and buyers in its home country got the message: Fiat’s market share took an upturn.

At the same time his newly-appointed engineering chief Harald Wester was investigating whether sophisticated computer simulations could eliminate the need to build and test expensive prototypes and thus reduce development time. The result was the new Bravo, which went on sale in Britain last week. It progressed from design to production in a record 18 months, about half the usual time.

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