

## **BMW Case: The Complexity of Making a Decision**

### **Introduction**

Leadership, both in its political and business context, is all about influence, strategic planning, and organization. According to Avery, Bell, & Hilb (2004), good leaders are unaware of the existing conditions and circumstances; however, these leaders act to produce good results in those prevailing circumstances. The qualities, as well as the functions and roles of good leaders, are considered in the given paper, offering a comprehensive analysis of leadership in relation to BMW.

### **The Leadership Theory: Definition of Leadership**

Despite the fact that there is no definite description of leadership, definitions have over the years been developed to explain the concept of the notion. According to Avery, Bell & Hilb (2004), leadership is a social process with the help of which an individual uses his/her influence to gain loyalty and support of the other people to attain their support, which might help accomplish certain tasks. Another important function of leadership is inculcating an idea of mutual responsibility. The leaders objectives can either be personal or introduce the interests of the society or the organization. Shane (2000, p. 6), defined leadership as a model through which individuals (leaders) creates a leeway via which the followers can contribute their efforts towards certain goal. However, the above-mentioned definition seems rather far-fetched; when it comes to defining the managerial leadership, the definition provided by Avery, Bell, & Hilb, (2004) proves quite sufficient. The latter defined effective leadership as the ability of the leader to successfully incorporate and optimally use the existing resources both in the macro and micro environments to successfully achieve the goals and objectives of the given organization or the society. Dwight D. Eisenhower (Spillane 2004, p. 37), Providing his own definition of leadership, referred to leadership as the kind of art with the help of

which an individual coordinates other people's efforts and commitment to perform activities and tasks that (s)he wants. It is necessary to mark that the aforementioned result is achieved without forcing people to undertake certain actions; this is the reputation of the leader that matters. As a result, leadership can take various forms, which include political leadership, social leaderships, and organizational leadership which is an equivalent of the organizational management (Spillane, 2004, p. 37). In addition, the leadership styles may be described in relation to the leader's behavior and the approach that the leader adopts. One of the most comprehensive modern classifications of the leadership types belongs to Kurt Lewin who categorized leadership into four classes (Spillane, 2004).

In relations to organizational management, people have over the years tended to refer to organizational management and leadership as the same notions. Despite the difference in the terms, however, the two are extremely closely related function-wise; moreover, the distinction between leadership and organizational management is quite subtle. While transformational leadership focuses on fostering emphasis on procedures, group reward, and organization by exemption, transformational leadership is typically steered by personality features, personal relations, and originality. However, the peculiarities of the definition of the two terms indicate that they are completely integrated; hence, the attempts to draw a clear distinction between them may be futile. However, it must be taken into account that leadership can take different forms as well, depending on the organizational structure of the enterprise, the features of the leader's character and the atmosphere in the company.

Analyzing the leadership traits or characteristics, one can find out whether being a leader is an inborn talent or a skill that can be acquired. Spillane (2004) asserts that a leader with sufficient skills can form a group of individuals with exceptional inborn

leadership traits and are highly successful in leadership. Quite unexpectedly, some aspects of leadership are naturally embedded in individuals' personality, while others can be inducted in the individual through gaining certain skills and knowledge and interacting with the external factors.

Factors that shape leadership behavior fall into two categories. There are the natural, or, rather, the inborn characteristics that are psychologically controlled, also referred to as the personality variables, meaning the physiological variable that an individual can acquire through learning and continued interaction with certain environment (Shane, 2003). Personality traits of an individual are key determinants of his/her behavior, as they influence leadership behavior. Since there are some leadership traits that can be taught, leadership behavior can also be acquired. However, most of the traits that make leadership behavior are inborn.

### **Leadership in BMW: The Key Concept**

The incredible success that BMW has nowadays can be credited to the leadership excellence typical to the organization and greatly entrenched as an integral part of the organizational culture. According to the case study, BMW is an automobile company which is a market leader in the automobile industry, witnessing the eras of great success especially the period between 1999 and 2001. Despite the fact that the organization doesn't explicitly display its vision, mission, and value, it is obvious now that leadership form is one of the management aspects that are highly valued at BMW. As a matter of fact, exceptional leadership models and team-based management styles have been utilized in the organization to promote a better performance, which has enabled the organization to increase confidence, trust, and high degree of collaboration within the company structure. Furthermore, successful leadership has enabled the

company to build solid, successful, and mutually beneficial relationships with the stakeholders and partners to the organization.

### **BMW's Associate and Leadership Model**

As a matter of fact, leadership at BMW is greatly entrenched in the BMW's Associate and Leadership Model, which is supported by the incorporations chairman, Milberg. According to the case, the model forms the pedestal and the pillars upon which all the leadership processes at BMW are based. Consequently, the model has played a great role in setting out requirements and providing direction for all procedures in the company. According to the case, this model was designed to support the company working team and process-oriented cooperation, as well as a long-term leadership approach of establishing a culture of "We at BMW" (BMW Group, 2003). In addition, the unique strategic leadership model has greatly succeeded in encouraging personal responsibility among all people in BMW, self-reliance as well the ability to handle change (BMW Group, 2003). Ideally, a leadership model consists of two main parts, namely, the associate model and the leadership model. In the case under consideration, the associate model mainly sets individual goals and expectations throughout the workforce. The leadership constituent model, on the other hand, challenges management to view its actions and activities within a culture of proactive leadership and development. The criterion for evaluating leadership efficiency at BMW includes comprising the main trends in achievement of business goals, leadership efficiency as displayed in the overall corporate thinking and acting, exhibition of technical and professional competency in leaders and employees throughout the organization and team behavior as well as each employee's personal qualities. Therefore, the model and the criterion provide a considerably efficient approach, with help of which both high-performing leaders and ineffective leaders can be identified at BMW. Furthermore, the

organization uses the leadership model to generate a culture of trust, provide orientation; promote cooperation as well as to realize responsibility among the organizational corporate leaders mainly self-responsibility and self-organization. According to the case study the model is established on the basis of ten principles including increasing risk-taking, leaders as organizational role model, going by the agreed objectives, promotion of fun, establishment of efficient teams, setting realistic visions, achievement of business goals, efficient corporate communication at all organizational levels, building confidence and trust among all people at BMW, as well as ensuring diversity for absolute competitiveness and maintenance of favorable market position in the automobile industry.

### **The Unique Leadership Culture at BMW**

Ideally, management success at BMW should be greatly rooted possessing sufficient amount of uniqueness, which the world market leaders in luxurious automobile manufacturing and marketing consider the most important quality. In fact, much of the celebrated success at BMW is, perhaps, drawn from the purely leadership culture that is quite rare in German organizations (Hellriegel & John, 2009). Typically, according to the latter, German management style is characterized by the approaches which presuppose that the top managements are the utmost authority who are supposed to make all decisions and passing them over to the line managers, supervisors and subordinates to follow without a question. Consequently, there is a big difference between the management and the associates or rather the employees.

Ideally, the leadership and management culture at BMW should be a striking contrast to the German business culture; perhaps, the uniqueness of the company's business approach can be the major reason for its celebrated success. First, BMW has maintained a rather flat structure, where the gap between the management and the

employees has been virtually minimized. Moreover, the best working environment, as well as very sound relations between employees and managers, reigns in the organization. Indeed, individuals from across the organizational structure work together on equal level to improve the quality of the production at BMW. According to Hellriegel & John all the 106, 000 employees at BMW form a unified network with minimum hierarchical barriers and bureaucratic institutions that have ensured the best environment for collaborative decision-making process, innovation, and coordinated efforts towards improving quality of their products (2009, p. 523).

### **Impact of the Unique BMW's Leadership Culture**

The unique culture and excellent working environment at BMW has to a great extent impacted positively the management outcome. In fact, the two managerial aspects are sources of strategic advantages for the company and have unarguably played a significant role in the success that BMW boasts today. First, the flat structure rooted in the organization culture has fostered unmatched efficiency not only in organizational decision-making, but also in the overall policies implementation. In addition, the organizational culture encourages team work, collaboration between management and employees in performing the organizational task, and unification of the organizational purposes. Incorporating the company's goals with the interests of the employees presupposes making all individual work to achieve the organizational goals.

Furthermore, the culture and the best working environment have produced positive results in soliciting employees' loyalty, satisfaction and commitments towards the achievement of the organizational goals. As such, employees at BMW exhibit unmatched commitments towards the success of the company; in addition, the company managed to increase its organizational performance with the help of the newly adopted management. The working environment favors innovation, creativity, collective

thinking, and deliberation among all employees at all levels of management, which contributes to even better production and helps BMW maintain its favorable market position and significant market share in the global automobile industry, according to Burdock (2000, p. 7).

The culture at BMW is the result of informal networks and high quality, which have provided BMW with a source of the most impressive ideas for improving quality of their products and improving the company's profitability (BMW group, 2009). Once employees and associates enter the company, they get acquainted with the BMW culture that makes them part and parcel of the company experience, forming a sense of belongingness, history, and company mission. A unified purpose of top quality products, significance of every individual in the organization for the achievement of the company goals and mission, as well as innovativeness are also key aspects of the BMW unique culture (Hellriegel & John, 2009, p. 522).

At BMW, every associate and employee is a leader (BMW Group, 2009). The company has, in fact, maintained a flat organizational structure where both the managers and the employees work hand in hand to achieve common organizational goals i.e. making automobile models which autonomously rule the global automobile markets. Ideally, the autocratic leadership model at BMW has been designed to create a management environment that supports the highest level of collaborative decision-making, well coordinated team work, and the highest level of cooperation between the employees and management. In fact, the leadership model at BMW is preferred because the management needs to obtain the best approach for defining the organizational tasks roles and responsibilities, based on the objectives agreed between the managers and the employees. As a result, the two groups are supposed to ultimately unite to achieve the established goals, being a single unit, as Avery, Bell, &

Hilb (2004, p. 3) explain. The offered management model also forms the basis for the company's strategy, in which the current organizational culture at BMW is rooted. Hellriegel & John (2009, p. 522) assert that BMW culture has minimized the gap between the management and the associates or employees, fostered a culture of openness and trust combined with the great sense of confidence, responsibility, self organization and flexibility, and a sense of self-importance and belonging that makes every employee feel part and parcel of BMW.

### **Leadership, Human Resource Policy and BMW Success**

The main source of strength at BMW is that the company has to a great extent succeeded in winning the employees loyalty when offering the employees the policy that can satisfy all the needs of the latter. Although the current employees' satisfaction and loyalty at the company is historical i.e. dates back to the 1959 company bailout, during which the company entered into a strategic and long-term agreement with the employees, the human resources management at BMW is excellent and has managed to maintain one of the most successful and loyal workforces in the world by any standards (Hellriegel & John, 2009, p. 522). In the first instance, the company through its already established culture has learnt to instill a feeling of belongingness, recognition, importance and respects for the employees across its human resources. In addition, the employees are actively involved in decision making, their ideas are appreciated and their opinions are highly valued by the managers. Thus, openness and trust between the managers and employees greatly fostered employees' satisfaction at BMW (Hellriegel & John, 2009, p. 522).

Secondly, the employees at BMW are well rewarded. According to Hellriegel & John (2009, p. 522), BMW was among the first European companies to commence rewarding employees for their good performance and unmatched contribution towards

organizational success. As such, the company developed the company profit sharing plan, in which the employees are paid up to one and a half month payment over the annual payment as long as the company meets its financial goals. In addition, BMW offers the highest level of job security to its employees as long as the employees provide efficient services (Hellriegel & John, 2009, p. 522). The employees, however, find the ability to meet this precondition autonomous since the controls during the recruitment process and subsequent employees' development ensures that the company hires the best and the most effective human resources. Burdock, Holy, McPherson, Vankadara, & Vigilante (2000) report that the company has hired over 10000 employees since 2002 and has not reported even a single layoff, unlike the other firms in the industry, who have a tendency of slashing their workforce every other day (p. 522).

### **Exceptional Leadership, Car Quality and Competitiveness**

Leadership and management at BMW emphasize the importance of being competitive in the car manufacturing industry. As the company marks, it is imperative that they maintain a focus strategy aimed at developing and facilitating continuous creativity and innovation among the committed, loyal and satisfied workforce that the company has (Burdock, *et al.*, 2000). Thus, the company has ensured the best environment, with the help of which creativity and innovativeness are enhanced, thus, leading to development of the best car models (Burdock, *et al.*, 2000). This has enabled BMW to maintain favorable position in the global car market. Among the major attributes of organizational creativity and innovations that have been enhanced at BMW the most significant ones are those offering the factory workers and engineers autonomy to apply a creative design to standardized models or creatively vary customized car models to match reestablished market needs, together with the customer's personal wishes. The

latter are so flexible that the company can accommodate the customer's order placed in less than a week before production. In addition, creativity at BMW has been fostered by the autocratic management and leadership style that allows brainstorming sessions among the employees and encouraged creativity as well as producing individual ideas to develop the best quality and create the automobiles that will satisfy customers. Hellriegel & John (2009, p. 523) point out that trust, openness, and collaboration among all individuals at BMW to achieve common organizational objectives to a great extent favors creativity and innovativeness in the company in a way that outsmarts its close rivals, like Toyota and a number of others.

### **Conclusion**

Leadership is one of the most important yet complex aspects of organizational management. Although leadership and management have often been referred to as synonymous phenomena, the two are vividly different. However, they perform almost similar functions in the organizational set up. Success in organizational leadership is, however, greatly determined by the leaders both natural qualities and learnt aspects.

BMW is one of the leading companies in the global automobile industry, which is greatly celebrated for the production of high-performing and luxurious automobiles. This case, therefore, reveals that the role of management and organizational leadership in the success of BMW since it was incorporated in 1917 is unmatched. Furthermore, the unique leadership culture at BMW forms the basis of the organizational success. The autocratic leadership style, lack of vision, mission and values display coupled with the famous BMW's Associate and Leadership Model have been the engine that has driven BMW success characterized by decades of continuous improvement, market leadership as well as unmatched profitability.

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