WINTER 2009 VOL.50 NO.2

MITSloan Management Review

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REPRINT NUMBER 50216

What Is Your *Management* Model?

This could be the second most important question you ever ask about your business. Here's how to answer it.

BY JULIAN BIRKINSHAW AND JULES GODDARD

THE LEADING QUESTION

How might a company's management model offer a path to competitive advantage, just as its business model can?

FINDINGS

- **Asking "What is your management model?" may be as key as asking "What business are you really in?"**
- **Companies are often unaware of the management models they're using.**
- **There is no one best management model. Rather, there are deliberate choices to be made, based on many factors unique to each company.**

ONE ENDURING CHANGE in the management lexicon brought about by the dot-com revolution was the term *business model* — how a company makes money.[1] The concept had been in existence for decades, but the competition between "old" and "new" economy companies, with very different business models, helped to demonstrate its importance as a way of thinking about the basic choices companies make when it comes to their sources of revenue, their cost structure and their make-or-buy options.

In the post-dot-com era, companies have continued to experiment with new business models, with some success — think, for example, of MinuteClinic, a Minneapolis-based division of CVS Corp. that is a pioneer in low-cost retail health care that treats everyday ailments inside a drugstore, or Joost.com, an innovator in Web-based TV operated by Joost Technologies B.V. of the Netherlands. But genuinely new business models are hard to come by, and they aren't as easily defended as they once were because competitors have become more adept at responding to such innovations quickly.

Companies are therefore on the lookout for new forms of competitive advantage, sources of distinctiveness that are enduring, hard to copy and valuable in the marketplace.

One emerging and intriguing possibility is the idea that a company's *management model* can

ABOUT THE RESEARCH

This article builds on four years of research into the ways in which companies identify and experiment with new management practices. The first strand was historical in nature, and it culminated in a book, *Giant Steps in Management* by Michael Mol and Julian Birkinshaw,[i] which identified the 50 most important management innovations of the past 150 years.

The second strand of research focused on contemporary cases of companies experimenting with new management models, including case studies of more than 30 companies in the United States, Europe and India. The first part of this work was published by Birkinshaw and Mol in *How Management Innovation Happens*[ii]; the second part makes up the heart of this article. The third strand of research was more theoretical in nature, involving a review of the academic literatures on goal setting, motivation, coordination and decision making. The purpose was to identify the underlying principles by which management work is conducted. This work is reported for the first time in the current article. Finally, we are now engaged in a questionnaire-based study to understand the different management models companies are using and the pros and cons of each.

We thank Gary Hamel for all his insights and suggestions.

become a source of advantage.[2] In fact, asking "What is your management model?" may end up being as important as asking "What business are you really in?" — the most fundamental question there is in the corporate world.

That question, of course, is how most business leaders (correctly) paraphrase Peter Drucker's analysis of a company's business model. Drucker wrote that the "theory of the business" has three parts: assumptions about the environment of the organization, the specific mission of the organization and the core competencies needed to accomplish the organization's mission.[3] Together, these assumptions define what an organization gets paid for, what results it considers meaningful and what it must excel at to maintain its competitive position.

But knowing the answers to these questions is only half the story: These are answers to the "what?" and the "why?" of business. The other half of the story — your management model — answers the equally important question "how?"

What We Are Talking About

A management model is the choices made by a company's top executives regarding how they define objectives, motivate effort, coordinate activities and allocate resources; in other words, how they define the work of management. Inspired by changes in the expectations of their employees, new technological capabilities and the offerings of emerging competitors, some companies are discovering that a distinctive management model can itself be a key driver of its competitiveness. Consider a couple of examples.

Happy Computers Ltd. is a $6 million IT training company in London founded by Henry Stewart. With a failed startup — a newspaper, *News on Sunday* — under his belt and an affinity for people, Stewart set out in the mid-1990s to develop a great company built on a distinctive set of management principles: Managers are chosen according to how good they are at managing ("our most radical idea") and they are openly appraised by their own employees; new recruits are never asked for qualifications and are chosen according to how well they respond to feedback on their training style; mistakes are celebrated; and client satisfaction, currently at an industry-leading 98.7%, is the single most important performance indicator. Happy sells its training courses for £200 per day, more than double the £90 its competitors charge. And while the industry has contracted by 30% over the last six years, Happy's revenues have doubled.

Topcoder Inc. is a $20 million Glastonbury, Connecticut-based software company founded by Jack Hughes in 2000. Software projects from clients are broken down into modules, and each module is opened up to Topcoder's community of 120,000 programmers as a competition. Programmers are invited to complete the project within a set period of time. A typical contest may have 10-20 programmers participating. The developers of the best solution win a financial prize — typically tens of thousands of dollars — and the losers get nothing. Hughes understood that for many top programmers the chance of winning a prize is far more motivating than being paid a steady salary. So by creating a tournament-based model for structuring work and rewarding effort, he was able to tap into their intrinsic desire for peer recognition. Topcoder is growing fast and is attracting high levels of visibility in the open-source software community.

Happy and Topcoder share some interesting features. Their success cannot be explained simply in terms of distinctive products or services — in fact, their products (IT training and software development) are the same on paper as those of hundreds of other companies. And business-model thinking only takes you so far: Happy's business model is identical to those of its competitors; Topcoder has a somewhat distinctive business model, borne of its flexible cost base, but it would be a grave injustice to explain the company's success solely in those terms.

Instead, we suggest that these two companies are doing well because their founders have chosen to think creatively about their management models. They have made conscious and unusual choices about how to set objectives, motivate people and coordinate work, and those choices have in turn had a dramatic impact on the quality, responsiveness and cost of the services they offer.

Our research for the past four years has focused on making sense of the management models that currently — or potentially — exist. It has included a 100-year analysis of the evolution of management models, studies of recent cases of management model innovation and a theoretical investigation of the underlying principles of management. (See "About the Research.") This article describes the core findings from this research, and it offers some important insights for managers into a little-understood source of competitive advantage. (See "Why This Matters.")

Diagnosing the Principles of Management

The management literature is as old as the hills, and includes books by such luminaries as Henri Fayol, Mary Parker Follett and Chester Barnard.[4] But for the last 30 years, it has been ideas about leadership, not management, that have come to dominate our conversations and our bookshelves. We believe it is time to redress the balance. Leadership is about the traits and behaviors that make us worth following. Management is about *how* we get work done through others — it is concerned with the day-to-day work of setting objectives, motivating efforts, coordinating activities and shaping decisions. Most of us need to be leaders *and* managers. But for every 10 books on how to become a better leader, you would be lucky to find one focused on management.

So what *are* the principles of management? Our research yielded many points of view on the tasks and behaviors of management, and rather less insight into the underlying principles that drive action. However, we eventually boiled the literature down to four core sets of activities, and we were able to identify two polar points of view for how each set of activities is delivered. (See "A Framework for Dimensionalizing Management," p. 84.)

Choices about the nature of the objectives the company pursues. Do managers have a clear set of short-term goals for the company? Or do they pursue an oblique path through the definition of a higher-level and longer-term set of objectives?

Choices about how individuals are motivated to pursue these objectives. Do managers attempt to hire and retain good people by making extrinsic rewards attractive, such as salary, benefits and bonuses? Or do they focus on intrinsic rewards; such as the opportunity to contribute to society, a feeling of achievement or peer recognition?

Choices about how activities are coordinated in the company. Do managers focus on using formal and well-structured management processes to deliver outputs? Or do they encourage a process of informal and spontaneous coordination through mutual adjustment?

Choices about how decisions are made in the company. Do managers take personal responsibility for decision making and rely primarily on their own deep knowledge and experience? Or do they prefer to tap into the disparate knowledge of their subordinates and assign collective responsibility?

WHY THIS MATTERS

It is worth highlighting three core themes of this discussion:

1 A management model involves choices at the most fundamental level about how the company will be run. Those choices then shape the specific practices and behaviors in the company. Because these principles are invisible and rarely made explicit, we are often unaware of the management models we are using.

2 By understanding the management principles operating inside companies and the alternatives that exist, it is possible to make conscious changes to our management models that can be enormously beneficial to competitiveness.

3 There is no one best management model, and there is no old set of principles that needs to be replaced by a new set. Rather, there are choices to be made, and the appropriate choice depends on a host of circumstantial and competitive factors. The companies that generate competitive advantage out of their management model are those that make conscious and distinctive choices about what principles to follow.

Obviously, these are three timeless ideas, but there are good reasons why they are particularly important today. Three sets of forces are causing companies to come to grips with these issues in ways that they haven't before. One is the changing expectations of employees, particularly the so-called Generation Y employees, who are demanding more humane, flexible and fun workplaces. The second is technological change, and in particular the emergence of "Web 2.0" technologies that enable peer-to-peer collaboration and information transfer in ways that were simply impossible 10 years ago. And the third is the emergence of new competitors, often from emerging economies like India, which do not necessarily start from the same traditional principles of management that Western economies have taken for granted. Management model innovation is not a new concept, but its potential value has never been greater.

Managing Objectives

One common way to manage objectives is to take a direct approach. Managers define a clear set of targets for their team and a time frame in which those targets should be achieved. Exxon Mobil Corp.'s Web site states that "we must continuously achieve superior financial and operating results while simultaneously adhering to high ethical standards." An alternative principle is to manage objectives obliquely — to set one's sights on goal A and, in the process of pursuing A, to arrive at a worthwhile goal B. Furniture company Inter IKEA Systems B. V.'s vision is "to create a better everyday life for the many people." This is an oblique goal, one that IKEA designers and employees strive to achieve, and in the process it has made the company stunningly profitable.

This "oblique principle" was labeled by economist John Kay in 1998. He argued that the most profitable companies tend to be the ones that focus on a higher-order goal, rather than profitability per se. For example, he observed that in the book *Built to Last*, the so-called visionary companies, committed to higher-order goals, had superior profitability compared to a more materially focused group of companies. While Merck & Co. Inc.'s founder stated, "we try never to forget that medicine is for the people, it is not for the profits," his counterpart at Pfizer Inc. said, "so far as humanly possible, we aim to get profit out of everything we do." Notwithstanding its short-term problems, Merck continues to be a clear leader in the pharmaceuticals sector, while Pfizer's long-term record is mixed.[5]

Goal setting and obliquity both have their places in the modern company. When an organization is relatively simple and the environment in which it operates is well understood and predictable, it is possible to define a specific set of goals and put together a detailed plan to achieve them.

But in situations with greater uncertainty and complexity, careful planning tends to go out the window, and the oblique principle is likely to be more effective. Consider how chairman and CEO Eric Schmidt expressed Google Inc.'s goals in a recent interview:

> *When we were trying to prioritize projects, I thought, how would I articulate the four or five goals of the company? What's the No. 1 one goal of the company? It's end-user happiness with search. No. 2: End-user happiness with advertising. Three: The construction of the Google network of partners to effectuate the first two. And four: to scale the business. Then I realized that none of the things that I'm supposed to be doing as CEO — maximizing revenue and shareholder value — are the goals of the company. So I now explain myself by saying that you will eventually get extraordinary returns for your shareholders and maximize advertiser happiness if all those goals happen. A lot of business executives get confused on what the goal is. They think shareholder value is the goal. Shareholder value is a consequence of the goal.*[6]

Of course, obliquity also has its share of risk. Indeed, one of its inherent qualities is that it does not lend itself to simple prescription. So an overly broad vision can be symptomatic of hubris and/or a lack of clear thinking. Enron Corp. famously shifted its vision from "the world's best oil and gas company" to becoming "the world's best company," and the subsequent events are well known.

Motivating Individuals

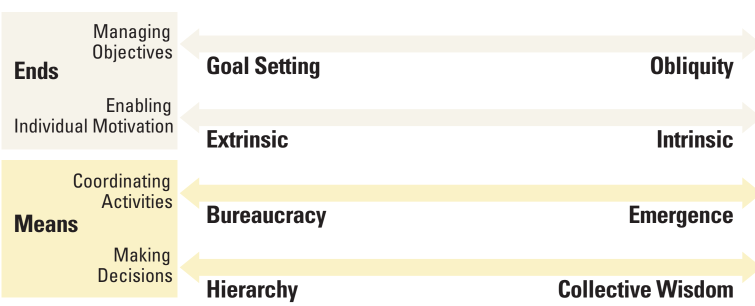
In the 1950s, Douglas McGregor identified two distinct principles of human motivation. Theory X was built on the assumption that workers are inher-

A FRAMEWORK FOR DIMENSIONALIZING MANAGEMENT

In all four cases, the principles on the left side of the spectrum are immediately recognizable, and taken together, they might be viewed as the "traditional" model of management. But that is not necessarily a negative characterization. This model has served large, successful companies such as Exxon Mobil and Wal-Mart Stores Inc. for decades. By understanding the spectrum of choices available, executives should be in a position to make more enlightened decisions about whether and how to change.

We should state right here that these are rarely either/or choices. In many progressive companies, managers are attempting to do both — to motivate people through a combination of intrinsic and extrinsic rewards, for example. But in our experience, because they involve trade-offs and choices, companies never reach a position of delivering on both sides to the maximal level.

So it is useful — for the sake of exposition — to consider the two poles of each dimension separately.



ently lazy and require extrinsic rewards, principally money, to perform their jobs well. Theory Y was built on the assumption that workers are ambitious, self-motivated and value intrinsic rewards, such as a sense of achievement.[7]

It is now broadly recognized that individuals have both intrinsic and extrinsic motivations to work, and that the relative levels of these motivations vary with the individual and with the nature of the work.

But it is also widely recognized that most individuals give more discretionary effort to their voluntary out-of-work activities than to the ones they are paid for.[8] Is the lack of discretionary effort at work *because* we are being paid? Or because of the *way* we are paid? Or is it because the nature of paid work is less intrinsically interesting than, say, charitable work or building a Facebook profile? The answers are not clear, but one fertile approach to management model innovation we have seen involves seeking out novel ways of enhancing the intrinsic motivation for paid work. Topcoder's prize-based system is one such model: By aligning its reward structure with the programmer's intrinsic need for peer recognition, Topcoder is able to generate far greater levels of engagement than it possibly could through a salaried-employment model.

Or consider the case of HCL Technologies Ltd., the Indian IT services company. Its CEO, Vineet Nayar, lives by the motto "employees first, customers second," and he is always on the lookout for ways to upgrade the quality of management in the company in order to hire and retain high-quality employees. So he pushed all managers in the company to post their 360-degree feedback online for all to see. He also developed the concept of "service tickets" that employees fill out every time they have a concern — about the work they do, expenses or something as simple as the chairs they sit on. Service tickets can only be closed by the employee, and Nayar monitors the number of open service tickets as a measure of the company's responsiveness to its employees.

At its heart, Nayar's approach is about treating employees like customers, to increase their motivation to stay with the company. "We are spoiling the employees," says Nayar. "It's like 5-star treatment; they are getting used to a certain level of service, and they have trouble going to other companies where they can't even raise these issues. So we are creating a unique experience for the employee."

To be sure, extrinsic rewards still have their place in today's companies. Some individuals would prefer to channel most of their discretionary effort into nonpaid work. Some jobs are inherently unattractive, and no amount of creative reframing will convince the employee otherwise. But we would argue that most companies have significant degrees of freedom in this dimension, and they can change the balance between intrinsic and extrinsic rewards quite dramatically. For example, debugging software code can be a highly tedious task, so software developers such as Microsoft Corp. often hold "bug bash" competitions toward the end of a development project — capitalizing on the intrinsically competitive instinct of their work force. Winners receive recognition and prizes in such categories as "most bugs submitted," "most interesting/unique bug" and "most critical" bug discovered.

Coordinating Activities

Most large companies are bureaucracies: They apply formal regulations and structures to ensure conformity of behavior and to generate consistent outputs. Notwithstanding the negative connotations associated with the word, bureaucracy is a sound principle as long as the goals of the organization are efficiency, quality and waste reduction.[9] But if the goal is innovation or adaptability, bureaucracy gets in the way, and the alternative principle of *emergence* becomes valuable. Emergence means, in essence, spontaneous coordination through the self-interested behaviors of independent actors.[10]

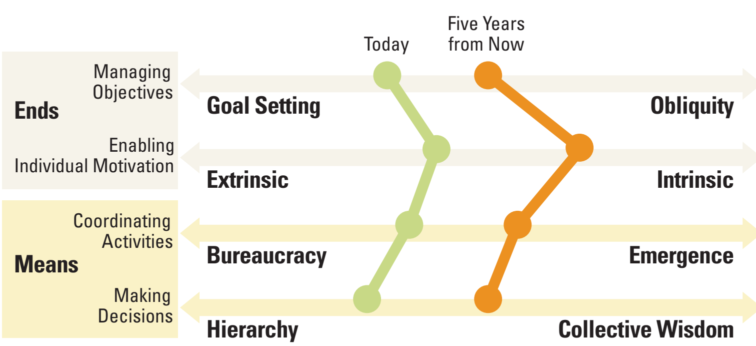
To illustrate the distinction between bureaucracy and emergence in companies, consider the analogous world of town planning. Many carefully designed town centers have ended up in gridlock as planners have sought to impose order on the various requirements of cars, bicycles and pedestrians. By trying to balance the needs for freedom of movement, efficient throughput and safety, they have ended up creating complicated systems that please no one.

Some cities, such as Drachten in the Netherlands, have blown up these careful plans. Inspired by the ideas of traffic engineer Hans Monderman, the city's planners took away the traffic lights, the pedestrian barriers, the road markings and the cycle lanes and created instead a "shared space" for all users of the road network. The result? Everyone quickly got used to being a bit more careful. Self-organizing took over from direct bureaucratic control. And not only did the safety record in Drachten remain high (no fatalities over seven years), but paradoxically, the speed of movement improved as well.[11]

MANAGEMENT MODEL CHOICES, NOW AND FUTURE

A sample of 70 U.K.-based organizations in the private and public sectors were surveyed about their management principles, and the responses were mapped against the two polar points of view for how each set of activities is delivered. (See "A Framework for Dimensionalizing Management," p. 84.)

"Today" marks where organizations on average fall between the poles right now. The indicators for "Five Years from Now" suggest how management model characteristics are likely to change, based on extrapolating current trends.



The parallels to the world of business are obvious: Under certain circumstances, the imposition of rules and procedures on a system will slow movement through it; individuals will usually figure out the best way to act if a decision is genuinely left up to them.

Of course, this doesn't mean that the principle of emergence is always better, but it suggests there are many situations where it is — where management activity is not only redundant but also potentially damaging to the engagement and capabilities of employees. There are cases of companies actively experimenting with these ideas. Consider, for example, how most professional services companies staff their projects. The procedures used to optimize client needs, internal staff usage, career development and other factors are cumbersome, time-consuming and rarely deemed effective.

London-based strategy consultant company Eden McCallum has cut through this problem with a beautifully simple model. It does not employ full-time consultants: Instead, it has a pool of some 300 carefully selected freelance consultants who typically spend 10%-50% of their time on Eden McCallum projects. When a client approaches the company about a consultancy project, Eden McCallum puts forward a list of possible team members, based upon their experience and availability, and then lets the client choose which to employ. This obviates the need for internal staffing procedures, and it results in far happier clients. It's an elegant example of how to achieve coordination without a coordinator.

The downside risk with emergence is that it can result in short-term efficiency at the expense of long-term effectiveness. And this can have deleterious consequences for a company. Consider, for example, internal labor markets — the idea that divisions are free to hire anyone, and employees are free to apply to any division they like. This is enormously attractive in principle, but companies that have pushed it have often discovered that employees moved jobs too frequently, resulting in enormous internal turnover and disruption.

Making Decisions

The principle of hierarchy gives managers direct accountability for the decisions they make, provides them with legitimate authority over their subordinates and vests this power in them because it values their experience and wisdom. The alternative principle, *collective intelligence*, suggests that under certain conditions the aggregated expertise of a large number of people can produce more accurate forecasts and better decisions than those of a small number of experts.

This principle of collective intelligence has a well-established body of research associated with it.[12] This research inspired the Rand Corp.'s Delphi Method of forecasting, in which the views of independent experts are aggregated over several rounds of questioning to arrive at a consensus. It has also influenced areas such as the design of stock markets, the prevention of accidents and the prediction of election results. However, its implications have been largely ignored by those responsible for designing large companies.

While hierarchy is a necessary feature of most social systems as a means of channelling information and subdividing tasks, one regrettable by-product of hierarchy has been a presumption that hierarchical position equates with expertise — an acceptance that the boss knows best. As a result, the processes that have emerged in large organizations, from strategic planning to resource allocation to career planning, all build on a presumption that those at the top of the hierarchy have expertise and wisdom that allow them to make decisions on behalf of the entire organization. But this presumption is not always correct, and there are many interesting examples of companies that have experimented with ways of bringing forth the collective intelligence of their people.

For example, in 2003, IBM Corp. CEO Sam Palmisano was seeking to redefine the company's values, its "Basic Beliefs," which he felt had become distorted and neglected during the turnaround years. Rather than ask a small, elite group to come up with a new set of beliefs, he opened up the job to the entire employee base through the concept of a 72-hour online "Values Jam." The event, held in July 2003, generated 10,000 comments and was followed in real time by some 50,000 employees. Following the Jam, a central team pulled the insights from the discussion together, and in November 2003, IBM's new values were unveiled: dedication to every client's success; innovation that matters — for the company and for the world; and trust and personal responsibility in all relationships. The response to IBM's values was extremely positive, as all the employees had had a chance to craft them. As one senior executive commented, "In thousands of e-mails to Sam and feedback on the intranet, it was the *positive* feelings that had much more intense emotionality. It was almost like watching culture change occurring in real time."

Another approach is the "Voice of Youth" program instituted by Infosys Technologies Ltd., the Indian IT services group, in the early 1990s. Under the leadership of its chairman, N.R. Narayana Murthy, Infosys decided to have five or six high-potential managers under the age of 30 present their thoughts and insights at the company's annual planning conference. This initiative helped the key executives stay on top of the latest thinking in the fast-moving world of IT, leading to a range of further initiatives, such as bringing the entire recruitment process online and putting on events and programs for employees' young families.

These examples illustrate the power of collective wisdom, but they also hint at some of its limitations. One risk is a failure to tap into a suitably diverse crowd. The well-known concept of "groupthink" reminds us that a collection of individuals with similar backgrounds and/or experiences will often reach consensus very quickly, but in ways that are inappropriate. The recent credit crisis is just one example of this danger, where ratings agencies, banks and institutional investors all ended up believing that bundled-up and repackaged mortgage securities in an overheated housing market could be of triple-A quality.

The second risk is allowing the collective group to do too much — they can offer enormous insight, but they rarely act as a substitute for executive judgment. And finally, collective effort has limited capacity for creative tasks. The Penguin Group, a publishing house based in London, experimented with creating a wiki novel in 2006,[13] and the results were predictably awful, with contributors showing no interest in following up on the storylines of others, and new characters appearing on every page. Collective intelligence works best in well-specified tasks, such as reviewing a company's values, but works poorly if the task lacks structure.

As with the other dimensions of this framework, it is tempting to view the left-hand side, hierarchy in this case, as an old way of working that should be challenged. However, this would be an incorrect interpretation. Managers will always be required to exercise judgment and to make difficult choices. But there are important and effective ways for them to tap into the collective intelligence of their employees.

Using the Framework to Make Explicit Management Choices

It is useful to understand the key dimensions of choice and the management principles that anchor each dimension, but the real value of our work is to put the dimensions together and identify patterns or archetypes that might be labeled as "management models." Such an approach offers analytical and prescriptive power for companies that are seeking to use their management model as a source of competitive advantage.

To make progress in this area, we separated our four dimensions into *ends* (i.e., managing objectives, motivating individuals) and *means* (i.e., coordinating activities, making decisions), and for each we made a distinction between *tight* and *loose* principles.[14]

While this is obviously a dramatic simplification of the "Framework for Dimensionalizing Management," it allows us to identify four generic management models, labeled *the planning model*, *the quest model*, *the scientific model* and *the discovery model*. (See "Which Model Is Right for Your Company?")

The Planning Model Many large companies operate with narrow short-term objectives, clearly defined management processes and strict hierarchical decision making. And, importantly, these are often among the highest-performing companies on the stock market: Most people would happily place Exxon Mobil and Wal-Mart in this quadrant of the matrix. So while much of the management literature is about moving away from such a "traditional" model, our purpose in this article is different: We do not want to challenge its validity; rather, we seek to expose the foundations on which it is built and to identify some of the alternatives with which it coexists.

The Quest Model One alternative to the planning model is to loosen up the "means" of management while retaining tight control over the "ends." Or, saying it slightly differently, to tell your employees what to do, but not how to do it. This is one of the hallmarks of high-growth companies in which the founder has a clear view of what he is trying to achieve and encourages his employees to pursue those objectives through a variety of means. It is also increasingly popular in large companies that are seeking to recapture their vitality. In such cases, the intention is typically to simplify or get rid of the bureaucratic and hierarchical elements that are getting in the way.

Consider, for example, the experiences of UBS Wealth Management, the private banking arm of the Swiss financial services company UBS AG. In 2001, UBS Wealth Management was coming out of a period of restructuring and looking to grow, and as the top executive team reviewed all of the obstacles to growth, the biggest blocker appeared to be the very traditional budgeting process for allocating targets and reviewing performance. The process was felt to be extremely tedious and time-consuming; it promoted compromise, not excellence. As Dominik Ziegler, controller of UBS Wealth Management International, recalled, "the old process was basically about withholding information" and it became "some kind of a bazaar and the one who can negotiate more convincingly wins." For a business that was looking to reignite its growth, the budgeting process stood out as the biggest single blocker to progress.

For the last 30 years, it has been ideas about leadership, not management, that have come to dominate our conversations and our bookshelves. We believe it is time to redress the balance.

The executive team, led by CEO Marcel Rohner, decided to take drastic action. Following an off-site meeting in a "windowless room" in London in 2003, a working group for "enabling and driving growth" was set up, with the abolition of budgeting as one central item on its agenda. Out of their work came a new model: Rather than comparing the performance of the bank's client advisors with a budget number, the CFO's office would evaluate them against their own previous year's results and against their peers. Client advisors could spend as much as they wished in a given year, but they would be accountable for the return on that investment. As CFO Toni Stadelmann observed: "We defined various clusters within the bank to make sure we were comparing apples with apples. We created monthly measures of actual performance on the usual criteria — revenues, net new money, cost/income ratio. And then we ranked all the 'desks' (groups of client advisors) in the cluster. In essence, we created performance league tables, and we made the results available for everyone to see."

By refocusing effort away from an internal process and toward the real market, the change in behavior was dramatic. The wealth management business grew its net profits from 4.4 billion Swiss francs in 2003 to 6.6 billion in 2005, thanks, at least in part, to this new model.

The Scientific Model The other alternative path away from the planning model is to free up the ends while keeping control of the means. This is how science makes progress: There is a canon of knowledge, taught through texts and university lectures, and there are clear rules of engagement, in the form of peer review, citation of others, open disclosure of results and so on. But the objectives of science are deliberately framed in the broadest possible sense: the pursuit of knowledge.

How does this apply to the world of business? One interesting example is the Bill & Melinda Gates Foundation.[15] When Bill Gates decided to create the world's biggest philanthropic foundation in 2000, he could have used his Microsoft experience to mobilize a small army of scientists to address his stated objective: to advance work against diseases that disproportionately affect people in the developing world.

But he realized that no amount of careful planning would equip him to do this, so he took an entirely different tack. In May 2003, he asked the international health care community to come to him with ideas that could radically change health for the better, and out of this process, involving more than 1,000 suggestions, he and his scientific board identified 14 "Grand Challenges" (e.g., develop needle-free vaccine delivery systems). Researchers were then invited to submit proposals against these challenges, resulting in 405 full proposals, 43 of which were funded in 2005. By getting the scientific community involved in structuring the foundation's objectives, he generated far more engagement and greater personal credibility than if he had tried to do it himself.

Many organizations use a version of the scientific model. For example, Arup Group Ltd., a leading consulting engineering company based in London, provides enormous scope to its employees to bid for projects that they believe are interesting and consistent with the values of the company (one of which is "to make work interesting and rewarding").

WHICH MODEL IS RIGHT FOR YOUR COMPANY?

Clearly, it is impossible to create the definitive checklist that will allow you to choose *the* one right management model for you (or your company) to follow. But considering the following may make deciding easier.

MODEL	MOST SUITABLE UNDER THE FOLLOWING CONDITIONS
Planning Model	■ Mature business, operating in a stable, predictable industry ■ Turnaround or crisis situation, where clear rules are needed ■ Leaders most comfortable acting as master architects or controllers
Quest Model	■ Established and growing business, with a defined competitive arena ■ Market conditions are dynamic and competitive ■ Leaders emphasize strategy and tactics, often using sports or military metaphors; winning is everything
Scientific Model	■ Human-capital-intensive business, such as professional services or research and development organizations ■ Benign market conditions with plenty of opportunities, often in multiple domains ■ Leaders are typically understated, first among equals, looking to enable others
Discovery Model	■ Early-stage business operating in highly uncertain, fast-changing environment; or established business seeking to rejuvenate itself ■ Competitive arena is ambiguous ■ Leaders are experimenters, open to improvisation, conversation and mutual engagement

The Discovery Model The fourth model is one in which both the means and ends of management are deliberately loose. This may sound like a recipe for chaos and confusion, but for certain activities, and for certain periods of time, it can be highly effective.

The discovery model is suitable for many startup ventures operating in highly ambiguous environments where there are multiple potential ways forward of varying levels of potential, and success is achieved through trial and error. It also has promise for established organizations that are looking for new ways forward.

One Size Does Not Fit All

These four management models illustrate the extremities in the framework. More normally, and more practically, companies are likely to make their own choices along each of the four dimensions and, indeed, within specific dimensions. Our purpose in this article is not to prescribe one model at the expense of the others, but to bring the "management model" terminology into the lexicon and to start getting executives to confront their hidden assumptions about how the work of management should be done.

The world of management continues to evolve in interesting ways, and the emergence of new Internet-based technologies is accelerating this process of evolution. It is no coincidence that some of the more interesting practices discussed here are being put into place by Internet-age companies, because they are adept at harnessing the power of technology, and they are less likely to be held back by traditional ways of working. By laying out these alternative principles, we hope to both enrich and make sense of the flow of new management practices.

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