

## ALTERNATIVE MANAGEMENT MODELS – EXAMPLES FROM THE CZECH REPUBLIC

Ludmila Mládková

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### Abstract

The objective of this paper is to provide examples of organisations with alternative management models located in the Czech Republic. The management model is a way in which managers of an organisation define the work of management. There are many different approaches to management models in the literature. In this paper, we use the Birkinshaw and Goddard management model as a background approach to management models of organisations. The Birkinshaw and Goddard management model is based on four managerial functions (sets of managerial activities) - planning, deciding, motivation and coordination. There are two basic ways how to do these four managerial functions in an organisation – in the traditional or the alternative way. The traditional management model is based on strict planning, bureaucratic coordination, hierarchic deciding and extrinsic motivation. The alternative management model works on oblique planning, emergent coordination, collective wisdom based deciding and intrinsic motivation. Organisations that use it benefit from its flexibility, mainly if they operate in a volatile environment. The literature provides many examples and cases of organisations in the western world that use the alternative model. In our paper, we demonstrate that organisations that create interesting alternative models can also be found in the Czech Republic.

**Keywords:** management model, managerial function, alternative management

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### Introduction

The management model is a way in which managers of an organisation define the work of management, e.g. in which they define and do individual managerial activities and how they interlink them together. A management model specifies how an organisation is managed and as such, it influences what the organisation can do and what not. The management model is an important factor in the success of an organisation. There are two basic ways to approach a management model – traditional and alternative. Traditional management models work on hierarchy and bureaucracy, strict division of labour, and centralisation of planning and deciding.

They are based on the prerequisite that the manager knows more about the work and has higher capacities, and can decide better than the employee. This approach to management models worked well in a stable environment of unsaturated markets but turned out to be a limit in a volatile, globalise environment with the growing importance of knowledge work. In search of more flexibility, adaptability and innovativeness, many organisations developed management models alternative to the traditional. Alternative management models transferred deciding, responsibility and organising to employees and changed the relationship between manager and employee. One of the first who developed such a management model was Gore & Associates, Inc., and Semco. Today, alternative management models can be found in many organisations. These organisations are usually operating in highly competitive knowledge oriented fields; typical examples are Google, Buurtzorg, Decathlon, and Facebook. The objective of the paper is to demonstrate that organisations that adopt the alternative model can also be found in the Czech republic.

The paper explains what a management model is, introduces the Birkinshaw and Goddard approach to the management model that serves as the paper's theoretical background and provides examples of three Czech organisations that use alternative management models.

When choosing which organisation to present, we decided to prioritise organisations that adopted an interesting approach to the management model, not organisations that strictly implemented the alternative model in the sense of the Birkinshaw and Goodard approach. E.g., some parts of the management model of organisations we present may be more traditional than the strictly alternative model requires. Some alternative organisations were known previously based on our previous literature reviews on the topic of management models. Some were identified by the additional key word google search and search in online Czech business journals. Key words were “alternativní firmy, svobodné firmy, neobvykle řízené firmy“.

## **1 Management model**

A management model is a way how executives of the organisation define the work of management (Birkinshaw & Goddard, 2009). There are many different approaches to management models in the literature; some are more theoretical - requisite organisation (Doig, 2006) and learning organisation (Jamali, Khoury & Sahyoun, 2006), and some have a higher practical impact - McKinsey 7S (Raymi, Mehrvar & Hassani, 2020) model or Birkinshaw and Goddard model (Birkinshaw & Goddard, 2009; Buyukbalci & Boukari, 2017). In this paper, we use the Birkinshaw and Goddard management model as a background approach to

management models of organisations. Birkinshaw and Goddard (2009, p. 82) define the management model as "the choices made by a company's top executives regarding how they define objectives, motivate effort, coordinate activities and allocate resources".

The Birkinshaw and Goddard approach is based on four managerial functions (sets of managerial activities) - planning, deciding, motivation and coordination. There are two basic ways how to do these four managerial functions in an organisation – in the traditional or the alternative way. The traditional management model is based on strict planning (alignment), bureaucratic coordination, hierarchical deciding and extrinsic motivation. It is the old model that developed at the end of the 19th Century and still can be found in many organisations (for example, McDonald's, WallMart, ExxonMobil, the catholic church). It is a model with clear rules and responsibilities, suitable for a stable environment. The alternative management model works on oblique planning, emergent coordination, collective wisdom deciding and intrinsic motivation. Organisations that use it benefit from its flexibility, mainly if they operate in a volatile environment. On the other hand, it is chaotic and requires independent and responsible employees capable of self-management (like Google, Facebook, Patagonia, Buurtzorg).

## **2. Organisations with alternative management model in the Czech Republic – examples**

This part of the article provides three examples of organisations in the Czech Republic that decided on alternative management models. ICE. Industrial Services is an organisation founded in 2012. The company develops, constructs, programmes, and installs automatised high-tech machines and lines and provides industrial automation services. The company was built as an employee friendly company. Though it is growing fast, it keeps a specific management model and unique corporate culture. The mission of the company is oblique: “to be an excellent place for work, with excited employees, who like to develop, produce and bring to life high tech machine and appliance that simplifies the life of the customer and help to achieve their better and safer future” (ICE, 2022).

The corporate vision “to become the leader in the field of automation in the Czech Republic and Europe and maintain the corporate culture where all feel like family members or clan members then colleagues” (ICE, 2022) balances between traditional (become the leader) and alternative (employee orientation culture) planning. The company uses agile methodology but implements it carefully and adjusts it to its needs. The intention is not to manage the company but to develop it. As the HR manager says (ICE, 2020, p. 14), "in the pace of changes

that are around us, no guidelines, orders and bans help. We must be the organism that changes all the time, which is the most stable form of existence".

Historically, development teams had project managers who managed them but were transformed (Cocuma, 2022) into an organic organisational structure (ICE, 2020, p. 28) based on autonomy and self-managed "teams of teams" (Cocuma, 2022). Teams develop and vanish organically. ICE call this structure a "little bubble structure" (Brejčák, 2019).

The organic approach supports teamwork (teams and cross functional teams), opens communication in the company and supports collective wisdom type of deciding. Employees define their own work conditions (of course in agreement with their team) and can influence their free time, salary and carrier development and projects they take part in. Employees are motivated to come up with their own ideas concerning not only their work but also the development of the company. Expert teams communicate directly with their customer. Freedom is linked with responsibility. The agile methodology introduces adaptability to the organisation. Reliability and effectivity are achieved via standardisation, operational norms and processes (for example, a process of adaptation of newcomers), e.g. the coordination is more bureaucratic (ICE, 2020, p.10). Corporate values (honest behaviour, team, flexibility, entertainment, professionalism) are another tool that allows finding the balance between freedom and anarchy. ICE carefully chooses new employees; the compatibility of the personal values of an applicant with corporate values is perceived as more important than professional skills or experience. Employees are motivated by intrinsic motives; it is said that people do not work in ICE. They are ICE (ICE, 2020, p. 18).

Every employee has his own carrier development plan and gets help and advice from senior employees. The company put stress on common activities (work, sport, leisure time) that support togetherness and a feeling of belonging. They organise companywide meetings twice a year, team meetings more often. ICE has a blame free culture. (Cocuma, 2022).

Second company is Steiner & Kovarik, Pražská čokoláda. The company that produces and sells high-quality chocolate products was founded in 2005. It is a small family company (approximately 50 employees) built on the strict personal values of the founders – humbleness, freedom, responsibility, and the "we are one team" principle (Steinerkovarik, 2022). The owners stress that the work should be done with love and lead to joy, honesty and respect among employees, customers, society and nature (Steinerkovarik, 2022). Planning is a combination of traditional and alternative approaches. Vision is "to renew the first republic exceptional name of the Czech Republic in the world of chocolate business and help people to increase the

potential of transformation via cocoa that “opens the consciousness. The mission is “to transform the energy and care into products and to customers” (Steinerkovarik, 2022).

Up to values, the stress is put on mutual respect and team spirit. Owners support creativity and excitement. People are motivated to find work that fits their preferences and abilities. The company supports the informal activities of employees. At the same time, employees are supposed to be highly responsible. The company does not offer big salaries and benefits but a friendly family environment. The owner Silvie Kovaříková says: "I believe that the energy we use to create any product resembles the taste of the product, and you can see on our chocolate that we employ people who enjoy their work. For example, girls in production sing and smile when they work. They love their work as we do with Peter (co-owner). It influences the taste of our products" (BusinessInfo.cz, 2021).

The coordination is a combination of bureaucracy (strict standards in operation) and emergence in other parts of the company. People are perceived to work independently and independently respond to the situation, e.g. people should not be afraid to decide as CEO but help with packing or cleaning when necessary (Cocuma, 2022b).

The last company is Iresoft, an IT company which employs about 80 people. The company started as a traditional company and was transformed into the alternative one. The CEO who decided on everything got inspired by a holacracy experiment in Zappos and developed a decentralised agile self-managed team oriented company (Newton University, 2021). The company has a flat organisational structure of only two levels – the managers and the employees. Both levels work in teams, and managers decide collectively together. Up to this, there are circles and groups of employees working on common projects that emerge and disband depending on the situation. People become members of circles on demand and can participate in more circles. Circles have owners who decide who will participate in the circle, what the circle will solve, set rhythm, and rules, create a motivational environment and decide in case the circle fails to get consensus. The company supports decisions based on collective wisdom. Employees are free to come up with ideas. The whole company meets twice a year in one big meeting, once a year at the team-building weekend.

Coordination is done via clear rules and values. Values were defined through a brainstorming process together with employees. Basic values are reliability, considerateness, and respect. The company stresses that freedom without responsibility is not freedom but anarchy. Planning is the combination of alignment and obliquity. The company defines a detailed vision for employees, customers, community and planet, itself and owners (Iresoft, 2022) (in this order). The mission is to set trends, inspire others and be a good employer

(Cocuma, 2022c). Teams and circles do their own planning (Newton University, 2021). People in the company are strictly internally motivated; communication is open and transparent, and mistakes are not punished but discussed and solved.

Iresoft has a strict hiring system; the candidate is interviewed by his future team. The team evaluates the candidate's expertise and analyses the feelings the candidate rises. The team decides if to employ the candidate or not. The team member is responsible for the team. When he does not meet his duties, the team has the right to terminate his employment.

An innovative environment is supported by experiments – new ideas are tested in 3 month period after which results are analysed, and it is decided whether to go on with the initiative or not. The CEO says that Iresoft is an organisation where both values and results are a must-have and that it is not a company but a lifestyle (Newton University, 2021).

## **Conclusion**

The management model is a decision of managers of an organisation on how to define and do individual managerial activities and how to interlink them. As such, it is an essential factor that influences the success of an organisation and its competitiveness. Traditional management models based on hierarchy and bureaucracy, strict division of labour, and centralisation of planning and deciding provided organisations with the order and stability and governed the 20th Century. In our globalised, digitalised world full of unpredictable changes, these models lack flexibility, and organisations search for alternative, less rigid management models. The literature provides examples of US or western European companies that decided on such models and used them successfully.

The paper aims to demonstrate that organisations that adopt the alternative model can also be found in the Czech republic. The paper discusses three examples of Czech organisations that decided on an alternative management model. ICE. Industrial Services, Steiner & Kovarik, Pražská čokoláda and Iresoft left their start-up phase and demonstrate that the alternative management model helps organisations to be close to customers and create a friendly, pleasant internal environment for employees. All three companies have managers who strongly support a distinct set of values and a culture that support the management model of their organisation. On the other hand, the experience of discussed organisations shows that companies with alternative management models require employees who can stand freedom and responsibility and are not afraid to decide, can be flexible and deliver good results even under pressure.

The alternative management model helps an organisation develop a friendly environment supporting knowledge sharing and innovativeness. On the other hand, it requires managers and employees to sustain higher levels of chaos and disorder. As such, it is not for every organisation and not every employee can work this way. Alternative management models require future research that will go over the limits of this paper.

The format of the paper allows only the brief characteristics of management models of chosen organisations. Future research and papers should go deeper and focus on specific details of these interesting alternative management models.

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### Contact

Ludmila Mládková

Prague University of Economics and Business

W. Churchilla 4, Prague 3, 130 00, Czech Republic

mladkova@vse.cz