

## 42. Corporate Management Styles

*How can the corporate center best steer its business units?*

### Key Definitions

Firms often organize themselves into business units when they serve different markets and need to be responsive to the differing customer requirements and competitive dynamics encountered in each market. Each business unit will develop its own specific *business strategy*, while the firm as a whole will formulate a *corporate strategy*.

The business units will typically report to a headquarters, called a *corporate center*, that in turn will steer the business units in a particular way, which is called *corporate management*. There are different approaches to steering that the corporate center can take, referred to as *styles*.

### Conceptual Model

The *Corporate Management Styles* framework outlines five different approaches to steering the business units, along a continuum from a high level of corporate *control* to a high level of business unit *empowerment*. The styles higher up the continuum are used when the corporate center needs to take the lead and integrate the business strategies to ensure that the important synergies are realized. The styles lower down the continuum are used when the business units need to take the lead and differentiate their business strategy to ensure responsiveness to their specific challenges.



### Key Elements

The five corporate management styles are the following:

1. **Integrated Organization Style.** In this style the corporate center runs the firm as if it was almost a single business unit. One integrated corporate strategy is set, that needs to be

implemented at the business unit level, with only minimal wiggle room for specific adaptations. Many primary activities are centralized or highly coordinated, as are almost all of the support activities, in order to maximize cross-business synergies.

2. **Strategic Direction Style.** In this approach the business units have a more distinct identity as separate vessels, but the corporate center keeps the fleet closely together to ensure that the significant cross-business synergies are realized. These synergistic activities tend to be centralized and/or coordinated, as are support activities, while on other activities the units have more room to maneuver as long as they stick to the overall strategic direction.
3. **Strategic Control Style.** Using this style, the corporate center strives to balance between steering the business units towards specific synergies and empowering them to take the initiative and respond to the demands in their own market. Therefore, the strategy will be a co-production, with the corporate center setting a general direction, challenging BU ideas, and giving final approval. Centralization and coordination of activities will be more selective.
4. **Strategic Guidance Style.** In this approach the business units are clearly in the lead, giving them the autonomy to flexibly respond to developments in their own market. The corporate center will give them some strategic guidelines (e.g., grow or hold) and financial targets, while challenging and ultimately approving their plans. Cross-business synergies will be limited and often not mandatory for the business units.
5. **Financial Control Style.** Finally, in this style the corporate center behaves more like a holding company, running a portfolio of financial investments, with little more than financial synergy between the business units. There might be some strategic discussions between the corporate center and the BU teams, but the performance targets set and monitored will be financial. Meeting these targets will ensure that the business units remain empowered.

## Key Insights

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- **Corporate centers have a management style.** In model 14 (71 Corporate Center Model) it was outlined that every corporate center can play 7 roles, but it wasn't described how differently these roles can be played. The specific approach taken by a corporate center to playing these roles, and thereby steer the firm, is their *corporate management style*.
- **Corporate centers balance control and empowerment.** On the one hand, corporate centers want to exert *control* over their business units, actively influencing what they do, to increase corporate value creation (see model 35). On the other hand, they want to *empower* their units, to be responsive to market conditions and create business value.
- **Corporate centers can select from 5 styles.** There are 5 corporate management styles on a continuum from corporate control to business unit empowerment. In the first two (*integrated organization style* and *strategic direction style*) the corporate center is in the lead, with the business units following and adjusting. In the last two styles (*strategic guidance style* and *financial control style*) the business units are in the lead, with the corporate center placing guardrails. The middle style (*strategic control*) is balanced.
- **Corporate centers can easily overdo control.** Control needs to add value, by facilitating synergies and challenging BU management. But corporate centers easily descend into knowing everything better, crushing BU initiatives, pursuing useless synergies, and imposing one-size-fits-all solutions. Without reflection, corporate center domination lurks.
- **Corporate centers can easily overdo empowerment.** Empowerment also needs to add value, by allowing business units to be entrepreneurial and responsive. But corporate centers easily allow stubborn BUs to undermine synergy efforts and act like cowboys, as long as the targets are met. Without reflection, corporate centers can steer too little.

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## **Meyer's Management Models**

### ***Insightful Tools to Kickstart Your Thinking***

#### **Publication Schedule**

<b><i>July 2019</i></b>	<b><i>Mind the Gap Model</i></b>	<b><i>Change Management</i></b>
<b><i>August 2019</i></b>	<b><i>Digital Platform Map</i></b>	<b><i>Digital Strategy</i></b>
<b><i>September 2019</i></b>	<b><i>Interaction Pressure Gauge</i></b>	<b><i>Interpersonal Interaction</i></b>
<b><i>October 2019</i></b>	<b><i>Revenue Model Framework</i></b>	<b><i>Revenue Model Typology</i></b>
<b><i>November 2019</i></b>	<b><i>House of Engagement</i></b>	<b><i>Organizational Engagement</i></b>
<b><i>December 2019</i></b>	<b><i>Confidence Quotient</i></b>	<b><i>Trust Building</i></b>
<b><i>January 2020</i></b>	<b><i>Competition Tornado</i></b>	<b><i>Competitive Strategy</i></b>
<b><i>February 2020</i></b>	<b><i>11C Synergy Model</i></b>	<b><i>Corporate Synergy Management</i></b>
<b><i>March 2020</i></b>	<b><i>Leadership Fairness Model</i></b>	<b><i>Leader-Follower Interaction</i></b>
<b><i>April 2020</i></b>	<b><i>Strategic Agility Model</i></b>	<b><i>Strategy Process Approach</i></b>
<b><i>May 2020</i></b>	<b><i>Control Panel</i></b>	<b><i>Corporate Control Dimensions</i></b>
<b><i>June 2020</i></b>	<b><i>Rising Star Framework</i></b>	<b><i>Talent Management</i></b>
<b><i>July 2020</i></b>	<b><i>Strategy Development Cycle</i></b>	<b><i>Strategy Process Steps</i></b>
<b><i>August 2020</i></b>	<b><i>7I Corporate Center Model</i></b>	<b><i>Corporate Organization</i></b>
<b><i>September 2020</i></b>	<b><i>Storytelling Scripts</i></b>	<b><i>Leadership Communication</i></b>
<b><i>October 2020</i></b>	<b><i>Strategic Bets Framework</i></b>	<b><i>Strategic Decision-Making</i></b>
<b><i>November 2020</i></b>	<b><i>Rebound Model of Resilience</i></b>	<b><i>Organizational Resilience</i></b>
<b><i>December 2020</i></b>	<b><i>4C Leadership Capabilities</i></b>	<b><i>Leadership Competences</i></b>
<b><i>January 2021</i></b>	<b><i>Digital Product Model Dial</i></b>	<b><i>Digital Strategy</i></b>
<b><i>February 2021</i></b>	<b><i>Digital Distribution Model Dial</i></b>	<b><i>Digital Strategy</i></b>
<b><i>March 2021</i></b>	<b><i>Empowerment Cycle</i></b>	<b><i>Employee Empowerment</i></b>
<b><i>April 2021</i></b>	<b><i>Innovation Box</i></b>	<b><i>Innovation Approaches</i></b>
<b><i>May 2021</i></b>	<b><i>Knowledge Sharing Bridges</i></b>	<b><i>Best Practice Sharing</i></b>
<b><i>June 2021</i></b>	<b><i>Followership Cycle</i></b>	<b><i>Leader-Follower Interaction</i></b>
<b><i>July 2021</i></b>	<b><i>Everest Model of Change</i></b>	<b><i>Change Management</i></b>
<b><i>August 2021</i></b>	<b><i>Fruits &amp; Nuts Matrix</i></b>	<b><i>Priority-Setting</i></b>
<b><i>September 2021</i></b>	<b><i>Powerhouse Framework</i></b>	<b><i>People &amp; Organization Strategy</i></b>
<b><i>October 2021</i></b>	<b><i>Strategy Hourglass</i></b>	<b><i>Strategy-Making Steps</i></b>
<b><i>November 2021</i></b>	<b><i>Disciplined Dialogue Model</i></b>	<b><i>Interpersonal Communication</i></b>
<b><i>December 2021</i></b>	<b><i>Team Building Cycle</i></b>	<b><i>Team Building Process</i></b>
<b><i>January 2022</i></b>	<b><i>Market System Map</i></b>	<b><i>External Analysis Framework</i></b>
<b><i>February 2022</i></b>	<b><i>Strategic Alignment Model</i></b>	<b><i>Business Level Strategy</i></b>
<b><i>March 2022</i></b>	<b><i>Creativity X-Factor</i></b>	<b><i>Creativity Enhancement</i></b>
<b><i>April 2022</i></b>	<b><i>Organizational System Map</i></b>	<b><i>Organizational Analysis</i></b>
<b><i>May 2022</i></b>	<b><i>Corporate Value Creation Model</i></b>	<b><i>Corporate Level Strategy</i></b>

<b>June 2022</b>	<b>Change Manager's Toolbox</b>	<b>Change Methodologies</b>
<b>July 2022</b>	<b>Sustainable You Model</b>	<b>Personal Sustainability</b>
<b>August 2022</b>	<b>Value Proposition Dial</b>	<b>Business Level Strategy</b>
<b>September 2022</b>	<b>The Tree of Power</b>	<b>Organizational Power</b>
<b>October 2022</b>	<b>Psychological Safety Compass</b>	<b>Team Dynamics</b>
<b>November 2022</b>	<b>Strategic Action Modes</b>	<b>Strategy Process</b>
<b>December 2022</b>	<b>Corporate Management Styles</b>	<b>HQ Management</b>
January 2023	Reasoning Routines Model	Thinking Skills
February 2023	Activity System Dial	Value Creation Analysis
March 2023	Customer-Centricity Circle	Organizational Design
April 2023	Interpersonal Interaction Levels	Communication Approaches
May 2023	Innovation Pipeline	Innovation Process
June 2023	Best Practice Sharing Framework	Sharing Methods
July 2023	New Pyramid Principle	Presentation Approaches
August 2023	Stakeholder Heat Map	Stakeholder Management
September 2023	Embedded Identity Model	Personal Awareness
October 2023	New Learning Curve	Personal Learning
November 2023	Partnership Distance Model	Interorganizational Relations
December 2023	Needs Radar Screen	Motivation Analysis