

Tuning organization structure to the demands of the global corporation

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THE PERSPECTIVE

Contemporary multinational corporations are among the most sophisticated organizations in the world. One of the focal determinants of their success is a well-selected, effectively implemented and smoothly functioning organizational structure which aligns and relates parts of an organization, so it can carry out its strategy and achieve its objectives. Organizational structure refers to the way that an organization arranges people and jobs, and configures its operating units and how they interact to meet business needs.

It is often said that the success of an organization achieving its goals largely depends on whether its internal structure is geared towards its strategy. Processes, technology, people and culture are sine qua non for predicting the success of the company. Organization structures are fundamental to translating business strategy into action. Integrating cornerstones of the structure is critical for a competitive advantage. Robust structures bring operational efficiencies and ensure profitable growth.

PROBLEMS CREATED BY A MISALIGNED ORGANIZATIONAL STRUCTURE

Rapid reorganization of business units, divisions or functions can lead to ineffective, misaligned organizational structures that do not support the business. Poorly conceived reorganizations may create significant problems, including the following:

- Structural gaps in roles, work processes, accountabilities and critical information flows can occur when companies eliminate middle management levels without eliminating the work, forcing employees to take on additional responsibilities.
- Diminished capacity, capability and agility issues can arise when a) lower-level employees who step in when middle management is eliminated are ill-equipped to perform the required duties and b) when higher-level executives must take on more tactical responsibilities, minimizing the value of their leadership skills.
- Disorganization and improper staffing can affect a company's cost structure, cash flow and ability to deliver goods or services. Agile organizations can rapidly deploy people to address shifting business needs.
- Declining workforce engagement can reduce retention, decrease customer loyalty and limit organizational performance and stakeholder value.

ORGANIZATION STRUCTURE DESIGN

An organization can be structured in many different ways, depending on its objectives. The structure of an organization will determine the modes in which it operates and performs. Organizational structure allows the expressed allocation of responsibilities for different functions and processes to different entities such as the branch, department, workgroup, and individual.

Five elements create an organizational structure: job design, departmentation, delegation, span of control and chain of command. These elements comprise an organizational chart and create the organizational structure itself. "Departmentation" refers to the way an organization structures its jobs to coordinate work. "Span of control" means the number of individuals who report to a manager. "Chain of command" refers to a line of authority.

Most current organizational structures—from the functional designs of 19th century. This model makes sense in a world where the primary business goal is to consolidate common resources into disparate functions that can produce repeatable outputs. Put another way, when you know what you are doing tomorrow, you can set about doing so in the most efficient way possible. Today's 'exponential organizations' are not only putting competitors out of business, they are upending entire industries overnight. In the 1950s, the average lifespan of an S&P 500 organization was around 60 years. Now, it's about 15 years—and continues to decline. Lean start-ups are moving with purpose, speed and agility to reshape markets. By contrast, most major corporations are heavily layered, bureaucratic and stifled by complex webs of reporting lines that weigh-down leadership and smother talent. In order to compete in this environment, organizational structure should evolve to unlock the potential within enterprises and unleash the latent power in networked teams. Under this new model, predictable efficiency gives way to rapid adaptability. The following are various organization structure models adopted by global corporations.

GLOBAL PRODUCT DIVISION STRUCTURE

The product division takes responsibility for global operations in their specific product area in global product structure. It provides a fairly straightforward way to effectively manage a variety of businesses and products around the world. And each division's manager is responsible for planning, organizing, and controlling all functions for the production and distribution of its products for any market in the world. The global product structure is great for standardizing production and sales but it also has some problems such as the product divisions do not work well together, competing instead of cooperating in some countries; and some countries may be ignored by product managers.

GLOBAL FUNCTIONAL DIVISION STRUCTURE

It aims to focus the attention of key functions of a firm, wherein each functional department or division is responsible for its activities around the world. For instance, the operations department controls and monitors all production and operational activities; similarly, marketing,

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finance, and human resource divisions co-ordinate and control their respective activities across the world. Such an organizational structure takes advantage of the expertise of each functional division and facilitates centralized control. MNEs with narrow and integrated product lines, such as Caterpillar, usually adopt the functional organizational structure.

GLOBAL GEOGRAPHIC STRUCTURE

Under the global geographic structure, a firm's global operations are organized on the basis of geographic regions. It is generally used by companies with mature businesses and narrow product lines. It allows the independent heads of various geographical subsidiaries to focus on the local market requirements, monitor environmental changes, and respond quickly and effectively.

GLOBAL MATRIX STRUCTURE

It is an integrated organizational structure, which super-imposes on each other more than one dimension. The global matrix structure might consist of product divisions intersecting with various geographical areas or functional divisions. Unlike functional, geographical, or product division structures, the matrix structure shares joint control over firm's various functional activities. Such an integrated organizational structure facilitates greater interaction and flow of information throughout the organization. Since the matrix structure has an in-built concept of interaction between intersecting perspectives, it tends to balance the MNE's perspective, taking cross-functional aspects into consideration.

TRANSNATIONAL NETWORK STRUCTURE

The trans-national network structure is designed around 'nodes', which are the units responsible for coordinating with product, functional and geographic aspects of an MNE. Thus, trans-national network structures build-up multidimensional organizations which are fully networked. Transnational model is the most advanced kind of international organization. It allows for the attainment of benefits inherent in both global and multi-domestic strategies. The key of a transnational organization is adaptation to all environmental situations and achieving flexibility by capitalizing on knowledge flows, which take the form of decisions and value-added information, and two-way communication throughout the organization. Decision making and knowledge generation are distributed among the units of a transnational organization.

BUSINESS CASE FOR REVISITING ORGANIZATION STRUCTURE

Today, organizational structures are changing swiftly—from virtual organizations to other flexible structures. The future will likely bring functional, product and matrix organizational structures. However, as companies continue to evolve and increase their global presence, future organizations may embody a fluid, free-forming organization, member ownership and an entrepreneurial approach among all members. Today's global operating environment is too unpredictable to rely on organizational structures devised over a century ago in order to adapt and respond to new challenges. Businesses today operate in an environment that is far more complex and competitive than at any time in history. Markets are increasingly interconnected; businesses have become borderless; and technology continually disrupts business models. These and other factors make managing large enterprises more challenging than ever.

No organizational design is perfect or permanent. Smart executives recognize that they must make trade-offs that are appropriate to the economic climate, competitive context, and corporate history.

A hallmark of a well-aligned organization is its ability to adapt and realign as needed. To ensure long-term viability, an organization must adjust its organization structure to fit new economic realities without diminishing core capabilities and competitive differentiation. Organizational realignment involves closing the structural gaps impeding organizational performance based on the following tenets:

ALIGNING BUSINESS STRATEGY WITH ORGANIZATIONAL STRUCTURE

Business strategy is a function of a company's internal makeup and its external environment. Change management initiatives are used to continually adjust the strategy over time so companies can achieve their evolving performance goals. When leaders implement a new strategy without cascading the changes throughout an organization's structure, they are setting themselves up for a strategic failure. Every company should align its business strategy with a deliberate organizational structure to secure a competitive market position. Creating an appropriate structure will result in a more productive workplace environment that improves staff communications and innovation.

LEVERAGE THE NETWORKED TEAMS

Traditional functional organizational structures consolidate scarce talent in siloed teams and then provide required support to the rest of the enterprise. The transnational companies today need to adopt to a new design – one that creates cross-functional, autonomous teams organized by specific outcomes. These new networks of teams cannot be led by traditional managers. To be successful, team members should be inspired by confident, knowledgeable leaders who can provide cross functional coaching and development with a focus on team dynamics to drive the desired outcomes. Instead of becoming another version of a tangled matrix organization, this new model of networked teams should be transparent, digitally aligned, scalable and adaptable.

COLLABORATIVE MINDSET

A corporate structure based on networked teams looks nothing like the traditional, two dimensional, hierarchical organization chart made up of 'boxes and wires'. Truly agile companies are complex systems that require a holistic understanding of the connection points between teams in order to be successful. Adopting a systems mindset is an essential step in building a nimble, flexible, team-centred organizational structure. A successful organization can no longer simply be the sum of its functional parts, no matter how efficient or well-designed those parts might be. The era of the visionary leader needs to give way to a system that harnesses the power of many managers at once. This is the essence of utilizing a systems mindset in organizational design. To compete successfully in today's fast-paced, ever changing business environment, organizations should share risk and harness collaborative action. Connected teams are smarter than the individuals that comprise them.

BUILD A FLEXIBLE ORGANIZATION

Building a flexible organization involves steps that can launch your transformation to becoming an adaptable organization.

- Understand the formal and informal networks in your business.
- Make organization design decisions based on systems thinking and avoid seeing your company as an organization chart and Identify opportunities to break functional silos, while organizing around outcomes and flattening your structure as much as possible.
- Have a clear vision and vocal Executive commitment to making the new model work and driving culture change.
- Enhance transparency and empower employees to be autonomous to improve decision-making.
- Use data and tools to increase visibility to the networks of complex organization interactions.

UNLOCK THE POTENTIAL OF FLEXIBLE ORGANIZATION

Organizations have evolved in stages over time. Formal functional hierarchies gave way to matrixes and then to culture-based models. The disruption caused by technological advances is accelerating the speed of this evolution. To be successful in today's highly competitive, rapidly changing environment, organization must learn from failed businesses and leap-frog to the next stage of evolution: The flexible organization comprised of networks of teams that is agile enough to rise to new challenges, nimble enough to collaborate across functions, and powerful enough to adapt to constant change.

IN SYNC WITH GLOBAL STRATEGY

To survive and develop in International environment, an organization's structure must provide sufficient information processing for coordination and control while focusing employees on specific functions, products, or geographic regions. Managers must choose and decide whether to emphasize global standardization or national responsiveness (globalization strategy or multi-domestic strategy). For entering global market, organization designs should suit to the need both of global standardization and national responsiveness depending on situation, type of product and service etc. Finding the right structure for organization that works best for particular company is very important. If using the wrong structure, organization will have the poor communication, poor product development, poor customer service and a lot of other problems.

ORGANIZING FOR SPEED, AGILITY AND ADAPTABILITY

In the past, most organizations were designed for efficiency and effectiveness, leading to complicated and siloed organizations. The resulting business models, which were based on predictable commercial patterns, are unsuited to an era of unpredictability and disruption. Instead of mere efficiency, successful organizations must be designed for speed, agility, and adaptability to enable them to compete and win in today's global business environment.

BUILDING IN ACCOUNTABILITY

Empowering people to make decisions and relying on networks of interactions does not mean that people are no longer accountable for results. In fact, one objective of an agile network is to use goal-setting to support success. In teams, accountability becomes more transparent.

Individual and team goals and metrics should be shared for everyone to see. The sense of accountability this can create is critical to team and corporate effectiveness. Indeed, among 17 top practices in high-impact leadership, an organization's ability to clearly define decision-making practices and clarify accountability featured among the top drivers of outstanding financial outcomes.

CONFIGURING THE GLOBAL-LOCAL BALANCE

Multinationals need to make trade-offs global scale and local responsiveness by taking into account taking into account a complex mix of factors including: industry, size, desired levels of synergies, access to skilled people, and the roles of scale, innovation and responsiveness in the business model. Managers seek these trade-offs by varying configuration of each structural element and distributing resources among them. Companies that sought greater scale tended to have a single global shared service unit. Underwood Financials, for example, has a single global shared service unit in Singapore that serves all business units worldwide over three work shifts. While first-line support was available 24x7, more sophisticated level 3 support is still centralized at headquarters. Microsoft operates three regional shared services units, covering North America, Europe-Middle East-Africa and Latin America, and Asia respectively.

CONCLUSION

Organizational structure aligns and relates parts of an organization, so that it can achieve its maximum performance. The structure chosen affects an organization's success in carrying out its strategy and objectives. Organizational structure is the method by which work flows through an organization. It allows groups to work together within their individual functions to manage tasks. Traditional organizational structures tend to be more formalized—with employees grouped by function (such as finance or operations), region or product line. Less traditional structures are more loosely woven and flexible, with the ability to respond quickly to changing business environments.

Organization design is more than "boxes and wires" precisely because complex issues such as authority, decision-making and employee interactions cannot be dealt with through the blunt instrument of structure and reporting lines. The main objective of an organization design is to develop and implement a correct corporate strategy. From a decision-making process perspective, the most important parameter is the right balance of local and global influences.

COMPANY SECRETARIES BENEVOLENT FUND

MEMBERS ENROLLED FROM NIRC AS LIFE MEMBERS OF THE COMPANY SECRETARIES BENEVOLENT FUND DURING THE PERIOD 01/07/2018 TO 31/07/2018

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1	13092	MS. SARIKA GUPTA	ACS - 55875	NEW DELHI
2	13095	MS. KOMAL ARORA	ACS - 55966	NEW DELHI
3	13096	MS. REKHA	ACS-51198	NEW DELHI
4	13098	MR. TUSHAR MALHOTRA	ACS-48917	GHAZIABAD
5	13099	SH. KAUSHAL KUMAR AGRAWAL	ACS-12034	DELHI
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