

Organization design

Design



As we began our research of associated current developments, we assumed it would be relatively easy to find stories of companies that had successfully completed the journey from being ethnocentric to being geocentric. Howard Perlmutter's work is not new. His ideas date back to at least the 1960's. Yet, our Google(tm) search did not turn up many companies laying claim to this successful transition. One company, Delphi, stood out as an enterprise that is working toward becoming geocentric. We will discuss the history of Delphi and examine its journey toward becoming geocentric. We will then draw some conclusions and examine its outlook for the future.

Delphi was originally a division of General Motors. According to Bellamy, Danielsson-Murphy, and Murphy, its core business was "automotive parts, including lighting, chassis, environmental systems, batteries, engine management, and seats (1998)". The company wanted to increase its business with companies other than General Motors and therefore pursued a strategy that established an identity separate from that of its parent company. In other words, if Delphi wanted to do business with other automobile companies, it could not be seen as General Motors. This led to an organizational structure where most of the decisions for Delphi were made within the division and not by General Motors (Bellamy et al, 1998).

Delphi established a goal of having over half of its total sales from customers other than General Motors' North American Operations. In support of this goal, Delphi recognized that it would need to be a global company. Bellamy et al wrote: "Delphi currently employs over 206, 000 people at 208 manufacturing facilities and 17 technical centers. They have sales of over 26 billion dollars and operate 46 joint ventures, almost half of which are in the

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Asia/Pacific region. Their global focus and expansion has been aggressive and widespread, and it seems they are attempting to become a truly global company. To illustrate, in 1996 Delphi " established 20 new business ventures, including 10 joint ventures, four all-new operations, and six acquisitions" on four continents (1998)".

In February of 1999, Delphi sold 100 million shares of stock in an initial public offering. General Motors retained slightly more than 80 percent of the stock until May of that same year. At that time, Delphi became a separate company. In addition to improving its chances at getting business from companies other than General Motors, the company cited other benefits of becoming a separate company. These included greater capital financing flexibility, a simplified internal operating structure, improved operating efficiency, and stronger management incentive programs (Delphi: FAQ, 2004).

Delphi reported sales of \$27. 4 billion in 2002 and is located in 41 countries. 35 percent of its sales were from customers other than General Motors. This was up from 32 percent in 2001. It continues to pursue opportunities to increase this percentage. The company had a net income of \$517 million in 2002 (2003 Factbook, pp. 2-9). Earlier in this paper, we showed that there is an issue regarding just what a multinational company is. In the case of Delphi, we see a company that is located in 41 countries around the world. It is apparent that it is a multinational company. Nevertheless, we would like to know if the company culture clearly fits any specific orientation. Is this an ethnocentric, polycentric or geocentric company? Does it have elements of more than one of these?

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The leaders of an ethnocentric company, as previously described, strongly control the activities of the company from their headquarters and do not look to promote people from other countries. This does not seem to be the case at Delphi. Reading the biographies of various members of its board of directors and senior leadership team members, it appears as though Delphi truly values the contributions of those who have different backgrounds. They are indoctrinated with the company's values while at the headquarters but common values are important. Delphi is not an ethnocentric company (Delphi: Corporate Governance, 2004).

A polycentric organization, as previously described, allows the parts of its business located in foreign countries to exercise local control in their operating areas. It seems as though Delphi does this. In fact the Delphi Internet web site says, " Our regional presidents keep pace with Europe's demand for diesel engine cars and mobile multimedia products, position Delphi to capitalize on the fast growing automotive markets in China and throughout the Asia Pacific region, and expand Delphi's presence in highly competitive, critical markets in South America. They represent Delphi to the world (Delphi: Leadership, 2004)".

According to our textbook, it is also true that a polycentric organization is characterized by little flow of information to and from headquarters and between subsidiaries (Bartlett, Ghosal, and Birkinshaw, 2004, p. 64). This does not seem to be the case with Delphi. It emphasizes that its global lean manufacturing strategy has helped it improve quality and make its operations more efficient. Delphi plans to apply this knowledge beyond the manufacturing floor (2003 Factbook, p. 11). This does not sound like a

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company without information flow between headquarters and manufacturing locations. It also does not sound like a company that fails to share information among operating locations.