

Current restructuring



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Daimler Benz is a huge conglomerate with business interests in many different industries. Due to the changing market conditions and its many product types, it had to change its previous organization structure and operations to fit the current situation. In this paper, an analysis on why did Daimler Benz choose its current restructuring approach will be done. A critique on their approach will also be discussed and what they should do next to deepen the impact of the organization change will be suggested.

Restructuring of Daimler Benz On 1. 1. 1993, the restructuring of Daimler Benz started. An analysis of Daimler Benz before the restructuring shows that it was in " Phase 2: Direction1". The direction phase is characterized by a highly centralized hierarchical organization structure. Many levels of hierarchies were built up at Benz resulting in a long chain of command and propagated reporting levels. This was due to the organization adding new layers of management when a higher position was not available for the promoted employees.

Thus resulting in a long decision making process and a bottleneck at the top management level. These managers only had a small p of control which was also not efficient in terms of management cost. Departmentalization was structured along many functional areas such as finance, personnel, production etc. However, as the company rapidly grew and diversified into different products and industries, it became apparent that there were synergies to be exploited within the different companies.

Cross borders networking that allowed immediate communications and competence in dealing with complex task had to be set up to facilitate for

quicker and more decisive actions and reactions to the changing markets and increasing competition. The culture at Benz was characterized by a prevalence of status symbols stemming from the overly hierarchical structure. This created a concept of authority strictly related to position where each person was concerned only about himself and his immediate areas.

This problem of non-communication was detrimental to building a culture of networking and accountability as managers were shielded under layers of bureaucracy and self absorption. Human resources had to be better utilized to create a more organic model² of organization structure for managing effectively across all the different products. Effectiveness of the restructuring Not much had been achieved during the initial stage of the restructuring but the overall outlook was still optimistic that the restructuring will have positive consequences for the company.

The flattening of hierarchies, cross-departmental collaboration and increase in "free spaces" meant that project would not be delayed by a long and cumbersome decision making process. The restructuring brought with it a sense of change which created the euphoria needed to revitalize the workforce and motivate them by empowering managers with greater responsibility. At first, some felt that the time allowed was too short, too little thought had been given to the implementation process and there were also minimal feedback from the task force.

Working procedures and personal attitudes had to be changed but there was an element of security bred from working with familiarity and the lingering

effects of the old culture made it difficult for changes to be implemented. Old managers and even employees who see the company as a "power ladder" were unhappy that the titles, perks and status symbol were to be abolished therefore there might be a resistance to change to the new structure. There were problems with clients who couldn't adapt to the new structure as they found it confusing and had less confidence in the new personnel they are dealing with.

In the implementation of the restructuring, there was confusion between the roles of managers and experts and not enough formalization done to map out clear objectives to be followed. Managers have to work with wider p of control and could not supervise the work of his department closely. They were also not well trained in managing a bigger team. A high risk factor was thus associated with the new structure due to delegation of the entire responsibility to the middle or lower level managers.

However, despite uncertainties, criticisms and dissatisfactions, the importance of the change outweighs the cons. One finance executive was confident that the hitches will be solved in a matter of months³. There was also great conviction by executives that they will be more successful in all aspects of the businesses. Through workshops and seminars, the process of consultation and discussion was spread throughout the company.

Restructuring is just a new learning process which needs to take time for people to adjust to. Future moves to deepen impact of restructuring

There is a need for Daimler Benz to integrate its functional groups together towards a form of organization suited for the current environment. The most

important issue to address is top management. There need to be strong leadership to enforce the new culture throughout the firm. By recruiting compatible people who shares company core values, these "seeds" can be placed across different functions and managerial levels to build up critical speed in the implementation of restructuring process and to remove the barrier to change by diluting the old culture.

A matrix of teams could be set up where geographic areas, product lines and functional disciplines collaborate as a team to ensure that decisions are coordinated and implemented across global marketplace⁴. Formal planning and review procedures have to be carried out company wide to build up accountability of each corporate unit so that it can be assessed independently. To move ahead, there must be conscious effort to introduce planned structures that not only solve the current crisis but plan for the next phase of growth.

The challenges to move into a new phase are huge but it will be an inevitable process so as to fit into the rapidly changing global market.

1 Larry E. Greiner, " Evolution and revolution as organization grow. ", Harvard Business Review May/June 1998, p 60 2 Stephen P. Robbins, " Foundation of Organization Structure", Organizational Behavior International Edition, p 440 3 Insead, " Daimler-Benz Holding Restructuring and Culture Change", p 7 4 Larry E. Greiner, " Evolution and revolution as organization grow. ", Harvard Business Review May/June 1998, p 65