

Organizational structure of the multinational companies



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To create an effective organizational structure is one of the most important tasks for top managers of any company. If everyone in a company is and knows his duties, if there are rules of interaction between departments, company's activities will remind a tuned mechanism which works with maximum results and minimal costs.

Organizational structure - is a scheme consisting of units and individual officers of the company, located by levels of importance and responsibility, which contains the relationship between them and the chain of command. Depending on the stage of company development (formation, development, stabilization, crisis) require different approaches to build the organizational structure. It is particularly important to control the situation in transition from one stage to another and at the stage of active growth and development of the company.

A competently built organizational structure makes it possible to optimize the strength and number of units, to simplify the interaction between units, to distribute evenly the pressure on staff to avoid duplication of functions and their, to eliminate double and triple subordination, to delimit the scope of leaders, define their powers and area of responsibility, increase productivity. Organizational structure is the basis for building an effective system of governance.

Large multinational corporations require an organizational structure that can house the usual business functions - finance, marketing, R&D, production, etc. - as well as those functions required for being successful beyond the domestic market. The most appropriate organizational structure will be

determined by the overall global strategy of the firm, the relative size of international operations as compared to domestic operations, and the characteristics of the marketplace in which the firm competes. The four basic organizational structures are: International Division, Global Area, Global Product Division and Matrix.

By the end of the 20-ies it became clear the need for new approaches to governance, and that happened because of the sharp size increase of enterprises, the diversification of their activities (multidisciplinary), and the complication of processes in a dynamically changing environment. In this connection began to emerge the international divisional structure, especially in large corporations who have to provide some autonomy to its production units, leaving for leadership the strategy development, scientific research, financial and investment policies, etc. In this type of structures is attempted to combine the centralized coordination and the control of decentralized administration activity.

One of the leading companies in soft drinks industry, witch is also a multinational company, is The Coca-Cola Company and their organizational structure is an International Division one.

International Division Structure represents a more evolved form of organizational system because of the incorporation of specialized division for acting on foreign markets, and that way it is no limit to export. We can observe that they are more concerned about conducting business in other countries.

The key management figures in an organization with divisional structure are no longer the heads of functional units, but the managers leading the production department (division). The organization by division, as a rule, is based on one of the criteria: production (product or service) - product specialization; by targeting specific groups of consumers - consumer specialization of serviced territory - a regional specialty.

Some main features of this type of structure are: typically set up when firms initially expand abroad, often when engaging in a home replication strategy; foreign subsidiary managers in the international division are not given sufficient voice relative to the heads of domestic divisions; the "silo" effect: International division activities are not coordinated with the rest of the firm, which focuses on domestic activities; Firms often phase out this structure after their initial overseas expansion.

The main advantages of International Division Structure are:

it manages a diversified enterprise with a total staff of hundreds of thousands and geographically remote units;

it provides greater flexibility and quicker response to changes on the environment of enterprise.

expanding the companies' borders, separate offices become "profit centers" actively working on improving the efficiency and quality of production; and closer connection between production and consumers.

The disadvantages of divisional structure are:

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a large number of levels managing by vertically, between workers and the managers of production units - 3 or more levels; between workers and company management - 5 or more;

a large distance between the office staff structure from the headquarters of the company;

the key relationships - are vertically, and therefore are common problems for hierarchical structures - delays, congestion managers, poor cooperation in addressing issues related to the units, etc.;

the duplication of functions at different " levels" and as a result - very high cost of maintaining the management structure; and

offices tend to remain linear management structure, with all their shortcomings.

In conclusion the dignity of divisional structures outweigh their shortcomings only in periods of fairly stable existence, with an unstable environment, they risk repeating the fate of the dinosaurs. With this structure they may embody most of the ideas of the contemporary quality philosophy.

Another example of multinational company structure is the European Aeronautic Defense and Space Company. That company supports a global strategy in treating each product division as a stand-alone entity with full worldwide- as opposed to domestic - responsibilities for its activities and is called the Global Product Division Structure.

It facilitates the global planning and strategy for the product, but is much less responsive for the local to local conditions and differences in consumer behavior and tastes.

The main advantages of this type of structure are:

the single chain of communication for information about product and technology for division's on each level;

related production and marketing resources are entirely devoted to products offered by each division, thus determine excellent production and selling results, for each local market; and

the possibility for each division to develop independently of international economic activities.

The disadvantages of Global Product Division Structure are:

local autonomy are is very limited and the local subsidiaries are treated as cost centers as opposed to profit centers; and

communication and coordination difficulties between divisions, that can cause loss of opportunities of cooperation on the foreign market.

In conclusion an effective organizational structure shall facilitate working relationships between various entities in the organization and may improve the working efficiency within the organizational units. Organization shall retain a set order and control to enable monitoring the processes.

Organization shall support command for coping with a mix of orders and a

change of conditions while performing work. Organization shall allow for application of individual skills to enable high flexibility and apply creativity.

When a business expands, the chain of command will lengthen and the spans of control will widen. When an organization comes to age, the flexibility will decrease and the creativity will fatigue. Therefore organizational structures shall be altered from time to time to enable recovery. If such alteration is prevented internally, the final escape is to turn down the organization to prepare for a re-launch in an entirely new set up.

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