

# Case study: abb in china

Business



One of the problems is that the company's decision-making policy in its matrix organizational structure, which is fully decentralized, is no longer efficient for Abs's business. Analysis As a fully decentralized company, ABA represented by national companies in many home market, which use profit center philosophy, to have full advantage of its economies of scales. Profit centers (individual companies) are measured on its own performance and needs.

It is recognized that the profit centers are efficient for decentralization and that the organization can act relatively fast to local market.

But his profit center philosophy made individual companies only think about its own Objective, performance and benefit, not ABA Company as a whole. Because of every business action and policy could affect their performance, individual companies face barriers in doing their business. For example, in internal transaction, technology partner charge high cost to ABA local for components, because it has to make profits after invested high R&D cost. ABA China had to close ABA School in Beijing, which was used to transfer company culture to local employee, because the high training cost will affect its financial performance.

Furthermore, if same problem occurred among individual companies, they won't exchange Information each other. If individual company suggests changes according to the problem to licensor, the licensor will evaluate on the basis of benefit to itself because the licensor will invest its own recourses. ABA has Business Area (BAA) in its organizational structure, which is responsible for Normalized market allocation and the development of a

worldwide technical strategy for specific product line. Other Bag's responsibilities are to coordinate supplier and deliverance, and to act as a referee in potential disagreement between companies

Nothing ABA group. Unfortunately, this function did not work well. AAA could not act as referee and solve disagreeing between some China licensees and local subsidiary, because BAA only looks at the global business.

BAA objectives sometimes are contradicted with ABA China objectives. This decentralization also brings a problem to internal communication within ABA as whole. In transferring know-now across borders, it was one-way communication from the technology partner, business area and country level to the subsidiary. BAs also were not able to communicate ABA mission, vision, objective and corporate ultra to every individual company.

The top-level management is seen to be so far away from daily life at the subsidiary level in China.

It seems like there is a broken chain in communication from top-level management to lower-level management. Recommendation Based on the above analysis, these are the following recommendation for ABA to have more efficient organizational structure: The company should have more coordination between profit centers and BAs to maintain globalization objective as a whole. It means that the company should be more centralized in controlling profit centers business activities and policies, only if they effects ABA business on a worldwide basis.

Headquarters level, which is represented by BAs, should perform its function better because BAs hold the individual companies together in achieving ABA worldwide objective. The company should increase the flow of two-way communication within the company. This communication includes coordination between profit centers and BAs, top management and middle management.

With good communication both in individual company and headquarters level; the company can increase coordination, get the benefits of being global and being multi domestic with a high degree of decentralization.