

**Designing Work Organization**  
**Prof. (Dr.) Santosh Rangnekar**  
**Department of Management Studies**  
**Indian Institute of Technology, Roorkee**

**Lecture-52**

**Designing Structure to Fit Global Strategy**

In this particular session of the designing the structure to fit the global strategies, we will talk about the history of the global business, developing an international business strategy, excluding these your international business strategies, executing how to execute it, deciding the your organization structure for the 2021 example is for this. Then the designing the structure to fit the global strategy, then the porter's five forces of the competitive position analysis, how the strategy shapes structure, the choosing the right strategic approach, then as usual the case study, research paper, book recommendation and references. In the history of the global business, the global business refers to international trade whereas a global business is a company and doing the business across the world. The exchange of the goods are over great distances goes back a very long time. The anthropologists have identified long distance trading in Europe in the stone age. So maritime trade or the business across the seas are there. So when we find about that the seas dates back before the Greek civilization, then these would not be the defined as the global trade, but they had the same goals to reach beyond the homelands and the across the world to find the new markets and the resources are there.

So it means that it is not a new practice. In for instance long time, these type of the practices have been there, but naturally that time it was not called as a global practices right, but the people were used to do this. The British East India Company they established in 1600 and the Dutch East India Company began in 1602 where the two earliest global companies. A government chartered the organizations and they were part business and the part-government was there.

Their goals were two-fold to accumulate capital often by using natural resources and labor in the new locations and they established the colonial empires. At the end of the 19th century, the another type of the global business emerged and the multinational corporations was born. The first MNCs in the modern world were also searching for natural resources, locations where production was directly linked to the land. Many of today's mining and agriculture companies date back more than the 100 years and still rank among the world's largest global companies are there. Developing an international business strategy.

Before a company gets too far a new market, it is important to step back and answer

some questions that will help determine what type of the business strategy makes the most sense at this stage. Here are 8 steps articulated by the global expansion and international employment firm. Research your market, seek out the multiple sources of information trying to make the local contacts and do not neglect the researching the local regulatory environment. Decide on what you are bringing to the market and be clear about what you are selling and how your products fit into the local market was there. Set your goals and set specific goals about the market shares, their sales numbers, cost efficiency and the customer growth.

Develop the sales goals for the multiple years. Make a note of any competition and the research local competition to further understand potential markets. Develop the finer points of your strategy. Think hard about who you will hire, how your business can navigate financial regulations and what an overseas market means for the marketing. Evaluate your infrastructure.

Evaluate your current business capabilities, example the term needed to carry out the expansion is there. Create a system for the distribution. Explore your options for the franchising, licensing and regulatory requirements. Consider a partner or the consultant is there. Explore putting a management team together on the ground to help the expand your operations.

It recognizes that your global business strategy will be leaving a document. The initial plans and the goals that taken shape through the focused due diligence are subject to change once you set up the shop across the international boundaries. Remember to be flexible as you move into the new markets, keep these goals and the visions in mind. Here we have to keep in mind that is the basic principle is about the flexibility, sustainability and the growth is there. And naturally when we are talking about the going across the boundaries, then definitely we are required to be the open for the different cultures, different practices.

And similarly, we will be able to sustain only in the current time if we are extending our expansion, our business is there irrespective of the limitations to any particular boundary. So partners with someone who understand the laws and the regulations in your new market and the explore the pros and cons internally and make sure you have the stakeholders buy-in is there. In the Government of India also you will find that is Prime Minister Mr. Narendra Modi is giving the more and more emphasize on the local market is there. So therefore, the expansion of the business is for at the global level and the making the promotions of the local businesses are there.

So here also the Government of India is trying to become the global organizations

leadership. Now get to know your international customers, learn how you have a competitive advantage and become familiar and comfortable with the new culture. So unless and until you do not know your international customers, because the whenever we are talking about the backbone of any particular business, then the backbone of any particular business is and that is about the customers. So we have to learn more and more and understand that is what type of the businesses they are they will like. I would like to give the example of the KFC and the McDonald is there.

So when KFC and the McDonald enter into the India and that time being these more vegetarian culture the McDonald has changed their workers with the green leaves and the cucumbers, tomatoes and this type of the vegetables and that has become the very popular. While in the KFC because when the KFC was entered in India in that time this concept of these fried chicken and that was not that popular and as a result of which the McDonald reached to these high rate of the success as compared to KFC. Now they become the familiar and comfortable with the new culture is there. So our product, our business that should mature with the culture is there. There are number of case studies in which we talk about that is these MTV and the other musical channels which were otherwise are not acceptable into a particular culture, but when they have tried and they have reached to the new heights with their businesses.

So this is the understanding the culture and when you are becoming the familiar and comfortable then definitely in that case you become the part of that particular culture which is very necessary. If you want to do a business in the international level, multinational level, global level then in that case it is required that is you are going for this type of the adoption of this new culture is there. Now prepare a solid global marketing plan. Now when you understand the geography, when you understand the history, when you understand the art then definitely in that case you are making a solid global marketing plan is there. Dear friends, in many management courses you will find that the study of the history is a part of these management courses, study of the social science of course it is a part of these management courses, study of the economics is a part of the management courses.

So therefore in that case when you are studying the history, the geography, the art then definitely you can understand what will be your marketing plan. So therefore a solid global marketing plan will be there to support the international growth and the strategic goals are there. So know your customers, know the culture, know the practices, know the rules, regulations. So we always talk about the external environmental factors, the social, political, economical, legal and technological. So these environmental factors, external environmental factors when you are aware about a particular nation, particular or within the nation even the domestic businesses are there like India is a very big country and

then from east to west, north to south when you understand a particular culture then definitely your marketing plan that will be having the more successful because it will have the support of this growth and the strategic goals are there.

So here I would like to take this example deciding your organization structure for the 2021, how it has been done by the Forbes. So the axioms strategies, sets structure and the structure breeds the behavior and remain true and have stood the test of time. So these your offers some insights on the first phase of this designing the shape of an organization which all the macro structure and do not be tempted to jump straight into the redesigning the details of the organization without considering if the overall structure is correct. It is imperative first to decide if an organizational restructure is required, it is one of the biggest and the most important questions an executive needs to answer. Do we need fundamentally to reorient the organization structure to achieve our strategy? Some leaders they shy away from embarking on an organization design initiative.

Redesigning a company is a large understanding that needs expertise and experience to get in right. So the leaders might be tempted to opt for an operational improvement program. However, if the organization needs to raise its performance substantially on faces a significant threat a new strategy and the operating structure will be required. A good strategy is about being unique it means selecting a specific set of activities to deliver a distinctive combination of the value and the forming the organizations to provide its products and services most effectively. So, implement a robust strategy restructure and align the organization then implement an operational improvement initiative such as lean or Six Sigma.

So these improvement initiatives would not work if the structure is broken. Strategy structure and the lean. So a company's macro structure should be logically configured and aligned with its strategy. The macro structure in the skeleton of this organization it determines the how positions are grouped and the approximate size of the units. It also encompasses the design of these horizontal part and vertical linkages to add a flesh to the bones.

When we talk about the especially the planning and therefore, when we talk about the types of plans for example, the strategies, policies, procedures, rules, regulations and budgeting and we say that is the planning and control are the twins. So therefore, this control system. So here it is becoming very important that is these horizontal and vertical linkages which you are taking and then making this control system to standardize the outputs. Then here the another function of the manager that is the coordination mechanism to enable the these collaboration is there. So this is the whole managing practices.

So it starts from the planning, it goes to the organizing, it takes leadership, it coordinates and it controls are there. So therefore, in that case when you are talking about the organization structure, so as a managerial function, then it is very important that is how you are able to plan, organize and control and collaborate these all the departments which will be working together. So few companies systematically approach organization design issues. That is a sound chief executives can provide a clear rationale for their company strategies. They are often much less to articulate when it comes to the justifying their structures.

When it comes to the designing an organization structure, there are the four drivers to come to consider. Product market strategies are there, how the company intends to lead each product market that is a field in which it will compete. The corporate strategy, how the company intends to gain an advantage from the competing in the product market areas. And the people, the skills and attitudes of the individuals within the organizations are there and the constraints, the culture, environmental, legal and internal factors that can curve the choice of the design. So designers who fail to consider these drivers will make it hard for a company to achieve its strategy and leads to the first series of the practical test.

The market advantage test and does the design allocate the appropriate management attention to the operating priorities and the intended sources of the advantage in is the product market area. So therefore, these all strategies which we are talking about whether it is a product market strategy or it is a corporate strategy or it is a people and the constraints are there then definitely in all these premises, we have to work and then we have to find out that is a product market areas. So even the senior-level managers who try to add value are often vague about how they will do so and do the senior members of the organization "earn their keep"? To answer this, consider the executive team advantage test: "Does the design reflect the intended sources of added value generated by the executive team and the board members. So most managers within a company will want to when these are structure to retain their the team. However, I would advise training on the replacing employees who are unable to contribute the sufficiently.

So do not weaken the organization's ability to achieve its strategic goals. It is tough to do but necessary and that is why it is healthier to get the external support when the redesigning an organization and this leads to the people test and does the design identify the skills, experience and behavior within the each departmental unit there are required to achieve the strategic intent. Managers are aware that is a constraints can exit but the sometimes they do not pay the enough attention to issues that during the design process. So options can be developed and the even selected before the corporate lawyer or the IT

expert points out the problem on the problem hints the that the fourth test that is a feasibility test and does the design take account of these constraints that may make the proposed the unworkable is there. And here it is very important that is whenever we are making any planning then you have to find out whether it is feasible or not.

We understand that is every planning is restricted with these the different internal and external environmental factors, but then we have to test also whether there it is feasible or it is not feasible. To help the managers adopt a less haphazard approach I have distilled the five principles of the good organization design is there. And according to the author that is the specialization principles are there is a set or boundaries to accomplish the most important benefits that is obtainable from the specialization. The cooperation principle is there and the defense unit so that the tasks that need to be coordinated are the within unit borders. The knowledge and the competence principle that identify the which responsibilities to decentralize and the hierarchial levels to set up is there.

The control and the commitment principle is there define the process for ensuring that the managers effectively discharge decentralized responsibilities are there. And the innovation and adaptation principle that is ensure the organization can change and evolve in the future is there. So therefore, the these the cooperation principles that is working togetherness unless and until that is the we are not able to develop that competence by the our human capital then definitely it will be difficult. But otherwise, if we are making these properly the decentralization of responsibilities, then definitely there will be the proper control also. And when we are building the team ensuring that is the their managers they are having that concept of the working togetherness.

So, they are having the effective discharge are there and here is the always making these evolve in the changes there. So, in organization structure must in the situation by providing the sufficient information processing for the coordination and the control while focusing employees on the specific functions, products of the geographic reasons. So, organizations designed for the international firms following a similar logic which especially interest in these global versus the local strategic the opportunities are there. So, strategies for the global versus the local opportunities naturally that you have to plan in a different way. So, when organizations venture into the international domain, managers strive to formulate a coherent global strategy and that will provide the synergy among the worldwide operations.

For the purpose of these achieving the common organization goals, one dilemma they face is the choosing whether to emphasize the global standardization versus the local responsiveness is there. Now here these particular strategies which we are creating for these both the markets internal and external or the domestic and the global and then we

have to also understand that is what is the common organizational goal. And the here one organization may face a dilemma that is whether to go by the global or we should go by the local responsiveness and that is why the Prime Minister of India Mr. Narendra Modi has given this word that is a glocal. So therefore, you have to do the business globally, but you have to go work that locally and therefore, in that case, that local responsiveness for the global standardization that will make a mixture and then that is these integration of both that will lead to you to a success.

Now here I would like to mention about this designing structure to fit the global strategy that is a fitting organization structure to international advantage is there. So, here the authors have given this particular on the x-axis forces for the local responsiveness and naturally at the y-axis it is the force for the global integration is there. So, when the local responsiveness is low and the global integration is also low, so then it will be the export strategy international division will be there because the here we find that is the local responsiveness is also becoming low is there. And when we are talking about global integration and naturally because the organization is having the low forces for global integration, then definitely in that case we will go by the export strategy is there. Now the forces for local responsiveness is high and the forces for global integration is there.

So, a multidomestic strategy will be there is a global geographic structure will be there. So here we will find out that is whenever we are having the high local responsiveness we will go by the multidomestic strategy is there because there is a use scope is there. So, you can understand that is the because the global integration is also low and the forces for the local responsiveness is high. So, we will go by the global or geographic structure will be there and the multidomestic strategy that will be more effective. When we are talking about the global matrix structure, so both globalization and the multidomestic strategies are there.

So here the forces for local responsiveness is also high and the forces for the global integration. So, therefore, in that case, because of the local responsiveness and the global integration both are high here. So therefore, both globalization and the multidomestic that will be the part of this structure. So now, but it does not mean that is you have to always reach to this global matrix structure. As I mentioned is you have to make an analysis of your organization, you have to understand the goal of the organization.

If you understand the goal of the organization, then you will go by the global matrix structure. When the forces for the local responsiveness is low and the forces for the global integration is high, so then the globalization strategy will be there because the local response is no but the globally you are having the more integration, high

integration, so your strategy will be globalization. So, global product structure will work. Now, we have to analyze all these four with our further discussions. So here we will find that is the manager must decide whether they want each global affiliate to act autonomously or the whether these activities should be standardized across the countries.

These decisions are reflected in the choice between a globalization versus a multidomestic global strategy are there. The globalization strategy means that the product design, manufacturing and marketing strategies are the standardized that is throughout the world. For example, Black and Decker became much more competitive internationally when it standardized its line of power and tools. So some products such as the Coca Cola are the naturals for the globalization because only advertising and marketing need to be tailored for different reasons. A multidomestic strategy means that the competition in each country is handled independently of the competition in other countries.

Thus, a multidomestic strategy would encourage the product design, assembly and the marketing tailored to the specific needs of the each country is there. So these are multidomestic strategy where when we are talking about the design thinking nowadays when we talk about. So therefore, how you are making these the designing is there that becomes very, very important. The another important aspect when the multidomestic strategy we are talking about and as we have seen in this figure that is a multidomestic strategy and where the local responsiveness is very high. So therefore, marketing tailored to the specific needs of the each country that becomes very, very important because then you are making the highly specialization the product is there.

The portals five forces of the competitive position analysis I would like to take the support of this and in a model that identifies and analyzing the five competitive forces and that shape every industry and help determine and industries weaknesses and strengths. Five forces analysis is frequently used to identify an industry structure to determine the corporate strategy. The portals model can be applied to any segment of the of the economy to understand the level of competition within the industry and enhance a company's long term profitability is there. The five forces model is named after the Harvard Business School professor Michael Porter and these are the five factors are the competition in the industry potential of the new entrants into the industry power of suppliers, power of the customers and the threat of the substitute products are there. Whenever we are talking about these five factors, now I would like to explain these portals five process of competitive position analysis and rival among the existing competitors are there.

So, naturally there are the four dimensions becoming very, very important that is a

threat of the new entrants are there, bargaining power of the buyers, the threat of the substitute products are there and the bargaining power of the suppliers are there. So, here we are required to make the balance, balance between the among the bargaining power of suppliers and the bargaining power of the buyers are there. So, here some examples are given. So, whenever we are talking about the bargaining power of the suppliers are there and here the number and size of the suppliers that becomes very important. And you see that in the current time the mantra of a success of any organization is the operations management and therefore, in that case this balancing the supply chain management and that becomes a big success, but there are the threats are also there because of the substitute products.

And therefore, in that case there is a buyer propensity to substitute is becoming very high. So, that is why you find that is one company that is very popular for the one typical product, but may not be for the all the products. So here because of the buyer propensity that is to substitute is there. Now, these bargaining power of the buyers because the if you do not agree what the buyer will do? Buyer will go to your competitor and these difference between the competitors that is the price sensitivity, ability to substitute, buyers information, availability and the switching cost is there. Now, the threat of the new entrants are there and every time because the like in India nowadays we are having a very supportive ecosystem for the startups are there and as a result of is this entrepreneurship and start-ups this culture is developing and as a result of is the people are more focused that is how to make these the big companies to be more these competitive because there are other substitutes that are always available.

So, this competition in the industry is making these they are less power of a company suppliers and buyers and as I mentioned potential of the new entrants into an industry is there. So, this will be able to charge the high prices are there. I already mentioned in the detail about this the power of the suppliers and therefore, in that case it is the that is a unique these inputs are and how much it would not a company to switch to the another suppliers. The fewer suppliers to an industry the more a company would depend on a supplier, as a result the supplier has more power and can dry up input cost and push for the other advantages in trade. This power of customers and more powerful clients base means that each customer has more power to negotiate for the lower prices and the better deals.

A company that has many smaller independent customers can easily charge higher prices to increase the profitability. These threat of the substitutes are there and will have the options to forgo buying a company's product and company's power that can be weakened. So, here it is always as I mentioned in the diagram that is there will be the threat of substitutes are there. Now here we will talk about the achieving the strategic

alignment. So, these value propositions, proof propositions and the people propositions are there.

So, it is becoming the minutes the price they pay for it and then in here we will find that is offering minutes the cost of the products and delivery it is there and the people propositions needed by the support and that is the implement the strategy. Now here we will find out that is the either we have to go for the structuralist approach or we have to go by the reconstructionist approach is there. So, the alignment of the three strategies proposition in the pursuit of this either differentiation or the low cost is there. Then you can make the shape your strategy or your strategy can be the reconstruction approach is there. The alignment of the three strategy propositions in pursuit of both differentiation and the low cost is there.

So, what will be the right strategic approach? And here we find a structuralist approach is to a good fit when the structure conditions are attractive and they are becoming the organization has the making the more availability of the resources and capabilities to the perform. And the organization also has a bias towards the defending the current strategic position and reluctance to the venture into the unfamiliar territory is there. And now when we have to go for the reconstructionist approach is a good fit. Here the author has very well explained that is a structure the conditions are the attractive, but the players are that is a wolf entrench and the organization lacks the resources or the capabilities to outperform them. So, structural conditions are the unattractive and they work against an organization irrespective of the resources and the capabilities.

The organization has an orientation towards the innovation and a willingness to pursue the new opportunities are there. This is a case study that is Asha Brown, The Royal Limited I am sure by going through this case study you will be able to understand that is how this ABB has decided about the strategies and the formulation is there. This is a research paper, the competitive forces that shape the Australian medical education and industry analysis using the Porter's five forces framework which we have discussed about and then finding is there that is the how these environmental forces they will help you in the shaping the strategy is there. This paper will be also having the guidelines for leadership management in higher educating also. This is the book recommendation, the ultimate competitive advantage why your people make all the differences and then the six practices you need to engage them.

So, these authors by this Shawn D Moon and Sue Dathe-Douglass is there and here we will find that this book recommendation is becoming the the how to design enable your company to achieve remarkable results and become an industry stand out by leveraging you most important assets that is your people. These are the references which you can go

through and then you can find out that is the how these references they are becoming the more helpful in understanding for the strategies formulations are there. Thank you. Thank you.