

Designing Work Organization
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Lecture-53
Building Global Capabilities

In this particular session on the Building the Global Capabilities, we will talk about the building global capabilities, the global organizational challenges, global coordination mechanisms, cultural differences in the coordination and control, national value systems, three national approaches to coordination and control, the transportation model of organization and as usual we will be discussing the case study, research papers, book recommendations and references. When we talk about the capability building and organizational imperative, then the for transformation that last BCG defines capability as an integrated ability to do something well in a way that involves the business performance. So, whatever the organization is doing, it is to be developed with their full ability and therefore, in that case, when the full efforts are made with the 100 percent competency, then definitely in that case your business performance will increase. I would like to add here that is it is not necessary that is you are talking about the business performance that will improve, but naturally we can understand when we develop our own ability and then in that case our own performance that will also increase that we know. So, as the muscles they need to build and strengthen in order to get to this place, they aspire to get to. So, it is easy to apprehend the now only the organizations are spending millions on their capability building programs.

So, but why should be a capability building program is turned into the boring and the long time training sessions. So, building capability is turned into a training project with the little focus on the end business goals. So, the trainers are all too happy to meet their year end targets of the training men hours without the even contemplating of the messaging if so, the right capabilities were targeted in the first place and those capabilities could actually be built within the organization and the capabilities built could be sustained and how. Now, whenever we are talking about the capability building and organization imperative, then we are having either the other important stuff is there and then we are developing the digitalization which is becoming nowadays a very much necessary to develop your ability, then the training programs are there where you are developing your manpower and then as a result of which the you are developing the capabilities for the whole organization.

So, not just a training program building capability is it is meant for the criticizing the trainers, but rather to argue a how a capability building project is your people should and

would be part of the capability building projects are there you are making them involved, but that is just a part and there are two other important aspects of capability building projects which are often ignored and these two taken together with the training your people portion and would form the holy trinity of the any capability building program is there. Now, here whenever we are talking about an organizational imperative, then the organization imperative will be the developing into the infrastructure, technology and the people are there. So, it is not enough to train people only and the upgrade their skills organization might have the best and most effective training programs in the world, but at the end of the day if the colleagues, superior, subordinates have to return to the same infrastructure level, both the physical and digital organization capability building project would fail. Likewise, if the organization do not invest in new technologies and do not bring the technology up to the speed with the needs and expectations of the high potential trained people, the organization capability building project would fail. So, therefore, it is necessary they would just leave and even if they stay, they would be the disorganized and the future training programs that would be fail to see the motivation levels that initial programs might see.

There are many instances of the well known companies that have the trouble transferring successful ideas, products and services from their home country to the international domain. Now, PepsiCo set a five year goal to triple its international soft drink revenues and the worldly expanded a presence in the international markets. Yet five years later, the company had withdrawn from the some of those markets and had to take a nearly dollar 1 billion loss from the international beverages operations. Political and cultural differences that sidetracked most of these ventures, only a few companies such as the Citigroup, Citibank units and the Caterpillar's heavy equipment business have found success in that country. So, managers taking their companies that is the international face a tremendous challenges how to capitalize on the incredible opportunities that global expansion presents.

And the figures illustrates the three primary segments of the global organizational challenge, greater complexity and the differentiation, the need for the integration and the problem of transferring knowledge and innovation across a global firm is there. So, complexity and differentiation that is the making this the need for the coordination and as a result of his transfer of knowledge and innovation will exist. So, organization have to accept an extremely high level of environment complexity in the international domain and address the many differences that occur among the countries. People eat different foods, observe different religions, have different attitude and they subscribe to different social customs. These environmental complexity and the country variations require greater organizational differentiations.

The increased complexity and differentiation when organizations enter the international arena, they encounter a greater level of these internal and external complexity than anything experience on the domestic front. As environments become the more complex and uncertain, the organizations grow more highly and the complexity is differentiated with the many specialized positions and the departments to cope with the specific sectors to the environment is there. The need for coordination is an organization becomes the more differentiated with the multiple products, divisions, departments and the positions scattered across numerous countries. Managers face a tremendous coordination challenge. The coordination refers to the quality of collaboration across the organizational units.

The question is how to achieve the integration and collaboration and it is necessary for a global organization to reap the benefits of the economies of scale, economies of scope and the labor and production cost efficiencies and international expansion offers. Higher differentiation among the departments requires that more time and resources be devoted to achieving the coordination because employees attitudes, goals and the worker orientation differ widely. The transfer of the knowledge and innovation and that is about the third place of the international challenge is for the organizations to learn from their international experiences by sharing knowledge and innovations across the enterprise. Like in the previous slides I have discussed about that is there are the certain organizations which bear the losses because of the global expansion while the some organizations they have become the more profitable and their market oriented and successful. So, therefore, the challenge will be that is the how you are making these organizations to learn from their international experiences.

The diversity of the international environment that offers the extraordinary opportunity for the learning and we have talked about earlier the organizational learning and learning organizations. So, organizations have to learn that is the there are the number of opportunities which will be required to be absorbed by the organizations. So, development of the diverse capabilities and the starting innovations in the products and services are there. Some experts believe a great percentage of the radical innovations will come from the companies in emerging markets such as China and India in the coming years is there. So, managers meet the global challenges of this coordination and transferring knowledge that innovation across highly differentiated units in a variety of ways.

Some of the most common are the use of the global teams, stronger headquarters planning and control and specific coordination roles. So, these global teams the popularity and success of the teams on the domestic front allows managers to see that is the first hand how these mechanism can achieve strong horizontal coordination and thus

recognize the promise teams held for the coordination across a global firm as well. So, global teams also called the transformational teams. These are cross border work groups made up of multi skilled multinational members whose activities are the spine multiple countries. So, typically teams are of the two types, intercultural teams and the whole members come from the different countries and meet face to face and the virtual global teams and those members remain in their separate locations around the world and they conduct their work that is electronically is there.

So, this is both the teams are possible. So, one team is that is of the physical nature and the people, employees they are meeting with each other and with the face to face is there, but if it is not possible, it is not necessary. Now, when we are talking about the industry 4.0, so therefore, this question arises that is the how we will be going for this particular aspect where the we are having the online only and as we have seen in the COVID time also and that is the world is conducting their learning process through electronic electronically only. So, headquarters planning is there and second approach to the achieving the stronger global coordination for the headquarter is to take an active role in the planning, scheduling and control to keep the widely distributed pieces and the global organization working together and moving in the same direction.

In one survey 70 percent of the global companies reported that is the most important function of the corporate headquarters was to provide enterprise leadership and without strong leadership, highly autonomous division and that can begin to act like the independent companies rather than coordinated parts of a global whole. Now, the counteract this top management many delegates responsibility and decision making authority in the same areas such as adopting the products or services to meet the local needs while they are maintaining the strong control through the centralized systems, other areas to provide the coordination and the integrations are needed. When we are talking about these expanded coordination roles, so organizations may also implement the structural solutions to achieve the stronger coordination and the collaborations are there. So, creative specific organizational roles are the products for the, these the coordination is a way to integrate of the pieces of the enterprise or to achieve a strong competitive position. In successful international firms, the role of the top functional managers for example, is expanded to include the responsibility for coordinating across the countries identifying and linking the organizational expertise and the resource worldwide.

In an international organization, the manufacturing managers has to be aware and coordinate with the manufacturing operations of the company in various other parts of the world. So, that the company achieves the manufacturing efficiency and shares the technology and idea across the units. And new manufacturing technology developed to improve the efficiency in the ford's Brazilian operations may be valuable for the Europe

and North American plants as well is there. So, these expanded coordination roles which are the going from the one country to the another country and when we are talking about the new manufacturing technologies and here the example has been given that is the how the one country and they are taking the support from these other countries as well. So, these international companies today have a hard time saying competitive without a strong inter-unit coordination and the collaboration.

Now, so those firms that are simulate and support collaborations are typically better able to leverage the dispersed resources and capabilities to reap the organizational and economic benefits. So, these benefits that result from the interunit collaboration including the following, there is a cost savings are there. Collaboration can produce the real measurable results in the way of the cost saving from the sharing of the best practices across the global divisions. For example, at BP a business unit ahead in the United States improved the inventory terms and cut the working capital needed to run the US service stations by learning the best practices from the BP operations in the United Kingdom and the Netherlands. So, better decision making by the sharing information and advice across division managers can make the better business decisions that support their own unit as well as organization as a whole.

When we are talking about the greater revenues by sharing the expertise and the products among the various divisions, organizations can reap increase revenues. So, ultimately organization is looking for the ROI and that is why so much investment is made by the organization. So, by providing these different resources for example, the severity of the five people from the various units around the world, they flew to the China to assist the team developing and an exotic acid plant there. So, as a result BP finished the project and began realizing revenues sooner than the project planners are expected. So, increased innovations are there, the sharing of ideas and the technologies is the innovation across with the stimulates the creativity and the development of the new products and services.

McDonald is taking an approach called the freedom within a framework and it allows the regional and national managers to develop practices and the products that will be making these suited to the local areas. The company then makes the sure these international managers have plenty of both formal and informal ways to communicate and share the ideas. Here the cultural differences in the coordination and control is there. So, just as the social and cultural values offer from the country to country, the management values and the organizational norms of the international companies that tend to vary depending on the organization's home country. These organizational norms and values are influenced by the values in it is the larger national culture and there in turn they influence the organization structure approaches and the ways the managers

coordinating and the control and international firm.

Now, we have to understand here that is those value systems which are into the domestic organizations are there. Therefore, in that case, those norms and values are developed by the organization in the long period of time. Now, when you are going across the border, then definitely in that case you will try to keep the intake those values and norm systems and the managers therefore, they will require for the international firms. So, just as a social and cultural value differ from the country to country, the management values and the organizational norms of these international companies tend to vary depending on the organization's home country. So, organization norms and values are the influence by the values in the larger national culture and these in turn influence organization structural and the approach and the ways the managers coordinated and the control and international firms.

So, national and value systems are becoming a very, very important and the other factor is this that is the three national approaches to coordination and control they are becoming a very, very important. So, how national value systems influence the management in the organizations? One of the most influential was conducted by the Geert Hofstede who identified several dimensions of the national value systems that were widely across the countries. Two dimensions that seem to have a strong impact within the organizations are the power distance and the uncertainty avoidance is there. So, high power distance means the people accept the inequality in the power among the institutions, organizations and people low distances means that the people that expect the equality in the power is there. So, therefore, in that case, when we are talking about the high power distance is accepted, then definitely in that case, the organizations their efficiency will be affecting.

So, high certainty avoidance means that is the members of a society that feel comfortable with the uncertainty and ambiguity and the support the beliefs that promise the certainty and conformity, low uncertainty, avoidance means that the people have a higher tolerance for the unstructured, the unclear and the unpredictable is there. So, three primary approaches to coordination and control is represented by the Japanese, American and European companies and it should be noted that the companies in each country use tools and techniques from each of the three coordinated methods. So, centralized coordination in the Japanese companies, European firms decentralized approach, the United States the coordination and the control through the formalization is there. These three national approaches to coordination and control are the centralized coordination in Japanese companies. When expanding the internationally Japanese companies has typically developed the coordination mechanism that rely on the centralization.

The top managers at the headquarters actively direct and control overseas operations whose primary focus is to implement the strategies handed over down from the headquarters. A recent study of the R&D activities in high tech firms in the Japan and Germany supports the idea that Japanese organizations tend to be more centralized whereas, the German firms lean towards dispersing the R&D groups out in the different regions and Japanese tended to keep these activities that is centralized in the home country is there. So, therefore, these German firms whatever they have learned that is about the dispersing into the different regions that will be applicable. This centralized approach enables Japanese companies to leverage the knowledge and resources located at the arm corporator center, attain global efficiencies and coordinate across units to obtain the synergies and the avoid the turf battles is there. Europeans firms the decentralized approach is a different approach and that has typically been taken by the European companies rather than the relying on the strong centrally directed coordinated and the control as in these Japanese firms.

And here the international units tend to have a high level of independence and the decision making. Now, here these units tend to which are having the decision making autonomy, the companies rely on a strong mission that is shared values and informal personal relationship for the coordination is there. Thus, the great emphasis is placed on careful selection and the training and development of these key managers throughout of the international organization and the formal arm management and the control system are used primarily for the financial rather than technical or the operational control. When a decentralized approach each international unit focuses on its local markets enabling the company to excel in meeting diverse needs, one disadvantage is the cost of the ensuring through training and development programs and that managers throughout a huge global firm share the global values and the priorities are there. And the third one is that is in the United States coordination and control that is through transformation or the formalization of the US based companies that have expanded into the international arena have been taken still at third direction.

Typically these organizations have delegated responsibility to the international divisions yet retained overall control of the enterprise through the use of these sophisticated management control system and the development of a specialist headquarters staff, formal systems, policies, standards and performance and a regular flow of the information from the division to the headquarters are there. So, primary means of the coordination and control decision making is based on the objective data, policies and the procedures which provides for many operating efficiencies and reduces the conflict among the divisions and between the divisions and the headquarters are there. Finally the standard routine and the procedures do not always fit the needs of the problems and the situations. So, flexibility is limited if the managers pay so much attention to the standard

systems that they fail to recognize opportunities and threats to the environment is there. The transitional model is there and in the transitional model represents the most advanced kind of the international organization and it reflects the ultimate in both the organizational complexity with many diverse units and the organizational coordination with the mechanisms for integrating the varied parts.

The transformational model is useful for these the large multinational companies with the subsidiaries in many countries that try to exploit both the global and the local advantages as well as the technological advancements, rapid innovations and the global leveraging and the knowledge sharing. Rather than building these capabilities primarily in one area such as the global efficiencies, national responsiveness of the global learning, the transitional model seeks to achieve all three simultaneously dealing with the multiple interrelated complex issues requires a complex form of the organization and structure is there. Now this is the transitional model of organization is there and here we find it is a different countries are there and all these countries you find that is they are creating the multinational corporations as an inter organizational network you can find out. So, the companies which are related that these connection has been shown with the one company to the another company and one country to the another country the companies are there which are interrelated is there and therefore, on one side you can take the Portuguese, Sweden, Spain, Norway or the France is there while in the case of this the Canada, USA, Holland they are at the different level of these connections are there. Similarly, we find the Egypt, Kenya, South Africa, Pakistan, Bangladesh, India, Israel, Korea, Iraq, then the Taiwan, Singapore they are connected with each other in a different way.

So, therefore, in that case you will find that is the transitional model of organization and that works in a different way. The units of the transformational organizations networks achieving these coordination, essence of participation and the involvement by the subsidiaries and the sharing of information, knowledge, new technology and the customers is a tremendous challenge. For example, a global corporation like the Philippines, Unilever, or GE so large that the size alone is a huge problem in the coordinating global operations. In addition, the some subsidiaries become now so large that they no longer fit a narrow strategies role defined by the headquarters. While being the part of a larger organization, individual units need some autonomy for these themselves and the ability to have an impact on the other parts of the organization.

So, this is point which is becoming a very, very important for the motivation of the employees also. The transitional model addresses these challenges by creating an integrated network of the individual operations that are linked together to achieve these multidimensional goals of the overall organization. Several characteristics through the

transitional organization from the other organizations we have forms such as the matrix is there, assets and resources as dispersed whole worldwide into the highly specialized operations that are linked together through the interdependent relationships. Subsidiary unification and coordination are achieved primarily through corporate culture, the shared vision and values and the management style rather than through the formal structure and the systems. So, structures are flexible and ever changing.

Subsidiary managers initiate strategy and innovation that becomes a strategy for the corporation as a whole. This is a case study, there is a shrink flow implemented a new global strategy and the infrastructure is there and by going through this particular case study that you will find out that is the how we can make the organizations that is more sustainable also to make this quality and sales practices around the world so that you can say that is these international division sells to the achieving the economies of the scale is there. This case study will also help you to understand optical products company to help the increase that companies the global competitive positions are there. I am sure that is the after going through this case study, you will be able to answer this question that is what kind of the problems was the sharing flow of experiences with it is a global strategy and the structure and how did the sharing flow changes its global structure to solve these problems are there. This is the research paper that is building the dynamic capabilities for international marketing knowledge management is there.

Here the different authors, they talk about using the terms of the knowledge based view and the focusing on the individual loci of knowledge that the present study addresses whether the marketing knowledge management is rooted in the individual dynamic capabilities and consequently whether it has a close relationship with the three main disease namely the ability to solve a problem that is a substantive capability and the adaptation to rapid changes that it is a adoptance capability and the ability to change the way individuals solve the problems that is a change capability is there. So whenever we are talking about the substantive capabilities, adaptive capabilities and the change capabilities and that will be giving these building dynamics capabilities for the international marketing knowledge management is there. This has proven these results of this particular paper that is the decisions to improve the business performance in terms of the creativity, innovation and flexibility in response to market change is there. This paper will be help them to learn in the local markets, study the stress, the act the individuals are concerned for the generator of the local market is there. Another paper the capacity building for the sustained competitive advantage a conceptual framework and this capacity building is the crucial antecedent for the socio economic development.

However, an enhanced capacity that is a difficult to develop could quickly be eroded because of the rapid changes in the competitive forces in industries and market.

Therefore, this paper intends to analyse the extent strategic management and the relationship that is the marketing that is RM literature that deals with the competition. Eventually, it is a purpose of this paper is to develop and the alternative route for the capacity building that is the process that consistent competitive advantage in a market or the industry which encounters the rapid changes in the business competition is there. The findings of this paper will help you to understand how to go for this international market is there and this proposal needed the international initial kind of the conceptual framework is there. This is a book titled this capability building and the global innovation network is there and authors by the Michael Gastro and the Glenda Cruz.

This book that is explores the emerging relationship between the competence building and the structure of the global innovation network and is providing a valuable new perspective from which to critically assess their development potential. It was the original published as a special issue of the innovation and the development is there. These are the references, you can go into the details of these references. So get you can get the knowledge about these different organizations theories and designing it is how the organizations are to be designed whenever there are the concept of the international or the global or the global development of the organizations are existing. Thank you. .