

6.42: Realigning and Restructuring for Global Competitive Advantage

Creating the right environment for a global mind-set to develop and realigning and restructuring a company's global operations, at a minimum, requires (a) *a strong commitment by the right top management*, (b) *a clear statement of vision and a delineation of a well-defined set of global decision-making processes*, (c) *anticipating and overcoming organizational resistance to change*, (d) *developing and coordinating networks*, (e) *a global perspective on employee selection and career planning*.

A strong commitment by the right top management. Shaping a global mind-set starts at the top. The composition of the senior management team and the board of directors should reflect the diversity of markets in which the company wants to compete. In terms of mind-set, a multicultural board can help operating managers by providing a broader perspective and specific knowledge about new trends and changes in the environment. A good example of a company with a truly global top management team is the Adidas Group, the German-based sportswear company. Its executive board consists of two Germans, an American, and a New Zealander; the CEO is German. The company's supervisory board includes German nationals, a Frenchman, and Russians. Adidas is still an exception. Many other companies operating on a global scale still have a long way to go to make the composition of their top management and boards reflects the importance and diversity of their worldwide operations.

A clear statement of vision and a delineation of a well-defined set of global decision-making processes. For decades, it has been general management's primary role to determine corporate strategy and the organization's structure. In many global companies, however, top management's role has changed from its historical focus strategy, structure, and systems to one of developing purpose and vision, processes, and people. This new philosophy reflects the growing importance of developing and nurturing a strong corporate purpose and vision in a diverse, competitive global environment. Under this new model, middle and upper-middle managers are expected to behave more like business leaders and entrepreneurs rather than administrators and controllers. To facilitate this role change, companies must spend more time and effort engaging middle management in developing strategy. This process gives middle and upper-middle managers an opportunity to make a contribution to the (global) corporate agenda and, at the same time, helps create a shared understanding and commitment of how to approach global business issues. Instead of traditional strategic planning in a separate corporate planning department, Nestlé, for example, focuses on a combination of bottom-up and top-down planning approaches involving markets, regions, and strategic product groups. That process ensures that local managers play an important part in decisions to pursue a certain plan and the related vision. In line with this approach, headquarters does not generally force local units to do something they do not believe in. The new philosophy calls for development of the organization less through formal structure and more through effective management processes.

Anticipating and overcoming organizational resistance to change. The globalization of key business processes such as IT, purchasing, product design, and R&D is critical to global competitiveness. Decentralized, siloed local business processes simply are ineffective and unsustainable in today's intense, competitive global environment. In this regard, creating the right "metrics" is important. When all of a company's metrics are focused locally or regionally, locally or regionally inspired behaviors can be expected. Until a consistent set of global metrics is adopted, designed to encourage global behaviors, globalization is unlikely to take hold, much less succeed. Resistance to such global process initiatives runs deep, however. As many companies have learned, country managers will likely invoke everything from the "not invented here" syndrome to respect for local culture and business heritage to defend the status quo.

Developing and coordinating networks. Globalization has also brought greater emphasis on collaboration, not only with units inside the company but also with outside partners such as suppliers and customers. Global managers must now develop and coordinate networks, which give them access to key resources on a worldwide basis. Network building helps to replace nationally held views with a collective global mind-set. Established global companies, such as Unilever or GE, have developed a networking culture in which middle managers from various parts of the organization are constantly put together in working, training, or social situations. They range from staffing multicultural project teams, to sophisticated career path systems encouraging international mobility, to various training courses and internal conferences.

A global perspective on employee selection and career planning. Recruiting from diverse sources worldwide supports the development of a global mind-set. A multicultural top management, as described previously, might improve the company's chances of recruiting and motivating high-potential candidates from various countries. Many companies now hire local managers and put them through intensive training programs. Microsoft, for example, routinely brings foreign talent to the United States for intensive training. P&G runs local courses in a number of countries and then sends trainees to its headquarters in Cincinnati or to large foreign subsidiaries for a significant period of time. After completion of their training, they are expected to take over local management positions.

Similarly, a career path in a global company must provide for recurring local and global assignments. Typically, a high-potential candidate will start in a specific local function, for example, marketing or finance. A successful track record in the chosen functional area provides the candidate with sufficient credibility in the company and, equally important, self-confidence to take on more complex and demanding global tasks, usually as a team member where he or she gets hands-on knowledge of the workings of a global team. With each new assignment, managers should broaden their perspectives and establish informal networks of contact and relationships. Whereas international assignments in the past were primarily demand-driven to transfer know-how and solve specific problems, they are now much more learning-oriented and focus on giving the expatriate the opportunity to understand and benefit from cultural differences as well as to develop long-lasting networks and relationships. Exposure to all major functions, rotation through several businesses, and different postings in various countries are critical in creating a global mind-set, both for the individual manager and for the entire management group. In that sense, global human resource management is probably one of the most powerful medium- and long-term tools for global success.

 Minicase: March 31, 2008: Citi Announces New Corporate Organizational Structure (news.primerica.com/public/news/citi-announces-new-corp-organizational-structure.html)

Vikram Pandit, Citi's chief executive officer, recently announced a comprehensive reorganization of Citi's structure to achieve greater client focus and connectivity, global product excellence, and clear accountability. The new organizational structure is designed to let Citi focus its resources toward growth in emerging and developed markets and improve efficiencies throughout the company.

Specifically, Citi has established a regional structure to bring decision making closer to clients. The new structure gives the leaders of the geographic regions authority to make decisions on the ground. The geographic regions are each led by a single chief executive officer who reports to Mr. Pandit.

In addition, Citi reorganized its consumer group into two global businesses: Consumer Banking and Global Cards. This brings Citi's number of global businesses to four: Institutional Clients Group and Global Wealth Management are already organized as global businesses. The four global businesses will allow Citi to deliver on product excellence in close partnership with the regions. The product leaders also will report to Mr. Pandit.

"Our new organizational model marks a further important step along the path we are pursuing to make Citi a simpler, leaner and more efficient organization that works collaboratively across the businesses and throughout the world to benefit clients and shareholders," said Mr. Pandit. "With this new structure, we reinforce our focus on clients by moving the decision-making process as close to clients as possible and assigning some of our strongest talent to lead the regional areas and global product groups."

As part of the reorganization, in order to drive efficiency and reduce costs, Citi will further centralize global functions, including finance, IT, legal, human resources, and branding. By centralizing these global functions, particularly IT, Citi will reduce unnecessary complexity, leverage its global scale, and accelerate innovation. Risk is already centralized.

The business reorganization reflects priorities outlined by Mr. Pandit, who has been conducting intensive business reviews, since being named CEO, to drive greater cross-business collaboration; eliminate bureaucracy and create a nimbler, more client-focused organization; ensure strong risk management and capital resources; and drive cost and operational efficiencies to generate additional shareholder value.

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