

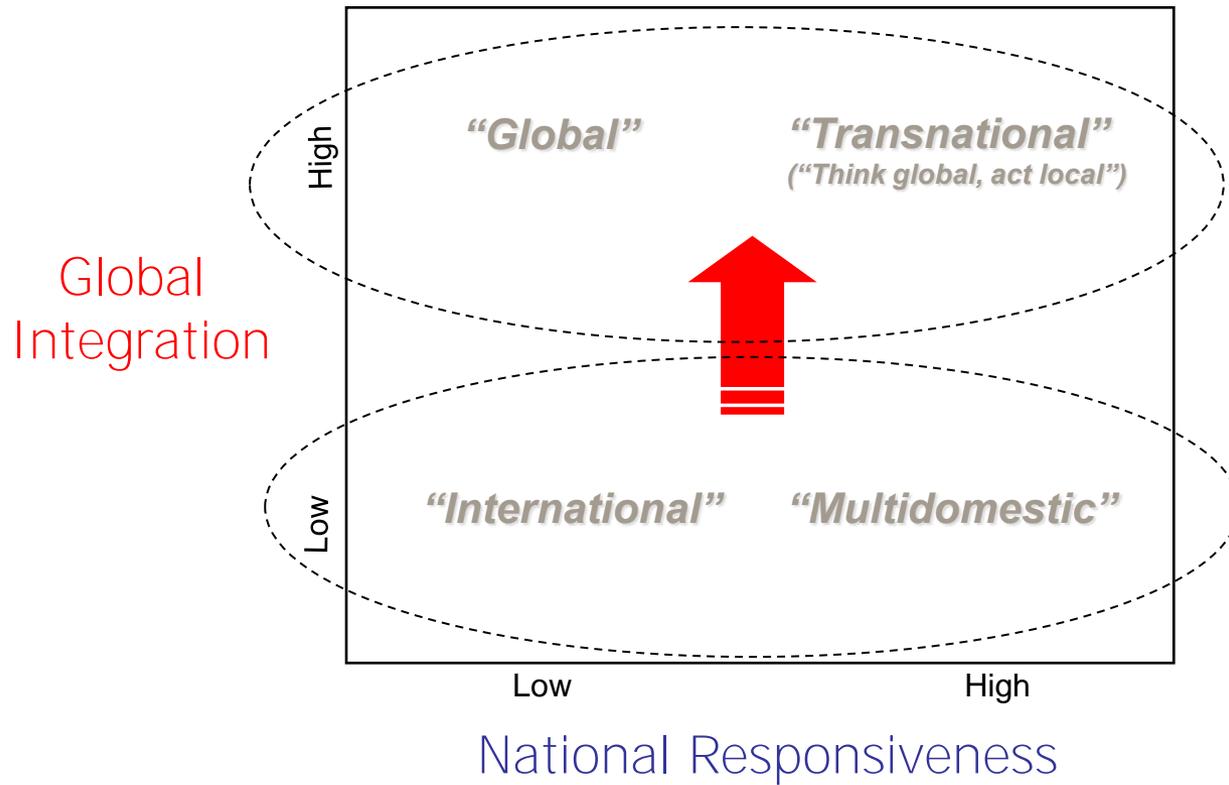


15.229 - Managing Global Integration

Joe Santos

Session 6

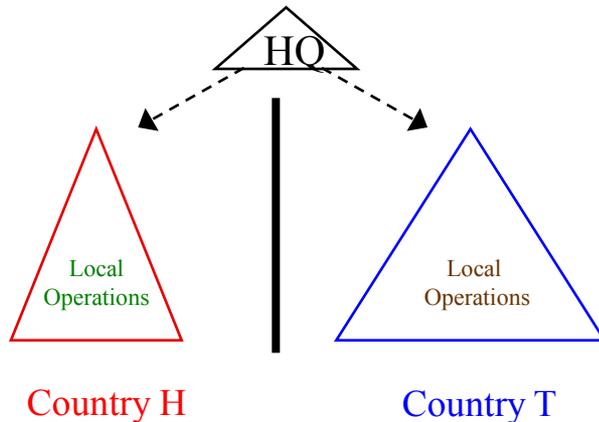
Global Integration in the MNC



“Global Integration” in the Multinational Company

The recent history of a major organisational change

“Local Autonomy”



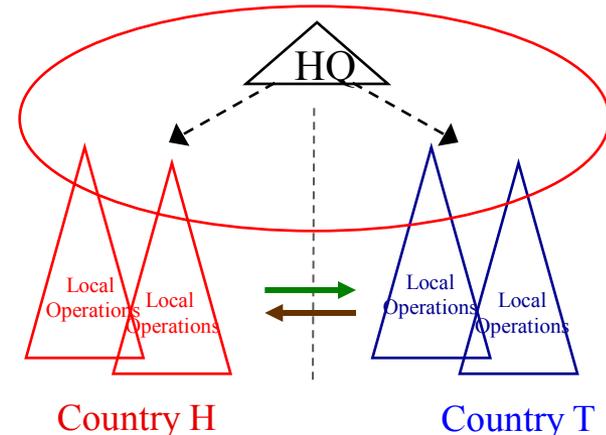
Acting as a “set”

(Value Logic: Portfolio, integrating output)

< 1980s

- GM
- Shell
- IBM

“Global Integration”



Acting as “one”

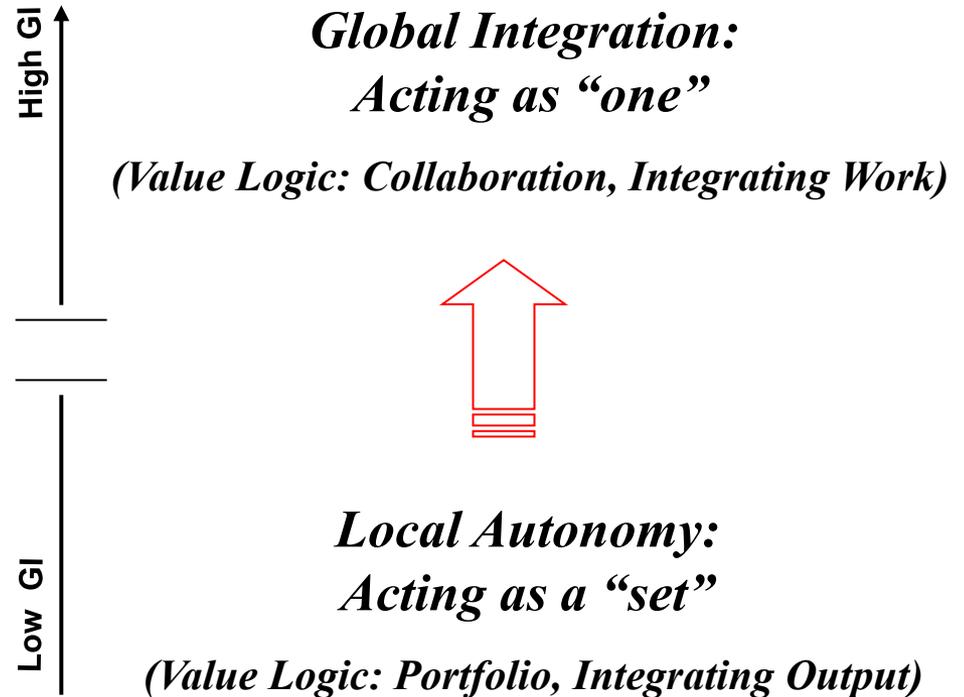
(Value Logic: Collaboration, integrating work)

> 1980s

- Toyota
- Exxon
- IBM

Globalisation implies a discontinuous change
in the strategy and organisation of multinational companies

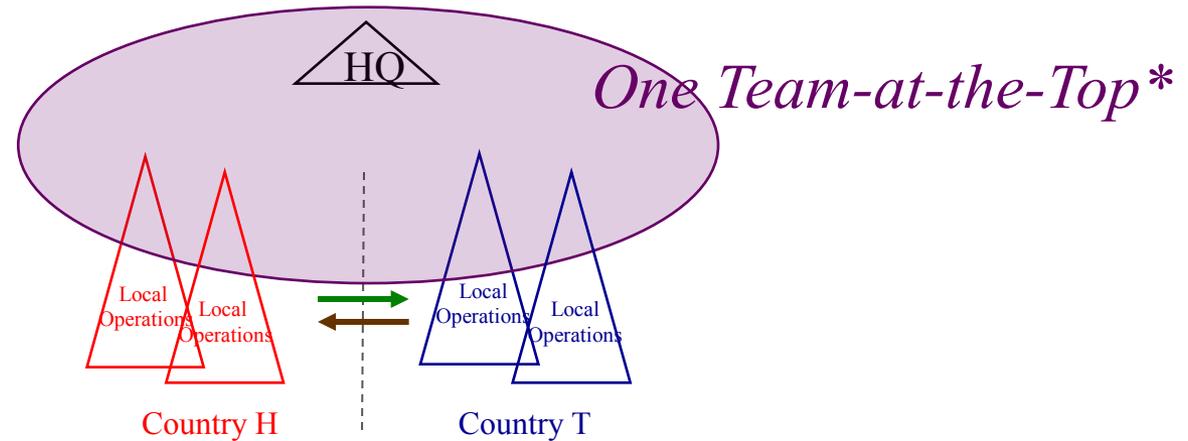
How do we design, coordinate, and
control what we do in our units
around the world to realize a
superior *global performance*?



“Global Integration” is a re-creation of the MNC!

	“Portfolio of Countries” 	“Global Integration”
Environment	Business is multi-domestic: customers, competitors, ... are local companies or “portfolio” MNCs.	Business is global: customers, competitors, ... are globally integrated MNCs.
Strategy	The whole is a portfolio of countries (autonomous performance)	The whole works together as “one” (interdependent performance)
Organisation		
Managerial Mindset	May be different between HQ and country units and across countries	Universal for all those in the “ extended global management team ” (members of HQ, country units, and other units)
Structure	Geographic	Multidimensional (or Functional)
Processes	Bilateral (focal country and HQ)	Multilateral (focal country, other country units and HQ)
Incentives	On country / unit performance	On global / unit performance
People: HQ Mgrs	Entrepreneur/Steward, self-sufficient, controller, financier	Leader/Steward, team-player, coordinator, umpire
People: Country unit Mgrs	Entrepreneur, self-sufficient, trader (“governor”)	Steward, team-player, negotiator (“ambassador”)

The Global Integration Challenge



How do we (an inclusive “we”) decide, coordinate, and control what we do in our units around the world to maximize global performance?

How do we act as a unity and not as a multiplicity?

Global Integration is about collaboration, not centralization.
Global Integration is about active local units abroad, not drones.
But it is about “local performance” as a means, not an end.

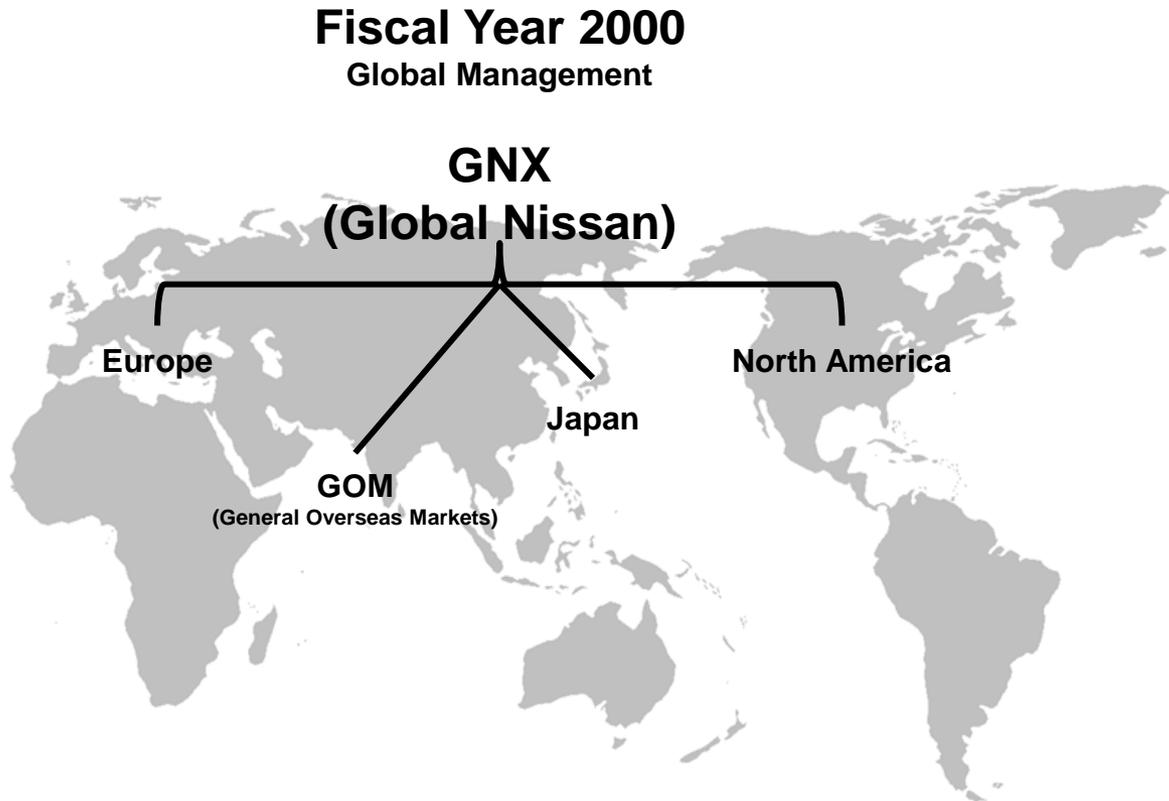
* The eGLT: “extended Global Leadership Team”⁶

From Hierachy to Networks

Diagram of hierachy and network removed due to copyright restrictions.

Source: Slide 4 in "[Business focus and the organisation.](#)" Presentation delivered by Peter Brabeck-Letmathe for Nestlé Investor Seminar - St. Louis (June 15 & 16, 2004).

Global Integration at Nissan

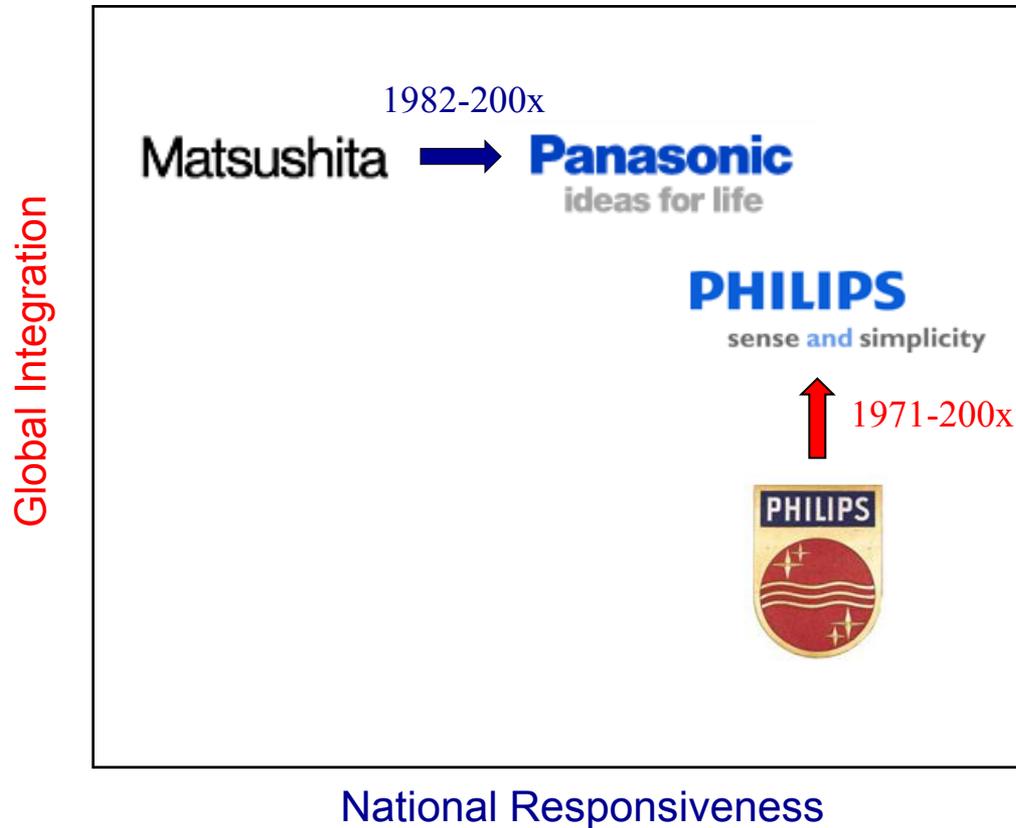


(Source: Nissan 2002 case study – HBS)

Stretch Principles

- Same **common goal**: Nissan's global profitability and market presence
- Three overlapping angles to reach this goal:
 - Regions: Regional profit and market presence, with a shorter-term business focus
 - Functions: Global efficiency and coherence, with a longer-term perspective
 - Programs: Vehicle global profit, return on investment, and market presence over its entire cycle
- **Stretch "by design"** between the three dimensions:
 - To surface issues and opportunities through mutual challenge
 - To boost global, cross-functional teamwork
- Multiple hatting and reporting

Administrative Heritage and the journey towards the “transnational solution”



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Note the difficulty that Philips and Matsushita experience in their change efforts and the very long journey (from Philips decentralized federation and Matsushita centralized hub to transnational networks), which highlight the importance of “administrative heritage”, the deep organizational features (such as norms, structures, processes) that result from a company’s national culture, its history, and its founders. What is required is to build on the administrative heritage, not destroy it ...

CLASS 6. Navigating the Maze of a GI Organization – Monday, April 23

Learning Objectives:

- a. The “matrix” and the multidimensional organization
- b. The challenges of managing in a multidimensional organization

Pre - Reading:

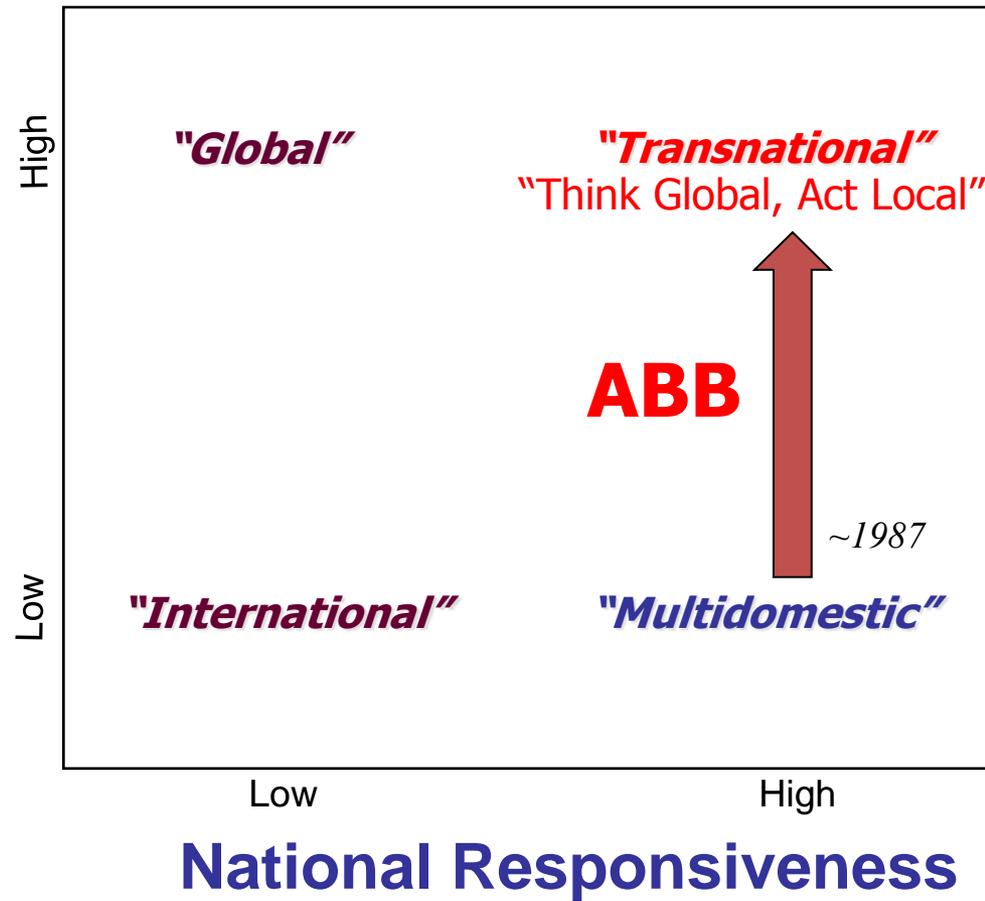
CASE: ABB: Accountability Times Two (B). HBS case 9-192-142 (2000) (In course reader).

Paper: Note on ABB organization in the 1990's (on Stellar).

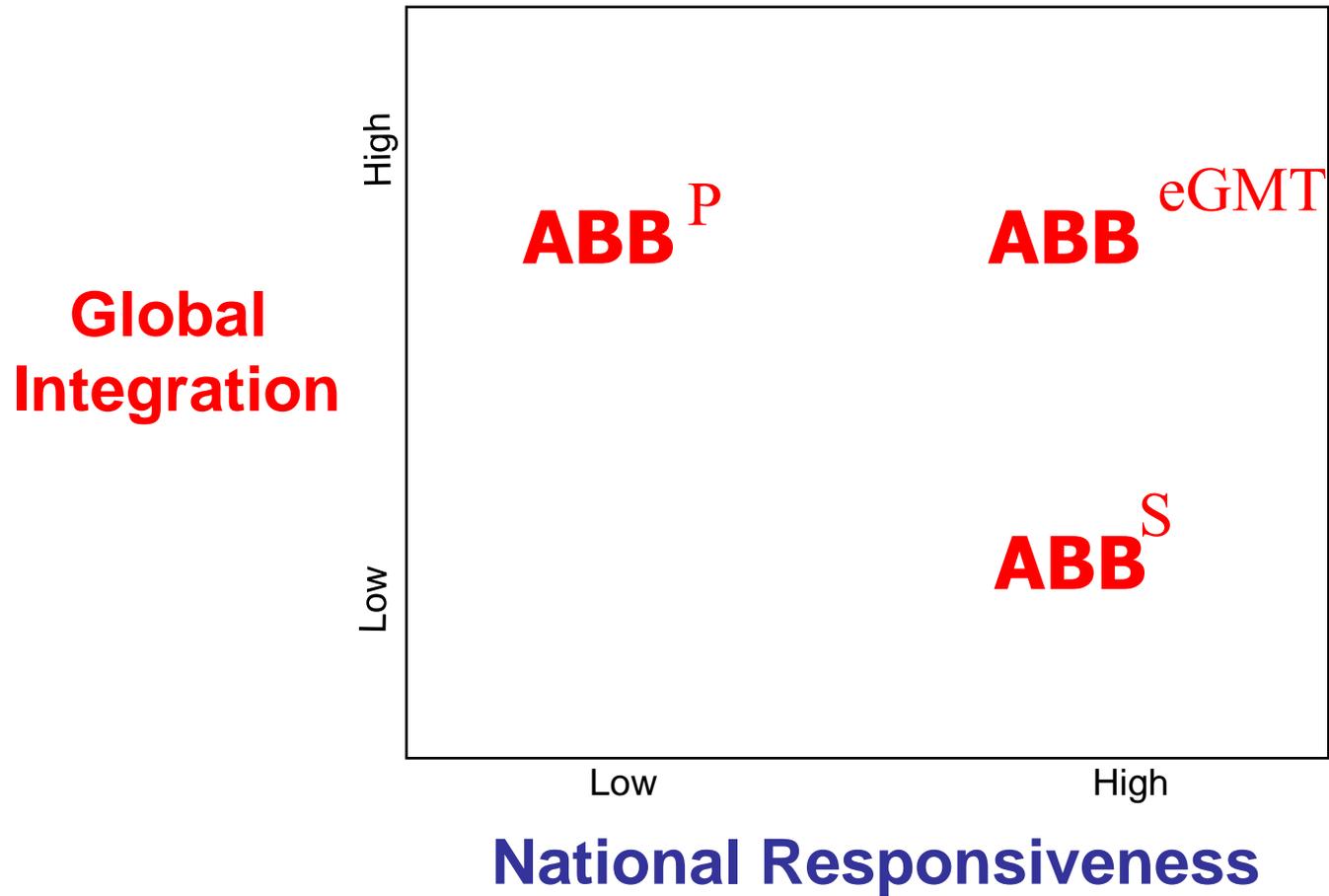
Study Guide Questions:

1. The Swiss manager who speaks in the case seems preoccupied, even angry. Why?
2. Have you ever been in a similar situation? Did you feel like the Swiss manager? Why?
3. If the Swiss manager in the case asked you what he should do, what would you say?
4. Suppose you were the CEO of ABB and were informed of this case. What would you do?

Global Integration



Selective Integration

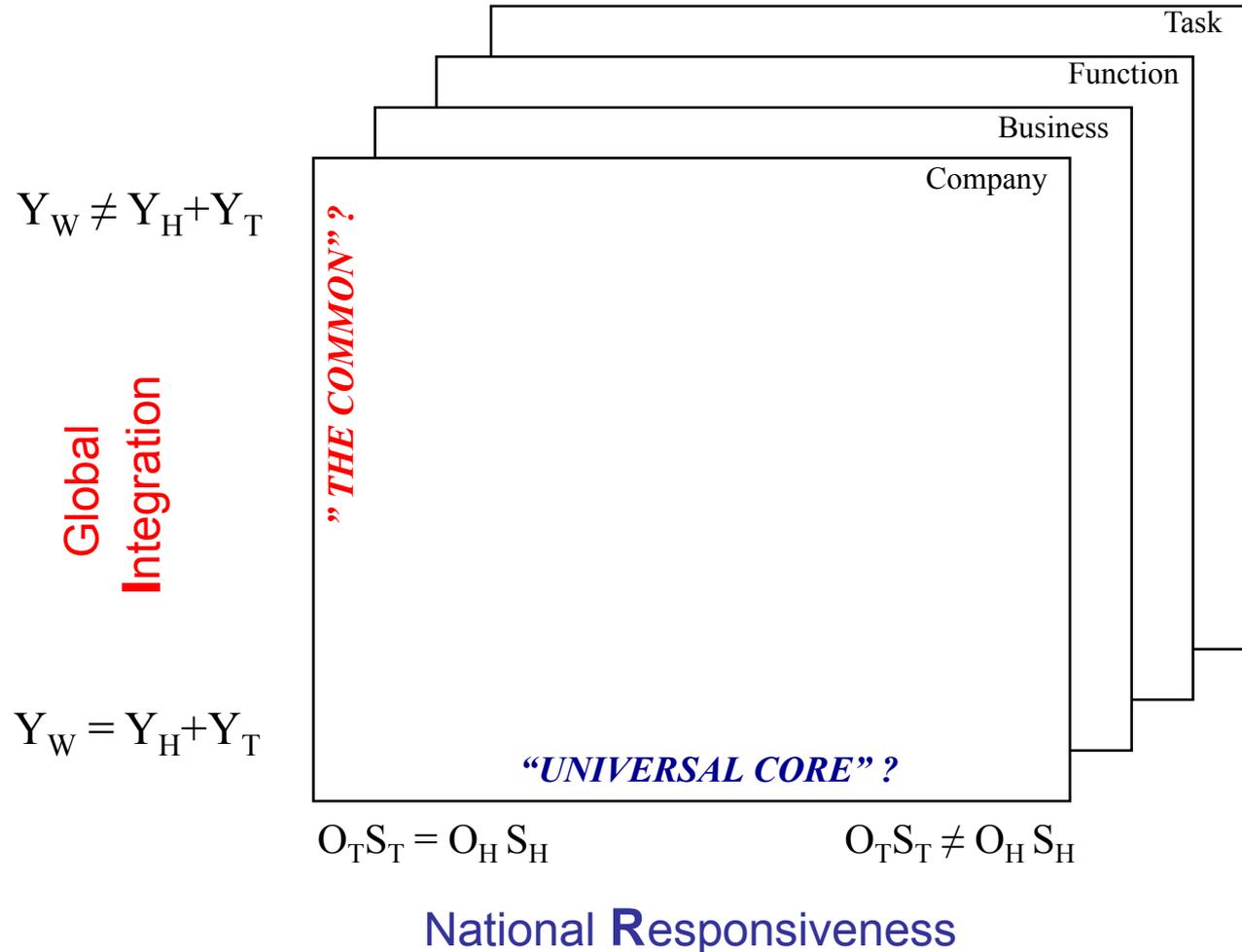


ABB

“Our CEO became aware of a major problem concerning our business in the UK. It is likely that the problem was caused by lack of collaboration between our country units in the US and in S and our business unit HVSG in CH. Please discover who caused the problem and how to avoid such problem in the future.”

- 1) Problem caused by GM of ABB USA. Serious violation of “Think Global”.
- 2) The emergence of “global customers” may cause a drastic change in organization (mindset, style, structure, processes, performance metrics, incentives). Before any such action, establish if “H in UK” is a leading sign of a change in customer behavior and what will be the extent of such change. Then set a “vision” for the organization.

The "I-R" at different levels



W= A "World" with two countries, H ("Here") and T ("There")
 Y= Company Performance

Selective Integration

Different functions call for different strategies and different organisations

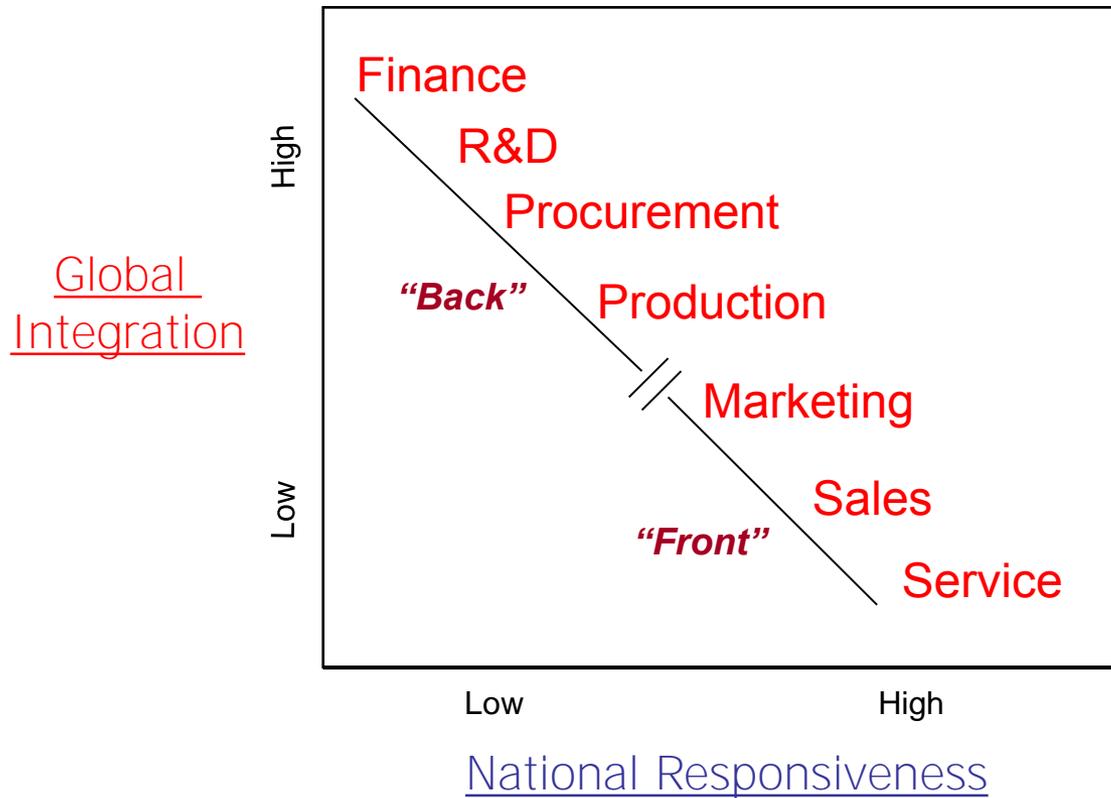


ABB realigns organization around customers

Early response to new market demands, aimed at fuelling growth

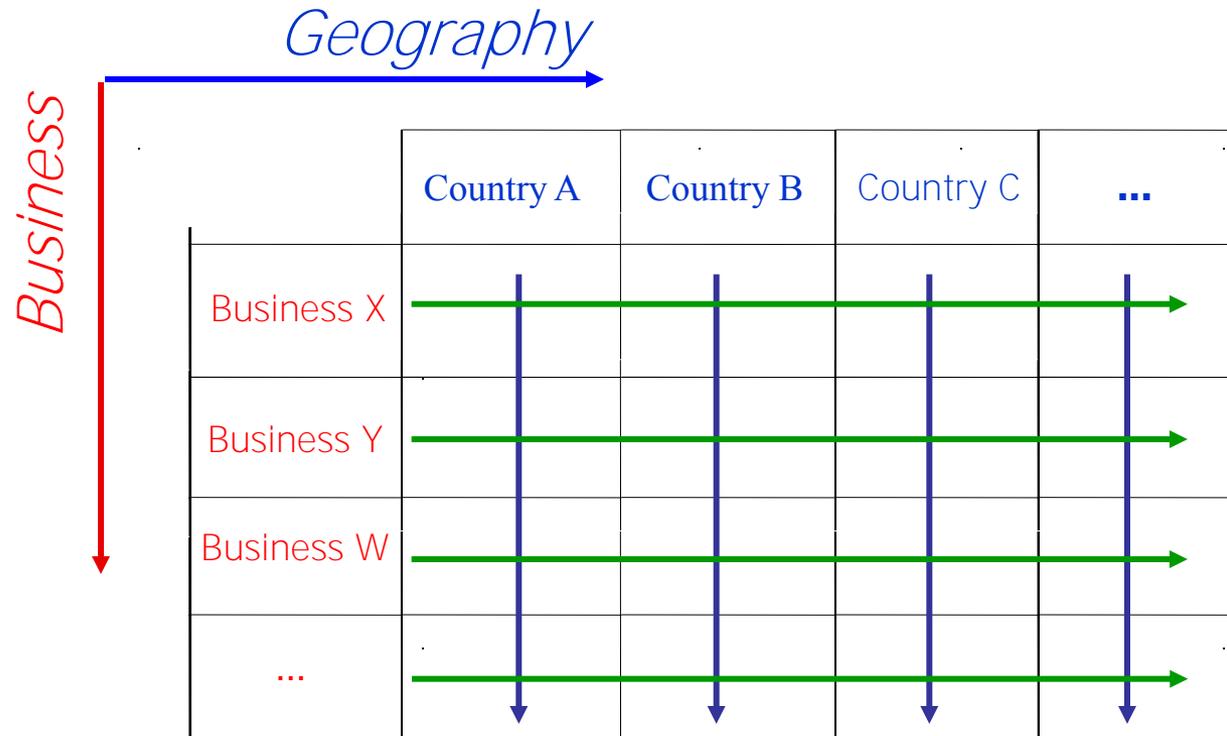
- First in its industry to organize fully around customers instead of products
- New top management team appointed
- New Ventures division created

Zurich, Switzerland, January 11, 2001 – ABB announced today it is transforming its worldwide enterprise around customer groups, aiming to boost growth by helping its customers become more successful in a business environment of accelerating globalization, deregulation, consolidation and eBusiness.

ABB replaces its current business segments with four customer segments serving end users, working closely with two product segments that also serve all external channel partners, and a financial services segment. This transformation, which will not incur any restructuring charges, will be implemented in most markets by mid-year 2001. ABB is the first in its industry to fully organize around customers rather than technologies.

Screenshot from ABB website's "[ABB Group Executive Committee](#)" page removed due to copyright restrictions.

A “Matrix” Organization ... of another kind



(Example of a two-dimensional, double solid-line reporting organization)

CLASS 7. Managing Global Customers – Wednesday, April 25

Learning Objectives:

- a. Local customers and global customers as organizational dimensions
- b. GI and the global customer
- c. The emergence and evolution of “global account management”

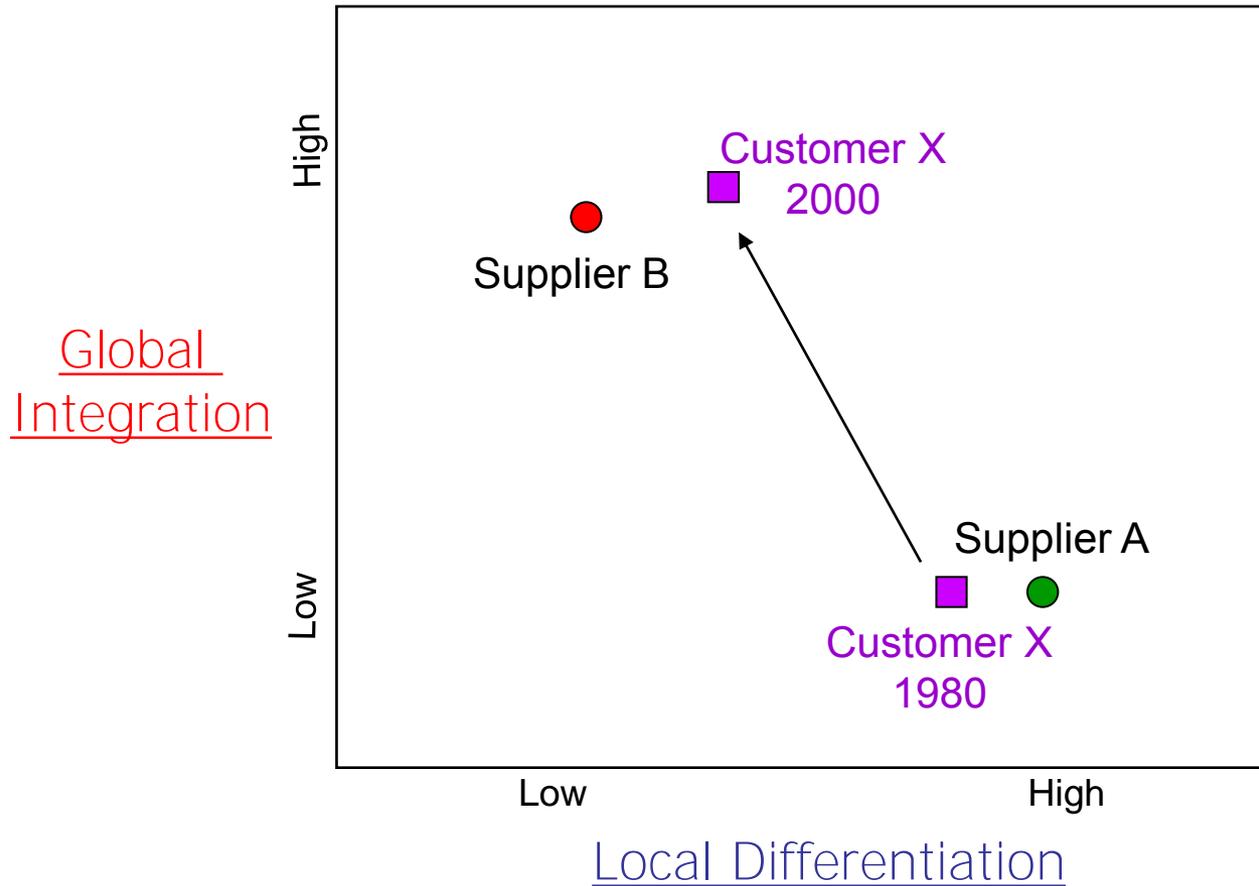
Pre - Reading:

CASE: “Siemens Key Account Management: Lost in Central Asia,” Rotterdam Business School case no. 311-256-1 (In course reader).

Study Guide Questions:

1. What is “Siemens One” and why is it so important?
2. Why is the relation between a Siemens and a global customer so complex?
3. Why an “Account Management Team”? What is its the main role?
4. What is the nature of the issue with Eurobric? Is it a “global-local” matter?

The “distance” between Multinational Suppliers and Multinational Customers



Supplier A (for example, a fmcg manufacturer) is likely to see Customer X (a retailer) move to Supplier B – not because of product quality or price, but because “distant” multinational organizations (on this “map”) can hardly work efficiently with one another.

Act 1: GAM as “global coordination”

(mostly informal, involving or not the “home country”/HQ of the customer)

	Business X	Business Y	Business Z	...
Country A				
Country B				
Country C				
...				
ROW				

Act 2: GAM as "matrix sales mgt"

	Division A	Division B	Division C	Division D
North America	NAM X (HQ)			
EUR	NAMs X			
AsiaPac	NAMs X			
LatAm	NAMs X			
ROW	Sales Distributor			

A (possible) Final Act in several MNCs: The Global Customer

	Division A	Division B	Division C	Division D
GC X				
GC Y				
GC Z				
GC W				
ROC*				

The GCM becomes equivalent to a global business unit *general* manager, not a sales manager (hence my preference to name such unit as Global Customer and not Global Account)

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