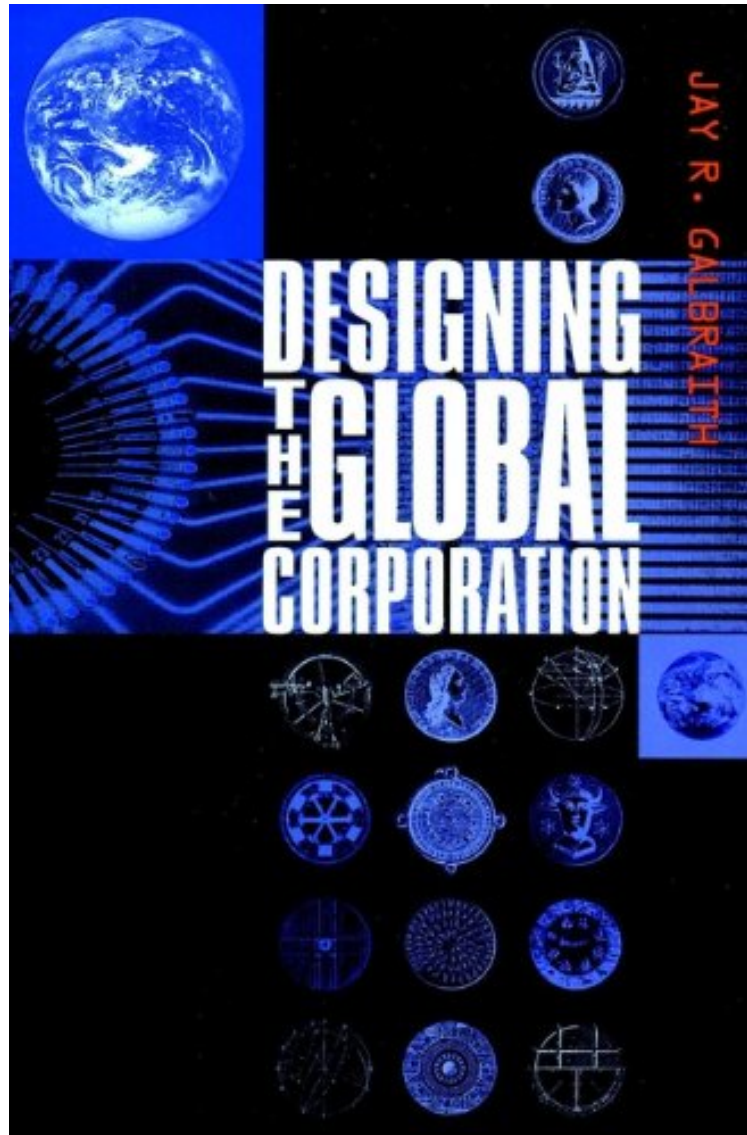


# Designing the Global Corporation

Jay R. Galbraith

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**Jay R. Galbraith : Designing the Global Corporation** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Designing the Global Corporation:

0 of 0 people found the following review helpful. Five StarsBy WILLIAMvery useful for my studies4 of 5 people found the following review helpful. Geography is History!!By Ajay BakshiBackground: Geography is History!! So went an advertisement from a telecom company a few years ago. And as globalization proceeds to breakdown national boundaries, open up cultures and increases access for economic activity, an awareness of this process of breakdown of geography has become a necessity for any corporation wanting to grow and flourish. Increasing size in this dynamic

environment brings with it many challenges including increasing structural complexity, need for quick and seamless communication to manage this complexity, as well as an ability to assess and predict the changing external world, recognize opportunities therein and fashion nimble responses to gain competitive advantage. 'Designing the Global Corporation' is a book written to address such issues in an attempt to help managers structure their thinking towards an increasingly boundaryless world.

Synopsis: Jay Galbraith begins his book by arguing against the KISS principle (Keep It Simple, Stupid!) of organizational design. He recognizes that increasing foreign direct investment (FDI), breakdown of trade barriers and improved communications via media like the Internet along with a corporations need to reach customers globally have increased the complexity of doing business. Corporations could fight this complexity and simplify their operations, or learn to accept, manage and in fact use this complexity as a competitive advantage against simpler competitors. He then goes on to inject great precision into the concept of a globalization for a corporation and defines 5 different levels of international development in increasing order of complexity. A corporation may develop a competitive advantage in its home country and then try to export this advantage to international destinations, evolving through different levels of international development. Or, a corporation like Logitech, may be designed as a transnational corporation from its very inception, with hardware RD located in Switzerland, software development in California, manufacturing in Taiwan and sales in every country. Evolution from level 1 to level 5 may not be inevitable and/or desirable, with many companies deciding to settle into a particular niche depending upon the nature of their business and their long-term goals. The rest of the book is devoted to a very clear, well-illustrated nuts and bolts description of designing global corporations with different levels of internationalization. The geographical entity headed by a country manager, multinational single business units and the multinational multi dimensional organizations are described in great detail. Underlying theme of this entire discussion is that the structure of the organization has to cater to its overall strategy, and the former has to change as the latter evolves. The author spends considerable time and space on the need and means for developing informational and decision-making networks within such complex organizations. Here again he describes 5 different types of networks in increasing order of complexity beginning with informal voluntary communication and going up to a formally structured matrix organization. He discusses the advantages and limitations of each and how such networks may be used to propagate the agenda of the corporation. As a corporation increases its level of internationalization, it has to deal with increasingly complex networks that transcend geography, business function and culture. He ends the book by describing the 5 dimensions that a global corporation must learn manage in order to remain successful. These 5 dimensions are managing functions, geographies, product lines (or business units), customers and solutions. Finally, he writes, "Regardless of whether globalization continues, stalls, or even reverses, the models described in this book should continue to guide organizing choices....and as businesses struggle to compensate and thrive on their ever expanding journey, the ideas and structures presented in this book can serve as a road map."

Critique: The author has presented his ideas very clearly and illustrated them with many examples from real companies. The organization of the book follows a logical flow of thoughts and the language used makes it fairly readable. Having said that, the complexity of many of the concepts presented in this book precludes it from being a casual bedtime reading, rather it demands full concentration and a careful attention to detail from the reader.

16 of 18 people found the following review helpful. Organizations of third-generation strategies. By Turgay BUGDACIGIL "Most companies do not have the capabilities to institute the multidimensional organizations that are required by their strategies and necessary to serve their global customers. In one memorable conversation,...Chris Bartlett summed up the situation well, stating that companies pursue third-generation strategies using second-generation organizations staffed with first-generation human resources. When first-generation managers attempt to institute third-generation multidimensional organizations, they fail and attribute the failure to the organizational form, not to their lack of capability. They then call for a return to simple, first-generation organizations. These simple organizations will work if the companies follow first-generation strategies in clear and stable industries. However, if a company wants to enter complicated countries like China, create value for the global customer desiring solutions, and be competitive in converging industries, it must pursue a third-generation strategy. This book is intended for those who wish to design the third-generation organizations required by third-generation strategies...I believe in 'keeping it simple' but with two twists. First, I believe we should keep it simple for the customer; a company should work toward being easy to do business. Second, I believe we should keep it simple for front-line employees-those people with direct customer and product contact...The new mandate to keep it simple for customers and front-line employees makes management's job difficult and complex; how to organize in order to manage this complexity is addressed in this book...Some firms, like ABB, IBM, and Citigroup, believe that the winning companies are going to be those that can manage global complexity. It is for these firms that this book is written" (from the Preface).

In this context, Jay R. Galbraith:\* highlights some of the reasons for adopting a global organizational capability as well as some of the inherent challenges in doing so, and also spotlights some of the managerial and business-environment mind-set that can prevent these strategies from being embraced and employed to full advantage.\* argues that the global organizations are complex and multidimensional networks as a result of balancing many strategic factors; and then describes these factors in four categories: level of international development, amount of cross-border coordination, activity of host local institutions, and diversity of international

business portfolio.\* argues that the level of international development—one of the strategic factors that influence how a company organizes its international operations—consists of three dimensions: the role of subsidiaries, the mode of participation in the local economy, and the proportion of assets and employees located outside the home country; and then defines the different types of competitive advantages, and focuses on the different levels of international development and how a firm changes from one level to another.\* argues that after exporting, the next level of international development is investment in foreign countries with a partner; and then focuses on the partnering process itself and the organizational skills—particularly the organization design.\* describes six tasks of geographical division: (1)transfer advantages from existing geography, (2)localize the success formula, (3)build a local business, (4)communicate with and educate the home country, (5)champion the new subsidiaries, (6)build international capabilities; and also describes the organizational design decisions involved in performing these tasks.\* reviews the variety of multidimensional structures chosen by companies, like Nestle, ABB, HP, and DuPont, by varying strategic factors, like fixed costs, markets, products, customers, competitors, transportability, and portfolio diversity.\* defines the lateral organization as an informational and decision-making process that coordinates activities whose components are located in different organizational units, and describes different types and amounts of lateral network coordination related to the strategic factors.\* argues that the easiest lateral organization is the informal or voluntary organization, and management's role in this self-organizing process is to create the appropriate context and remove any barriers to free-flowing contacts. In the next level, management—building on the informal networks—designs formal cross-border groups to manage shared functions, coordinate business units, and create global products; and then describes what makes the groups formal, and discusses the design issues involved in creating formal groups that coordinate across borders.\* discusses the factors that are creating transnational form as the last level of international development, and then elaborates organizational-design issues of this in an example.\* argues, the full complexity facing many companies involves simultaneously managing functions, geographies, product lines (or business units), customers, and solutions—at the very least. These companies must use multidimensional structures, with the dynamics of global business requiring that these multiple dimensions be reconfigurable. Different customers require the services of different combinations of business units and country subsidiaries; to be competitive, a company must be able to configure and reconfigure its profit centers to create value for customers. And then presents the framework for organizing around multiple dimensions, with focusing on the customer and customer solutions in cases of Citibank and IBM.Finally, he writes,"Regardless of whether globalization continues, stalls, or even reverses, the models described in this book should continue to guide organizing choices. The most likely new level of international development will probably be a consrtium or some type of electronic or virtual combination of local companies".I highly recommend this invaluable study.

If there's anything more challenging than designing a company, it's designing a global company. Balancing strategy and structure becomes even more daunting when geography, foreign governments, and worldwide customers and products are thrown into the mix. And no single design works for all organizations. In this book, internationally recognized expert Jay Galbraith shows companies how to match their own strengths and strategies with proven design options. Whether they're exporting their first product or already operating around the world, Galbraith gives companies the information they need to build flexible, global networks. And through real-world examples, he shows how successful international businesses are already navigating the global environment.

"Until now there has been no clear, useful approach to problems of global organization design. In *Designing the Global Corporation*, Jay Galbraith once again displays the insight and clarity of thought that has earned him his acknowledged position as the world's leading authority on organizational design."(William F. Joyce, professor, Tuck School of Business, Dartmouth College) "Once again, Jay Galbraith presents nuggets of insight for any senior manager leading global organizations!"(Susan Bowick, vice president, human resources, Hewlett-Packard Company) "In a time of growing complexity, Jay Galbraith provides concise and valuable insight into an issue that continues to puzzle managers the world over. A must-read for anyone with operational responsibility."(Helmut Maucher, chairman, Nestle S.A.) "A landmark book in many respects. Key issues such as flat networks, project teams, power shifts, and serving the global customer are all covered with great insight."(Peter Lorange, president, International Institute for Management Development, Lausanne, Switzerland) "The best reference source available on designing and making complex multinational organizations work."(Nathaniel Foote, organization design practice leader, McKinsey Co.) "A comprehensive guide to creating organisations that can successfully compete in the global arena." (Human Resources, February 2001)From the Inside FlapFor years now, the ubiquitous business watchword has been "keep it simple." But as more and more businesses go global, keeping things simple for customers becomes increasingly complex. Managers must find new ways to deliver solutions—;not just stand-alone products—;to customers who expect seamless integration no matter where in the world they may be. This book gives readers the skills they need to master this new global complexity and retain their competitive advantage. Written by an internationally recognized leader in organizational design, *Designing the Global Corporation* helps companies identify the specific "level of

internationalization" they are engaged in, from simply exporting product to managing multiple units that develop and sell product worldwide. It details the methods leading companies at various levels of globalization are using to build their business worldwide. These methods address the myriad issues that confront the modern multinational—issues defined by emerging geopolitical realities, the transformation and convergence of industries, and the strategic selection of new localities. Taken together, these methods form a framework that corporate executives, global strategists, and regional managers can use to create organizational designs that will work best for them given their company's own unique position. Based on twenty five-years of research with companies around the world, *Designing the Global Corporation* is the most comprehensive guide to creating organizations that can successfully compete in the global arena. It is the only book that presents solutions for both single businesses and multibusiness corporations, for both transnational and international divisions, and for beginning and experienced global managers alike.

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