

Organization Development and Change in 21st Century
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Lecture – 31
Organizational Development – Global and Trans-organizational Setting

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<h2 style="color: red;">Worldwide OD</h2>	
Opportunities for Globalizing Companies	Challenges of Globalization
<ul style="list-style-type: none">• Global marketplace• Competitive pressure• Lowering trade barrier• Technological advancements 	<ul style="list-style-type: none">• Appropriate strategic orientation• Cross cultural management• Different regulatory frameworks of business, HRM and environment• Controlling and coordinating operations

We see the growth of organizations operating at the global scale or at the transnational international scale. Lots of factors have contributed to emergence of globalizing companies and globalizing companies also pose an important question to the field of OD about how to implement or plan the OD interventions at the worldwide scale. There are lot of opportunities for organizations to go global.

For example, lot of international treaties are actually facilitating the emergence of the global marketplace. Because of the increasing competitive pressure and pressure to increase the revenue, increase the margin, to achieve the economy of scale and scope, organizations have to look for market other than their domestic markets.

Low-Trade barriers are also coming down. We have seen lot of regional cooperation moments are emerging in different parts of world like European Union or ASEAN. These are the places where the trade barriers are coming down and lot of opportunity is coming up for the organizations to scale up their operations beyond their domestic market.

Technological advancement has fueled ~~very significantly~~ the process of internationalizing the business operations very significantly. IT technology, telecommunication technologies and many others have contributed to expand the operations of businesses beyond the domestic boundary, but the process of globalization also has many challenges. The first challenge is choosing the appropriate strategic orientation. We will shortly look at the different strategic options available for organizations to reach out to the international market and those options have to be chosen carefully.

Next challenge is managing their business operations across the culture. Different societies have different culture and accordingly, organizations have to modify their ~~various~~ processes. Processes related to supervision, human resource management, marketing, even sometime operations. Though the global marketplace is emerging, the regulatory framework in different countries, in different economy are still very different.

For example, labor laws or policies related to human resource management, policies related to the environmental management or the functioning of the business itself might be different in different countries. And, in the process of globalizing our operations or in the process of extending the businesses beyond the domestic market we have to ~~be have~~ ~~to~~ take care of this difference in the regulatory framework.

Last but not the least: controlling and coordinating the operations. Marketing operations, HR operations and quality or production operations all these have to be managed very consciously in the process of scaling up the operations at the international level.

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Before we conclude our discussion on the appropriateness of the different OD interventions or the need for customizing the different OD interventions ~~in-cultural,~~ according to the cultural and economic context, we must recognize that the quadrants presented here are not ~~the-watertight compartments.~~ That means an organization which is stereotyped here in any of this quadrant, we can ~~have-~~with the extra effort have OD interventions which are ~~here-~~explained as more suitable for another quadrant.

For example, an organization operating in society having the moderate level of economic development where in the cultural fit with the OD practice is also low according to this matrix is SAMCO operating in Brazil. So, if we go by stereotype, ~~it-is-~~it seems to be difficult to implement ~~up-~~highly participative OD intervention in organization like SAMCO ~~which will fall in this quadrant.~~

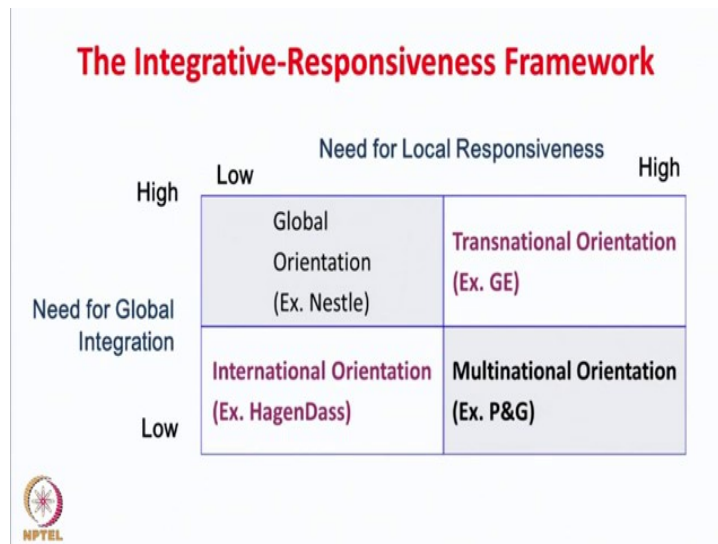
But, thanks to the leadership of the SAMCO in last few years, they were able to implement lot of participation based OD intervention. So, this kind of intervention ~~according to this quadrant~~ can be more conveniently be done in the organizations operating in this quadrant which is a quadrant of high economic development and high cultural fit with OD practice.

Similarly, China is classified and lot of Chinese company can be classified in this quadrant; that means, the informal rituals will be having more importance, the power difference is higher so, the participative OD interventions or more team base OD

interventions or confrontation based OD interventions may be difficult to implement in ~~this in the~~ organizations operating in this quadrant. But, we see ~~a-that~~ lot of Chinese company have shown and have very successfully implemented change process ~~which are theoretically considered more appropriate in this quadrant.~~

So, what I mean to say is that organizational resolve and supportive leadership can help the organization to come out of this stereotype and even in the quadrants other than this one where both these elements are high. Organizations operating even in other quadrants with the help of a strong leadership an organization resolve can implement most sophisticated OD interventions which are considered to be more suitable in high high quadrant organizations; ~~high high quadrant organizations in this matrix.~~

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Internationalizing the business operations depends on the need for integration across the different regions and need for responsiveness towards local market. It is reflected in this quadrant. This quadrant is drawn between two continuum. One continuum represents the need for local responsiveness and other continuum shows the need for global integrations of the business operations, they can be low or high.

And at the intersection of these two continuum; we get four types of internationalizing the business operations. We need to understand how and what are the different modes of emergence of the multinational corporations or transnational corporations. In order to understand, what are the most appropriate OD interventions.

So, first we will look at what are the characteristics of the internationalized operations of business organization. They are not of one kind; they can be at least of these four kinds. Let me quickly explain ~~the~~ these types and then we will look at how the different kind of OD interventions are appropriate in this organization.

So, our first example is of the international orientation. ~~So, e~~Organizations with ~~the~~ international orientation are more interested in extending their market without bringing about any change ~~or much change~~ according to the local market or the market to which they are extending their operations. ~~One~~ ~~is~~ example is famous ice-cream Haagen-Dazs, this is available in the metro cities in India and the product is not customized or the pricing also is not very significantly changed in comparison to what it is in its American market.

So, in the international orientation, generally organizations create marketing, sales office in different companies. Sometimes they implement some operations as well primary for the assembly or some basic work, the core product generally comes from the home market or the home company and there is no customization is done according to the local requirement. In fact, organizations adapt the international orientation generally when they see that product is acceptable in the foreign market almost as it is.

Another type of internationalizing operation we will see in the multinational orientation. Multinational orientation may operate in the same product category, but they customize that product according to the local requirement. We have given an example of ~~P&G~~ ~~and~~ ~~G~~. So, laundry product of ~~P&G~~ ~~and~~ ~~G~~ have to be customized differently in different environment; that means, laundry products will be different according to the hardness of water found in that market, environmental regulation prevalent in that market.

The kind of washing machine being used or the uses of washing machine itself how widespread is the use of washing machine. All these factors will determine what are the kind of products will be relevant or marketable in a particular market. So, they create a regional structure or divisions according to the region or the country. Region or a country has fairly independent operations; operations in terms of production, human resource management, financial resource management etcetera.

So, they have to coordinate with the parent organization, but they also have to customize very significantly to the local needs.

So, another type of internationalized operations we will see in the form of global orientation. Here, we look at the example of Nestle and Microsoft. What is special about these?

We will see the nature of product is almost same in across the industry, but their operations are very well integrated across the different markets. We will see the advertisement or positioning of the product or benefits of the product are same because the very core of the product is same, but the operations are handled in a very integrated manner with the global operations.

Then, we have examples of transnational organizations. ~~Organizations having very high transnational orientation;~~ Generally, these organizations are designed according to the product categories. At one level their operations are very well globally integrated. At the same time, it has a very high responsiveness towards the local market.

The major characteristic of transnational organizations ~~is~~ are that their operations are very well optimized, their resource allocation are very well optimized according to a different markets they are operating.

Generally, these organizations are designed according to the product category and product category heads of markets operating in different region report to the global product category head. And, the resource allocation happens across and across the globe and that resource allocation is it can be in the form of financial, material, R and D and human resources as well.

Now, we look at how the worldwide strategic orientation affect the kind of OD interventions implemented in these organizations.

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In the international worldwide strategic orientation, they focus on the foreign revenue with the existing product through centralized international divisions. Most predominant OD interventions are strategic planning like search conferences and related activities. OD intervention at one level are focused on the identifying appropriate market and choosing a simple vehicle to reach out to that market.

Generally, the international operations are handled by the people coming from the headquarter and they are given cross cultural training; not only the employees who are going to take the responsibility of international operation are given the cross cultural training; their families are also given a cross cultural training.

In the multinational worldwide strategic orientation, organizations aim at selling the tailored product suitable to the local needs. We gave the example of P&G -and- G- and that is done through specialization through decentralized operations and centralized planning in geographical divisions. In these kind of organizations, culturally aligned OD interventions or OD interventions aiming at building the cultural alignment of the division and the corporate office are very important.

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Intergroup relationship building between the regional groups, regional management team and the global management team are also a very important aspect of OD intervention. Management team building, formation of the strategic alliances, customize reward system - These are some of the strategy and HR process related interventions generally found in the organizations which have multinational worldwide strategic orientation.

Organizations with the global worldwide strategic orientation and you might remember we gave the example of Nestle and Microsoft, where the product are very similar and operations are very well integrated. And, That is a process of achieving the economy of a scale.

In these kind of organizations, we find the OD interventions which are related to building corporate vision because they want that subsidiaries operating in different markets or different geographies must work as per the corporate vision. Intergroup relationship building is, is again a very important OD intervention here. Since, the nature of product is same, they also aim at transferring people from one region to another region. And, in this kind of scenario, extensive selection and rotation and the cultural development becomes very important for these organizations.

Then comes the transnational organizations and you might remember, we look at the example of GE. Here, the tailored products are provided through integration and decentralized worldwide coordination. So, lots of business decisions are is taken at the

local level and the synergy is being created at the global level. That is one of the very important features of the transnational organizations.

Transnational organizations generally operate with the global matrix or the network structure. Matrix structure you might remember we discussed in the organization design class where in ~~we looked where in~~ there is a local head to which functional heads report to and functional head also report to the global functional head at the corporate level.

In ~~the in~~ terms of the OD intervention, ~~they are also~~ building cooperate vision is a very important OD intervention. In this setting as well, the intergroup relationship is also important, but ~~in the same time~~ in transnational organizations, recruitment happens for the large organization and is not generally restricted to a particular region or division.

So, you will see in organizations like GE, global leadership programs they recruit people not only to operate in a particular region or particular market, ~~but they want to, but they recruit at least the key talent which may be related to some product category,~~ but they want that a person should be capable of operating an any part of the world. That is why, you see transnational leadership development programs in a very beginning of the career is offered to the GE executives.

As a result of that, in the recruitment process, not only local offices are involved, not only the managers or the heads of the division of the of a particular geography or particular market are involved, global team also play an important role in the decision making about the recruitment.

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So, in this session we looked at the cultural nuances of OD intervention. We looked at how the different cultures differ according to the shared norms, values, believes and we also had some discussion about how to customize the OD interventions according to the societal culture and organizational culture.

Next, we looked at different flavors or different types of the worldwide operations and which are the appropriate OD interventions in international, multinational, global and transnational organizations.

Thank you.