Chapter 1 : Managing Complexity in Global Organizations | Schuh Group

Managing complexity in global organizations No. , February Martha Maznevski IMD Professor of Organizational Behavior. Director of IMD's Program.

When introducing the complexity concept to executives in globally operating companies, we hear: How can I focus on my area when everything else is connected? How can I be held accountable when everything is interdependent? How can I sort this out? When globalization entailed a far-reaching erosion of boundaries, a process which is still ongoing, complexity multiplied to its current heightened level. Many types of boundaries have faded: The world has clearly moved beyond the key triad markets. Internationalizing companies from developed and developing economies try to tap the benefits of globalization to an unprecedented degree and therefore face â€" as well as contribute to â€" the complexity of eroding boundaries. Sometimes abolishing boundaries creates new homogeneity in a larger area e. But the road to the Promised Land turns out to be more demanding than expected, and complexity is the most common and pervasive challenge that arises. Managing complexity must therefore become a core competency of top executives and management. As a first step, it is crucial to understand what drives complexity. Each of these sources of complexity was created by the erosion of boundaries, but their effects are different from each other. Global organizations face a complex set of challenges characterized by diversity both inside and outside the organization â€" across every aspect of the business itself and its strategy drivers. Inside the organization, executives must manage and respond to more diversity in the internationalizing HR pool; more variety in the management systems; more variation in the means and ends ranging from simple financial goals to a more comprehensive view; and different business models for different types of business units. Outside the organization there is higher diversity: Most firms today increasingly face each of these types of diversity. Managing the differences is not trivial, and reducing diversity often means being less responsive. Companies must manage the effect of global interdependence to an unprecedented degree: Value webs have replaced traditional value chains. Reputation, financial flows, value chain flows, top management and corporate governance issues have reached advanced levels of interdependence. The less clear-cut the boundaries of a company become, the more it is exposed to impacts on the value chain flow through mistakes, frictions, reverse trends, or even shocks. Interdependence creates opportunities for globalization, but taking advantage of these opportunities raises difficult challenges. The business world today is characterized by too much information with less and less clarity on how to interpret and apply insights. A diversity of accounting standards renders financial figures ambiguous. Studies, scenarios, survey results, and reports become less reliable due to an ever-increasing uncertainty. Many businesses find it more and more difficult to discover what their clear value drivers are. Are they image, price, related services, privileged relationships, speed, knowledge, or something else? The cause-effect relationships become blurred. As if these three complexity drivers were not enough, managers have to face yet another one, flux or change. Even if you figure out temporary solutions regarding interdependence, diversity and ambiguity for your specific company, industry, and personal situation, the situation can change the next day. The variety of options could overwhelm traditional decision-making, as information often lacks clarity and is ambiguous. Multiple interpretations of the same facts are possible, depending on the perspective or cultural framework. Shared understanding cannot be assumed per se, whether inside or outside the organization. Thus, interdependence, diversity and ambiguity â€" all in flux â€" are the building blocks of managerial complexity and explain why global companies have often been perceived as the most complex organizations. Many people have tried to simplify complexity, and contemporary management literature is misleading when trumpeting THE success factor. But in an interdependent world, much depends on contingencies, with no clear correction between input and output. Accountability of managers has therefore an arbitrary element: A long list of advantages lures companies into globalizing. Geographic expansion abroad offers the vast potential benefits of a much larger market arena, spread risks, scope-, scale- and location-based cost advantages, and exposure to a variety of new product and process ideas. The practical consequence of complexity is that a managerial dilemma often shapes the decision-making process when there are two or more conflicting legitimate goals to meet demands. Both cannot be simultaneously achieved with the given resources. Companies in the financial service industry set up competing distribution channels, but expect far-reaching cooperation across the company shared services and product platforms to reap economics of scale. In manufacturing, one ongoing dilemma is between global standardization and response to local market needs. Any required priority decision nevertheless results in ongoing tension. As dilemmas cannot be solved, they need to be managed â€" continuously. Ways to cope Global companies first reacted to this complex business environment by creating complex organizations. We saw multiple axes of management: For example, ABB had a six-dimensional matrix structure for a short time, at least, before they simplified the structure dramatically in their turnaround. The simple relation between headquarters as strategic decision-makers and subsidiaries as implementers is blurred by centers of excellence or competence, market responsibilities, joint ventures, etc. But structures and policies alone are not the solution. The more complex the structures and policies become, the more complex they are to manage. Eventually the organization implodes upon itself, spending more time managing the internal complexity than interacting with the environment, where real value is created. They harness the already inherent within the Managing complexity in global organizations organization â€" people and relationships, and so on â€" to work for the company rather than against it. But they choose carefully what they simplify, without making the organization or its processes too simple. In our book published in March , Managing Complexity, we advise on focusing on the professional quality of decision-making. Simplify a few key issues: Once these are clear and consistent, managers in different areas of the company can respond to complexity according to their own needs and realities. Every business book talks about the importance of purpose and values, so perhaps this is nothing new. However, in simple and stable environments, even if the vision is a wishy-washy vague statement, it can provide enough guidance for people to manage well. Companies best at dealing with complexity never have more than three or four core values, never to be compromised and therefore consistent with a compelling business logic. A clearly defined and well accepted set of core values plus a guiding set of behavioral values therefore allows diversity at the periphery, local empowerment for adaptation, learning and experimentation, the existence of additional values per region, unit, profession â€" as long as they do not contradict the core values. Core processes and decentralized authority Core processes are those used by the entire company. These vary from business to business, but most managers know what is vital. In a consulting firm, core processes might be knowledge sharing and recruiting; in a heavy manufacturing firm they might be capital budgeting and logistics; in a pharmaceuticals firm they might be research and development and go-to-market processes. As this imposes cost, one has to be very clear what is needed as core. Such processes might change over time, and more often than the business model or the core values. It is therefore important to erase old processes when introducing new ones. But only standardized processes generate the transparency key for accountability on levels further down the organization. With such transparency and accountability, therefore, decentralization is possible without the company breaking down into political silos and bickering fiefdoms. With decentralization consistent with core processes, local managers can engage complexity in the way most effective for them. Unpredictable situations â€" an early awareness system Chaos is a degree of complexity in which few of the rules and drivers are understood. Compare it to a weather forecasting system: But as soon as they hit inside this range, we start to put our contingency plans into place. Leadership Leading a complex organization requires an entirely different mindset. Hierarchy works if every level is doing something distinct and specific. The leader of a complex organization must create and communicate understanding of the different roles managers, teams, business units, and bosses play in the inter-dependent structure, otherwise confusion is intensified. Leadership cannot be repetitive, but should be predictable. Mastering global complexity We have not yet come across a company having mastered global complexity â€" perhaps there are none, perhaps there never will be any! The famous notion that every engineer at Toyota can work in every Toyota factory of the world without having adaptation problems, is probably slightly exaggerated, but only slightlyâ€¦. A similar set of elements are found in other global companies: Energy companies, especially Exxon Mobile, are driven by standardized global processes, whereas fast-moving custom goods and the food industry are known for strong regional decentralization, but bound together they have shared processes across business lines. Although no company may ever master complexity completely, it is possible, using these principles, to at least navigate through complexity and even to take advantage of it.

Chapter 2 : Complexity theory and organizations - Wikipedia

*Managing Complexity in Global Organizations (IMD Executive Development Series) [Ulrich Steger, Wolfgang Amann, Martha L. Maznevski] on calendrierdelascience.com *FREE* shipping on qualifying offers. This book delivers new IMD insights on an emerging challenge - howto deal with overwhelming complexity.*

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Global organizations face a complex decision-making environment. On one side, diversity of cultures, customers, competitors and regulations creates complexity; on the other, competitive pressures cause expanding countries to extract more synergies across products and regions.

Chapter 4 : Managing Complexity in Global Organizations : Ulrich Steger :

Managing Complexity in Global Organizations / Edition 1 This book delivers new IMD insights on an emerging challenge - howto deal with overwhelming complexity. Global organizations face acomplex decision-making environment.

Chapter 5 : Managing complexity in global organizations by Jose Martins - Issuu

How it all began 'Complexity' is currently often considered the latest business buzzword - it reflects a current common reality, but not a lasting one. Whenever the complexity concept is.