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Determinants of organizational structure adaptation in multinationals corporation from  
metal industry

**Doctoral dissertation summary**

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## Research problem description

Value maximalization and operational excellence is a common goal for all businesses (Buczkowska, 2012; Daft, 2012; Griffin, 2013; Stoner, Freeman & Gilbert, 2011). To achieve this goal the companies use multiple management tools, which organizational structure is one of them. Being a core of every organization, the organizational structure connects business units, ensures stability and links the organization with external environment (Nalepka, 2001; Stabryła, 2009). For these reasons, it is difficult to overestimate its role. It is even more important for multinational companies (MNCs), as the set and range of its structure determinants is much wider comparing to the business that operate in a domestic market only. The question about the most important organizational structure determinants has been an academic and business concern for decades. However, despite of a long and extensive research, a satisfying answer hasn't been found and scholars still try to identify the source of most important organizational structure determinants (Burton & Obel, 2018; Puranam, Alexy & Reitzig, 2014; Wolf & Egelhoff, 2010; Van de Ven, Ganco & Hinings, 2013). As a technological development continues and digitalization becomes an important part of business reality, the need for deeper research on organizational structure grows. Moreover, the reason for the research intensification has increased due to a recent disruption in existing supply chains and significant changes in the forms of work, caused by biological crisis, Covid-19 pandemic and global economic crises (Gratton, 2021; Raghavan, Demircioglu & Orazgaliyev, 2021).

Generally, it is believed, that a right response to the challenges faced today by multinational enterprises is to implement a highly flexible and adaptive organizational structures that can quickly adjust to the changes in the environment (Daft, 2012; Hopej-Kamińska, Zgrzywa-Ziemak, Hopej & Kamiński, 2014; Lachiewicz & Zakrzewska-Bielawska, 2010; Strategor, 2001). The fact that in the last couple of years almost every business magazine has discussed the matter of changes in the companies just proves how important this issue is (Leinwand, Mani, Sheppard & Meesing, 2022; Michaels & Murphy, 2021; Siren, Anthony & Bhatt, 2022). However, there is a concern that the high degree of organizational structures adaptability might undermine the company's efficiency. The stability of organizational processes and practices is a key element for every company, providing a foundation for its growth (Stabryła, 2009; Włodarski & Grzesiuk, 2002). In multinational

corporations, this dilemma refers to a choice between organizational structure standardization and its adaptation to local market requirements. In this paper, it is believed that MNCs, pursuing the value maximization and operational excellence, balance between the desired standardization and the required adaptation of organizational structure (Benito, Lunnan & Tomassen 2014; Burns & Stalker, 1961; Daft, 2012; Khanna & Palepu, 2006; Lawrence & Lorsch, 1967; O'Reilly & Tushman, 2004; Prahalad & Doz, 1987). This makes the author of the dissertation to search for the main sources of the pressure for maintaining rigid, mechanistic structure with unified practices and processes (organizational structure standardization) and for creating an organic structure with different practices and processes fitted to particular host markets (organizational structure adaptation). For this reason, the following research questions were asked:

- 1) What are the most important factors shaping the organizational structure of multinational companies?
- 2) Which factors have the strongest impact on the company forcing it to adapt its organizational practices and processes to the host markets' conditions?
- 3) What configurations of these factors lead to reduction or increase of the organizational structure adaptability?

The goal of the dissertation is to identify major determinants of the organizational structures of multinational corporations, define the direction of their impact and to indicate the configurations of the most crucial factors that lead to the structure's standardization or its adaptation to the host markets.

To achieve this goal the following research tasks were performed:

- 1) Description of the scientific thoughts on organizational structure evolution, identification of the most important trends shaping its character today and systematization of modern, organic structure types;
- 2) Proposition of a new form of organizational structure, which responds to the current business reality;
- 3) Examination of the home and host markets influence on the MNCs' organizational structure;

- 4) Description of the impact on the organizational structure generated by industry conditions, foreign subsidiaries and corporate strategy;
- 5) Verification of research methodology applied in the previous studies on organizational structures' determinants and design of an optimal methodology for this studies;
- 6) Conduct of own empirical research, discussion of the results and identification of the factors creating the strongest pressure for organizational structure standardization and adaptation.

In order to build the theoretical foundations of this dissertation a systematic literature review was carried out. The review showed how complicated and multidimensional the issue of organizational structures is. Scholars have approach it from many different perspectives and have searched for the structure's determinants in many different areas. They attempted to indicate the relationship between the organizational structure and exogenous factors, such as the home and host markets conditions (Bartlett & Ghoshal, 2002; Harzing & Pudelko, 2016; Marin, Rousova & Verdier, 2021), industry character (Woodward, 1965), as well as endogenous elements such as company's age and size (Blau, 1970; Mintzberg, 1979; Mintzberg & Quinn, 1992) and corporate strategy (Chandler, 1962; Miles, Snow, Meyer and Coleman 1978; Mintzberg, 1990), or the role of foreign subsidiaries (Bartlett & Ghoshal, 1986). Based on the systematic literature review the following assumptions were proposed:

Proposition 1. The home market of an international corporation creates a pressure on the standardization of its practices and organizational processes;

Proposition 2. The industry specifics are the source of pressure to maintain a standardized organizational structure and homogeneous operating practices;

Proposition 3. Host markets are the source of factors forcing the adaptability of organizational structures of international enterprises;

Proposition 4. Foreign subsidiaries influence the corporation, creating a pressure for organizational rules and processes adaptation to the local market;

Proposition 5. Relation between strategy and organizational structure depends on the strategy character: growth and expansions strategy are an arguments for structure adaptation and defense, cost oriented strategies are the source of its standardization.

Facing difficulties of multidimensional tests, most of previous studies have analyzed the organizational structure's dependence on a single factor only, which in turn resulted in a proliferation of analyzes showing an excessively simplified reality. Additionally, the attempts to capture mutual relations were made in relation to various dimensions of the organizational structure, in different industries and widely diversified samples. This has led to a wide discrepancy in the empirical studies results, making them difficult to compare or to generalize, and lowering their utilitarian value. Addressing this issue, in the conducted studies, a group of most important factors was tested simultaneously, and in order to overcome the limitations of such extensive and multidimensional analysis, an innovative research method was used - Qualitative Comparative Analysis (QCA). Combining the attributes of quantitative and qualitative research, the QCA helps to identify the rights in the situation when the outcome is generated by a joint influence of multiple factors. Apart from its ability to organize and set in order the multidimensional causal relations, QCA has a potential to "revive" the research in a mature and established fields (Kwiotkowska, 2014), as the configurations generated in the analysis can shed a new light on tested phenomena and might indicate relationships that haven't been noticed before.

The empirical test were conducted among multinational corporations from metal industry. The industry selection was deliberate and influenced by potentially low sensitivity of the MNC's organizational structure from this industry to the host markets differences. Highly standardized and rigid industry was assumed to be a right ground to search for the most important conditions leading to the adaptation of organizational structures.

The research procedure in the empirical part was carried out in three stages, namely qualitative studies (focus interviews and individual interviews), quantitative studies (CAWI survey) and QCA.

## **The dissertation structure**

The work consists of five chapters. As the nature of the thesis is theoretical and exploratory, the theoretical part is broadly described in three chapters. The methodological part is presented in the fourth chapter, and the empirical part, in the last chapter.

The first chapter includes description of different definitions of organizational structure, explains its basic functions and the general factors shaping its form and character. It also provides information about how the scientific thought of organizational structure has evolved and what current trends shape its form. The literature research has led to creation of a hybrid form of the organizational structure, adequate to the today's international business reality.

The next theoretical chapters, 2 and 3, bring thorough a deep analysis of earlier scholar writings relative to determinants of the organizational structure of multinational companies. The second chapter presents a discussion on home and host market conditions, influencing the level of organizational structure standardization and its tendency to adopt to the local environment. The discussion emphasized the meaning of economic and cultural factors. The third chapter describes an influence of industry specifics (competition form, level of technological innovation, industry life cycle) on the organizational structure. Further, it shows the importance of a foreign subsidiary and the way it can affect the change and adaptation of the organizational structure to the local market requirements. Finally, it describes the relation between organizational structure and corporate as well as business strategy.

The character of the last two chapters is empirical. The fourth chapter presents the results of the systematic literature review regarding the methodology and research techniques used for evaluating organizational structures. It also describes the multidimensional research method applied in the conducted studies. The last chapter presents the results of the empirical studies and discuss them in the light of the previous knowledge.

## Empirical results

The conducted research: literature studies and the empirical tests, allowed to determine a set of factors which have the strongest impact on MNC's organizational structure character – its standardization and adaptation to the host markets. The quantitative tests – group interviews resulted in a hierarchical list of the organizational structure determinants and the quantitative test together with the QCA helped to identify the factors' configuration which lead to the structure standardization and adaptation.

As the research diagnosed, the most important factors leading to the organizational structures' standardization are:

- a high level of the home market development, home market size and availability of strategically important resources (e.g. innovative technology, know-how);
- formal and hierarchical organizational culture, rooted in the home market national culture characterized by a high power distance and uncertainty avoidance;
- technologically advanced industry, reflected in the intensive use of innovative production and communication technologies as well as the dominance of B2B relationships and globally integrated supply chains.

The set of the most important sources of organizational structure's adaptation includes:

- high potential development and high demand generated by the host market, along with the availability of crucial resources for the corporation (technology and know-how);
- an important role of the foreign subsidiary, reflected in specific competitive advantages and its impact on corporate strategy creation together with a joint venture or brownfield investment;
- offensive business strategies realized by foreign subsidiaries (Prospector or Analyzer strategy) Miles et al. (1976).

The results didn't support the assumption on the importance of cultural differences for organization structure adaptation. Based on the results it can be believed that the cultural distance between home and host countries is not a major factor forcing companies from metal industry to adjust their organizational structure to local market conditions.

Moreover it has been found that a corporate strategy, as a determinant of the shape and character of the organizational structure, has a dual character. When implemented at the corporate level, it may lead to the organizational structure standardization and universalization of practices and operating rules, and when implemented at the level of a foreign subsidiary, it may be a pressure for structure adaptation to the host markets.

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