

Introducing the Modern Workplace
Structure and Culture – Assignment 1

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INTRODUCTION

Organizational structure and culture are the base of every company. The structure explains the rules and policies which develops the culture of the organization. The structure and culture must be very creative and original so the employees can gain satisfaction from the work environment. In big companies, especially in multinational ones, it is very hard for one person to manage a whole team of employees and that's why the organizational structure is important. That way every person working in the company knows their place and does their job according to a plan.

Nowadays, with the development of technology communication has become much easier which helps the company's growth. Staff meetings and conversation don't need to be done in person and online meetings have become the desired alternative as it's easier, faster and can be done anytime anywhere.

ABOUT THE COMPANY

Diageo is a British multinational alcoholic beverages company formed in 1997 due to the merging of two successful companies, Guinness and Grand Metropolitan. Although it used to be involved in both premium beverages and food, in 2000 the company decided to sold the fast food chain to focus on the beverage market. Diageo has products available in 180 countries worldwide and has a primary listing on the London Stock Exchange, as well as a secondary one on the New York Stock Exchange. The company was the world's biggest distiller until 2017, when it was overtaken by a Chinese company.

Diageo employs about 30000 people (2018) in offices in around 80 countries divided in five different worldwide areas. Because of the increasing need of local research and competence the company focuses on the diversity of their employees. This way the regions are fairly independent from one another which gives them the opportunity to adapt more easily to local conditions and meet the customers' expectations.

CORPORATE GOVERNANCE

A company's corporate governance is primary influenced by the board of directors. This is a group of people who are responsible for the well-being of a company and supervise the activities of the organization, while under the influence of the chief executive. As of June 2019 Diageo's Board of directors consists of 9 people – and as the company supports diversity they come from different cultural backgrounds and nearly half of them are women. This also applies for the executive committee, where 40% of the team are women.

Diageo has established a corporate governance structure where different committees are arranged to help and assist the board. The Executive Committee supports the Chief Executive in discharging his responsibilities and managing the company and the group. The main role of the Audit Committee is to monitor and review the company's financial statements, internal

control and risk management. The Nomination Committee is responsible for keeping under review the composition of the Board and making recommendations concerning appointments.

ORGANIZATION STRUCTURE

According to author Kamal Fatehi (1996) there are no major differences regarding the structures of multinational companies and domestic ones. The only issue comes with the physical distance between the headquarters' team and the company. Operating a multinational company requires greater coordination than a domestic one does, because it engages with bigger area and a greater deal people.

Generally speaking, there are two types of organizational structure – one where the staff is arranged hierarchically and one with several lines of reporting. In the first one, the employees are divided up according to product or location, while in the other one, the structure there is a project team or a matrix structure. However, according to Fatehi there are three main models of organization structure. The first one is geographic structure, where employees are grouped according to regions and there is a person or a team who takes the role of a manager and is responsible for the said region. Headquarters maintain control of each operation of the company. The second one is functional structure – in this one managers are chosen according to functional areas (marketing, research, finance, etc.) and each of them reports directly to the chief executive. If the managers' opinions are controversial, the problem is passed onto the headquarters to solve. The third one is product structure – employees are grouped according to product lines which are then grouped according to product divisions. Each group is responsible for the control of the making and market of one product. This structure allows a product to be launched simply through the creation of a new division, which would as a result create problems regarding co-ordination.

Diageo is using a mixed structure. This is a structure that combines all three of the aforesaid basic models and creates a unique work environment for the company's staff.



The hierarchy is characterized by a span of control. This basically means how many people one manager can supervise. In the chart above is illustrated Diageo's structure, where a chief executive is responsible for the committees. The Board of directors consists of three committees which are kind of independent as they are responsible for the employees below them, but are still obligated to report to the chief executive. Diageo has always been focused on simplifying the organization and making the best for its employees and customers. In May 2019 they have reduced costs and enabled faster decision-making process just by improving the span of control.

CORPORATE STRUCTURE

Diageo has a basic structure. On top of the hierarchy stays a board of directors which has the responsibility for how the company is directed and controlled. 'The Board's responsibilities include: setting strategic aims and values; providing the leadership to put them into effect; supervising and constructively challenging management, who have responsibility for day to day operational running of the business; and reporting to shareholders on their stewardship.' (Ferran, 2018). In charge of the Board are the chairman and the chief executive. The chairman is responsible for the running of the Board and making sure all directors are fully informed while the chief executive is responsible for implementing the strategy agreed by the Board. However, the non-executive directors are independent and the decision-making process is not dominated by any individual. Next, led by the chief executive, there are a lot of committees such as Executive Committee, Audit & Risk Committee, Finance Committee and Filings Assurance Committee. Their responsibilities vary from the keeping the company's reputation to market visits in order to assist in the development of strategy.

As previously mentioned, the company focuses on diversity, rather than size. They believe that employing people from various countries with different mindset and experience contributes to the better understanding of customers. The employees are not only with different cultural backgrounds but the company also focuses on the gender equality in the most senior levels: almost 50% of the Board and 40% of the Executive Committee are currently women.

In order for the company to work as a team, they act very well towards the employees. It is one of the few companies that have made diversity and inclusion a business priority. It is a discrimination-free zone and every employee is entitled to human rights. There are five values which contribute to the working process. The workers all share the passion to the job and the pride that comes after doing well. They give each other the freedom to succeed and value each other because they are a team and not rivals. The most important one is the desire to be the best and to always improve.

ORGANIZATIONAL CULTURE

As the slogan 'Celebrating life, every day, everywhere' suggests, the company's main goal is to satisfy its customers no matter where they are from. Both the regional division and the

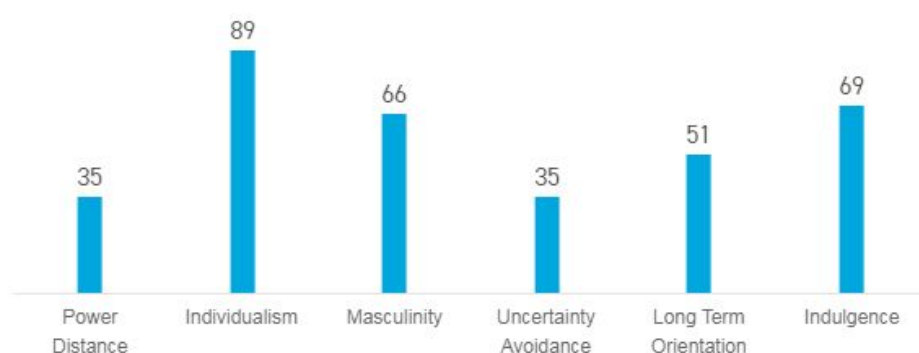
diversity of the employees contribute to the business strategies developed in each country. The products in the different areas cannot be made from the same ingredients, based on the consumer's culture and preferences. Moreover, the price of the beverages is chosen in order to be affordable for all classes. The company produces high-quality products on both low and high cost which helps them attract people from different cultural backgrounds.

In recent years the company has focused to shifting from volume to value in countries in which middle-class households prevail. This is called premiumisation and it means slowly introducing more premium products to the market and increasing the price. This way the customer is given the opportunity to better up and possibly continue purchasing the more expensive item.

The main problem which Diageo faces is the sensitivity of the beverage market. Alcohol is threatened to be banned in some countries because of the consequences it is thought to have on people's health. This is the main reason the company is trying to create a positive name of alcohol in society by focusing on quality, not quantity. Alongside World Health Organization Diageo's goal is contributing to the reducing of harmful alcohol consumption by 10% by 2025.

The company has teams responsible for every step from research to selling. Each market is independent and has the flexibility to select a portfolio of brands to sell to the customers based on their cultural preferences and financial status.

According to Geert Hofstede there are five factors which contribute to the culture of the workplace. The first one being power distance, as previously mentioned, can be seen in the teams of Diageo as the board of directors is in charge of the others. Secondly, the male to female ratio is aimed to become equal in the senior levels, while the number of the men dominates in the other levels. Individualism can relatively be found in the company because they all work as teams under the supervision of the board. However, every region works independently and every employee is free to give ideas and be an individual. The fourth one is Uncertainty Avoidance Index. This regards the ability of the employee to overcome difficulties and unusual situations. Long term orientation is probably the most important factor for Diageo because it is a company with a long story and has already established a name of itself. It is very hard to find a new worker which can learn fast enough and do their job as well as someone who has worked their whole life can.



CONCLUSION

Diageo is a company with a typical for a multinational company structure – a chief executive and a board of directors which are responsible for the other employees and their work. The company makes sure all the employees are satisfied with their jobs and creates a good work environment. The company's main goal is equality and for that reason there are a lot of women in senior positions, as well as people from different countries. It is not easy for a multinational company to coordinate its activities but Diageo's team manages to do it perfectly and for that reason it is still one of the largest beverage companies selling products in more than 180 countries.

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