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Todeva, Emanuela

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Multi-divisional Form¹

Emanuela Todeva, University of Surrey

The concept of Multi-divisional form of organisation (M-form) has been introduced with the work of Alfred Chandler (1962) on the divisional structure of the firm. According to Chandler, the M-form facilitates growth through diversification across products, industries and markets and includes the notion of delegation of power and authority to divisional managers. It is contrasted with the ‘corrupt M-form’ (Williamson, 1975), where CEOs retain control within multi-divisional organisation of operations, and with the ‘entrepreneurial M-form’ (Eisenmann and Bower, 2000), where CEOs delegate operational control, but retain strategic control in order to lead strategic integration of operations across industries.

Conceptual Overview

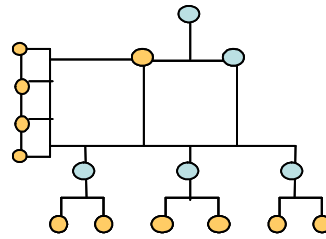
The growth of the firm and its evolution from a national firm to a multi-national corporation (MNC) includes a progressive vertical integration of down-stream and up-stream operations within individual product value-chains, as well as managed diversification of the initial product/ service line. Part of this evolution is the internal structuring of units and operations, and the positioning of these units vis-a-vis each other. The internal structuring includes operational and strategic integration of business functions that minimise costs and economise via internal coordination and control (Williamson, 1975), and as such achieve governance economies (Eisenmann and Bower, 2000).

Among the leading archetypes of organisational structures that lead to the emergence of the M-form are: hierarchies (with a single line of command and control), functional organisations (with decentralised decision making), and matrix type of structures (with a dual line of coordination and control – both horizontal and vertical) (Todeva, 2006). The M-form represents a combination of a divisional structure with hierarchical control and functional flexibility (Fig. 1).

The main distinction between M-form and U-form (unitary form of organising) is that the subunits in the M-form comprise complementary tasks, while the U-form contains subunits that comprise similar tasks. Both types are based on unitary command.

¹ In: International Encyclopedia of Organization Studies, 2007, Sage.

Figure 1. The Multi-divisional Form of Organisation (M-form) under Unitary Control



The M-form of organising has been invented in the context of the General Motors corporation in the US to encompass: central control and ownership; vertical integration of the production; formal internal coordination through vertical and horizontal linkages between decentralised divisions; corporate head office function and specialized staff concentrated in departments and sub-units. Historically the M-form of structure represents an evolution and adaptation of organisational hierarchy under the conditions of complexity and uncertainty of operations. The M-form of structure enabled the internationalisation of the firm and the emergence of the trans-national corporation as a complex network with centralised governance at the headquarters and modular type of coordination of activities through subsidiary units. The application of M-form for organising corporate activities has been based on three modes of control used by the parent over its subsidiaries and sub-units - hierarchy, socialization, and price (Hennart, 1991). Hennart's research concludes that the most favoured mode of inter-unit control in MNCs is the price mechanism under most circumstances. Inter-unit transactions are co-ordinated also by transfer-pricing mechanism, where value is determined by in-house accountancy rules and decisions, and therefore is not subject to a market sanction.

Critical Commentary and Future Directions

The application of the M-form concept has taken place in three different contexts: the literature on the evolution of intra-organisational complexity (or heterarchies); the internationalisation of the firm (or the multinational corporation – MNC), and the macro-coordination and control of economic activities (or the M-form society). The MNC is the most distinctive example of an M-form, where the business headquarters and individual subsidiary units represent individual sub-units (divisions) with different operational capabilities, that integrate business operations across a number of value chains and across different industries and different countries. Ouchi (1984) argues that similar operational integration applied across institutions can tackle the structural deficiencies of the American economy and can improve the system's performance by providing a vehicle for optimisation and coordination of efforts across various governmental departments, industrial associations, and organisations. Overall,

the M-form concept is associated with high level of internal specialisation, bundling and grouping of complementary operations and assets, coordination of activities and cooperation at system and sub-system level.

There is no clear distinction in the literature between the M-form, the hybrid organisation and the heterarchy. Hybrid organisations are various organisational configurations that emerge from the intense evolutionary processes of corporate restructuring. Hybrid organisations are based on intra- and inter-organisational relationships, partnerships and strategic alliances that bridge independent firms and autonomous business units and generate a complex system of interdependent business operations. As such, hybrid organisations emerge also as a result of mergers and acquisitions between corporations, or corporate spin-offs – all aiming at related and unrelated diversification. The original example of a hybrid organisation that is given by Miles and Snow (1986) includes a number of specialised firms such as a broker, designer, supplier, producer, and distributor.

The structure of the M-form has been described also with the concepts of heterarchy and intra-firm network. As such, it represents a simultaneously hierarchical and distributed network with fuzzy boundaries. The governance mechanisms in heterarchies are a combination of asset ownership, contract arrangements, and day-to-day coordination of multiplexity of tasks, resource flows and activity links. The division of labour is based on location of resources and prescribed roles in the value chain. The sub-units are bound by complex hierarchical and semi-autonomous relationships that result in various level of interdependence (Todeva, 2006). The autonomy of individual subunits may vary and hence they can be represented as interconnected modules. The specialisation and autonomy of these sub-units resembles a hybrid-form of organisation which is characterised with a combination of market-type and hierarchical type of linkages typical also for inter-firm alliances, partnerships and various strategic collaborative agreements between firms (Powell, 1987).

The evolution of M-form, which is driven by the managerial efforts to seek dynamic synergies from partnerships, leads to the emergence of heterarchies and complex hybrid organisations (Miles and Snow, 1986, Todeva, 2006). These complex network formations diverge from the main organising principles and establish new foundations for coordination and control (Hedlund, 1986). The new principles that underpin heterarchies are the following:

- co-ordination is through *lateral referrals* and lateral decision process;
- key skills are *dispersed* through the network;
- communication and co-ordination is based on *shared values* and *normative integration*;
- co-ordination and control is based on *dynamic strategy-structure adjustments*; and

- balance is sought between *horizontal and vertical integration* using simultaneously output based and behaviour based control (Hedlund, 1986).

Heterarchies, hybrid organisations and networks as complex structures have multiple dimensions of locus of control. Their constituent parts resemble a combination of modular and hierarchical nested structure and involve interdependent units with devolved decision making power and capabilities (Todeva, 2006). The configuration as a whole is coordinated through a complicated system of organisational accountabilities through vertical and horizontal relationships. The multiple lateral relationships within the network are based on mutual interest, where different power relationships govern. Overall the evolution of the M-form into open-business systems and networks represents a new challenge to organisation theory.

See also: multinational firms, matrix form, business networks

Further Reading and References

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