

The Coca-Cola Company is truly global, and its main product is recognised and consumed worldwide. The Company organises and structures itself in a way that reflects that fact. At the same time, the Company looks to meet the particular needs of regional markets sensitively and its structure also needs to reflect that fact.

This Case Study illustrates the way in which the Company has built an organisational structure that is robust and yet also flexible enough to meet these particular requirements

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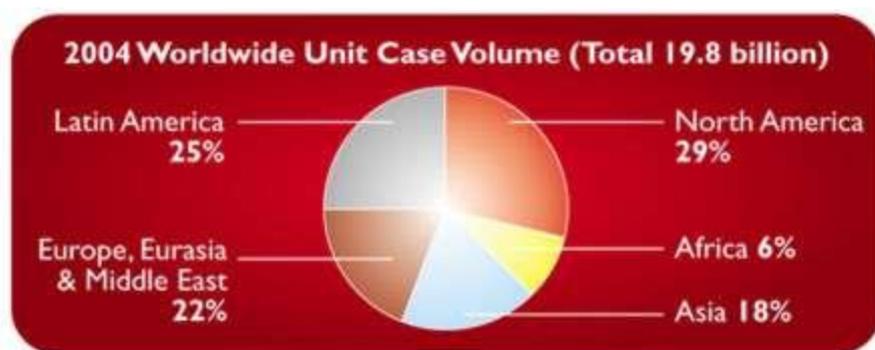
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A global and local strategy

The Coca-Cola Company is the world's largest beverage company and is the leading producer and marketer of soft drinks. The Company markets four of the world's top five soft drinks brands: *Coca-Cola*, *Diet Coke*, *Fanta* and *Sprite*.

The success of The Coca-Cola Company revolves around five main factors:

1. A unique and recognised brand - *Coca-Cola* is among the most recognised trade marks around the globe
2. Quality - consistently offering consumers products of the highest quality
3. Marketing - delivering creative and innovative marketing programmes worldwide
4. Global availability - *Coca-Cola* products are bottled and distributed worldwide
5. Ongoing innovation - continually providing consumers with new product offerings e.g. *Diet Coke* (1982), *Coca-Cola* Vanilla (2002).



The illustration shows the worldwide distribution of sales of *Coca-Cola* products by quantity in 2003. Although *Coca-Cola* is a global product with universal appeal, the Company actually operates in local environments around the world, with each country having its own unique needs and requirements.

Worldwide Annual Per capita Consumption of Company Products:75

Average number of servings consumed per person, per year



Geographic operating groups as of December 31, 2004

So while *Coca-Cola* is probably the only product in the world that is universally relevant in every corner of the globe, the Company feels that its responsibility is to ensure that with every single can or bottle of *Coca-Cola* sold and enjoyed, individual connections are made with their consumer. That can only be achieved at a local level.

The challenge facing The *Coca-Cola* Company today is therefore to continue to build an organisational structure that will deliver a global and local strategy.

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The relationship between strategy and structure

An organisation's strategy is its plan for the whole business that sets out how the organisation will use its major resources. An organisation's structure is the way the pieces of the organisation fit together internally. It also covers the links with external organisations such as partners.



For the organisation to deliver its plans, the strategy and the structure must be woven together seamlessly.

The goal of The *Coca-Cola* Company is 'to be the world's leading provider of branded beverage solutions, to deliver consistent and profitable growth, and to have the highest quality products and processes.'

To achieve this goal, the Company has established six strategic priorities and has built these into every aspect of its business:

1. Accelerate carbonated soft drinks growth, led by *Coca-Cola*
2. Broaden the family of products, wherever appropriate e.g. bottled water, tea, coffee, juices, energy drinks
3. Grow system profitability & capability together with the bottlers
4. Creatively serve customers (e.g. retailers) to build their businesses
5. Invest intelligently in market growth
6. Drive efficiency & cost effectiveness by using technology and large scale production to control costs enabling our people to achieve extraordinary results everyday.

There are many ways to structure an organisation. For example, a structure may be built around:

- function: reflecting main specialisms e.g. marketing, finance, production, distribution
- product: reflecting product categories e.g. bread, pies, cakes, biscuits
- process: reflecting different processes e.g. storage, manufacturing, packing, delivery.

Organisational structures need to be designed to meet aims. They involve combining flexibility of decision making, and the sharing of best ideas across the organisation, with appropriate levels of management and control from the centre.

Modern organisations like The Coca-Cola Company, have built flexible structures which, wherever possible, encourage teamwork. For example, at Coca-Cola Great Britain any new product development (e.g. *Coca-Cola* Vanilla) brings together teams of employees with different specialisms.

At such team meetings, marketing specialists clarify the results of their market research and testing, food technologists describe what changes to a product are feasible, financial experts report on the cost implications of change.

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The corporate segment -Head Office

The Coca-Cola Company has a corporate (Head Office) segment that is responsible for giving the Company an overall direction and providing support to the regional structure.



Key strategic decisions at The Coca-Cola Company are made by an Executive Committee of 12 Company Officers. This Committee helped to shape the six strategic priorities set out earlier. The Chair of the Executive Committee acts as a figurehead for the Company and chairs the board meetings. He is also the Chief Executive Officer (CEO) and as such he is the senior decision maker. Other executives are responsible either for the major regions (e.g. Africa) or have an important business specialism e.g. the Chief Financial Officer.



As a company whose success rests on its ability to connect with local consumers, it makes sense for The Coca-Cola Company to be organised into a regional structure which combines centralisation and localisation. The Company operates six geographic operating segments - also called Strategic Business Units (SBUs) - as well as the corporate (Head Office) segment.



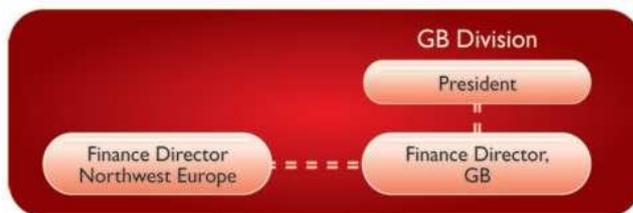
Each of these regional SBUs is subdivided into divisions. Take the European union, SBU, for example. The UK fits into the Northwest Europe division. This geographical structure recognises that:

- markets are geographically separated
- tastes and lifestyles vary from area to area. As do incomes and consumption patterns
- markets are at different stages of development.



At a more local level the management of The Coca-Cola Company involves a number of functional specialisms. The management structure for Great Britain illustrates this.

The structure of Coca-Cola Great Britain combines elements of centralisation and decentralisation. Divisions and regions operate as business unit teams, with each Director reporting to the General Manager, i.e. Division President.



However, there is a matrix structure for each function e.g. the Finance Director in the GB Division reports to the GB President, but also to (dotted line) the Finance Director of North West Europe Division. In addition, functions within the Company operate across geographical boundaries to share best practice.



To take another example of local decision making at a regional (local) level the various SBUs are responsible for region-specific market research, and for developing local advertising, e.g. using the languages of the countries in which The Coca-Cola Company operates. A major region like Great Britain has its own marketing structure, organised as shown on the diagram.

Product support

The way The Coca-Cola Company works reflects the many countries and cultures in which it does business. It owns or licences nearly 400 brands in non-alcoholic beverages serving consumers in over 200 countries. An essential part of the

organisation's structure therefore focuses on ensuring that individual products are given the best possible support in regional markets.

Within the Company, different teams concentrate on particular products and use their specialist knowledge of the brands and consumer needs to support the sales and promotional effort. In some cases a product is developed solely for local consumption and an example of this is the product Lilt, which is only available in Great Britain and Ireland.

Examples of other products available in Great Britain include:

- Carbonated soft drinks- *Coca-Cola, Fanta, Sprite*
- Juice & juice drinks- *Schweppes' Tomato Juice Cocktail, Oasis, Five Alive*
- Waters- *Malvern*
- Energy drinks- *Burn*
- Sports drinks- *Powerade*
- Squashes/cordials- *Kia-Ora, Rose's Lime Cordial.*

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Structure and culture

Structuring an organisation is not only about organising internal relationships, it also involves external ones. The Coca-Cola Company has built well-structured relationships with a range of external groups including bottling partners.

People often assume that The Coca-Cola Company bottles and distributes its own beverages. For the most part, it does not. The Company's primary business consists of manufacturing and selling beverage concentrates and syrups - as well as some finished beverages - to bottling and canning operations and other distributors.



The concentrates and syrups are generally sold to bottling partners, which are authorised to manufacture, distribute and sell branded products. The business system consisting of The Coca-Cola Company and bottling partners is referred to as 'the *Coca-Cola* system'.

The relationship The Coca-Cola Company has with its bottlers worldwide is a key source of strength. The Company works together with them to ensure that concentrates and syrups are made into finished beverages that are produced and distributed to consumers around the globe with unmatched quality and service.

Every organisation has not only a structure but also a culture. 'Culture' describes the typical way an organisation does things, including patterns of behaviour and relationships.

Important aspects of culture at Coca-Cola Great Britain (which reflect the culture of The Coca-Cola Company as a whole) are an emphasis on teamwork, and empowerment. Coca-Cola Great Britain sees its employees as its most important asset.

Motivated employees provide the engine that drives the Company's growth. Organising people into teams (e.g. marketing, sales or product teams) encourages people to feel valued. Within a team they are encouraged to contribute ideas and to be innovative. If they feel that something could be done better they are encouraged to voice that opinion.

By creating a friendly, innovative culture, Coca-Cola Great Britain is able to depend on a high quality workforce that helps it to maintain brand leadership in Great Britain and in every other market in which it operates. Trust is at the heart of every relationship, whether it be:

- customers' and consumers' trust that the Company will provide the highest level of service and attention to their needs
- bottling partners' trust that the Company is operating in the best interests of the Coca-Cola system
- employees' trust that their contribution is being valued in an open culture.

Open communication channels provide the means to support a culture based on relationships. *Coca-Cola* has a number of communication channels, including:

- monthly leadership team meeting (involving function heads)
- weekly department team meetings
- monthly employee team briefing sessions
- consultative employee groups for each region (with representatives meeting in a European Council)
- surveys to monitor employee views and feelings.

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Page 1: Introduction

The largest specialist book retailer in the UK and Ireland is Waterstone's. It has more than 200 branches and employs approximately 4,200 people. Organisations are as individual as nations and societies. Their widely different cultures are reflected in their values, ideals and beliefs. Within Waterstone's, the belief is that each branch is part of the local community. In this context, the buying decisions of each branch should, therefore, directly reflect and respond to local customer demand, which gives each individual branch a sense of identity and local relevance.

Waterstone's is a familiar sight in high streets as well as in airports and on university and college campuses. All branches are tailored to meet the needs of customers in the catchment area and local market. Recent developments include an Internet bookstore, where books can be ordered electronically, and another superstore in Piccadilly that is 56,000 sq. ft. in size.

Read more: <http://businesscasestudies.co.uk/waterstones/decentralisation-within-a-book-retailer/introduction.html#ixzz2PW0gpjaf>

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The supply chain

The book trade has a complex supply chain. At one end of the supply chain is the author with a manuscript, while at the other end is the customer purchasing the book. The industry supply chain is an intricate network of interconnected parties which form the process by which a finished product reaches its intended market.

Books are a highly creative commodity for which there are countless authors, publishers and distributors. Decentralisation for Waterstone's is a response to the unique nature of the product and the diverse nature of the market. As a result, it is possible for customers to find an international best-seller sharing the same shelf as a local work written and published by an author in a front room.

Logistics

Physical distribution or marketing logistics involves planning, implementing and controlling the physical flow of goods and related information from points of origin to points of sale in order to meet customer requirements. Waterstone's holds an 18 per cent market share of the book retail market and between 12-14 per cent of the industry total. At present Waterstone's has 30,000 suppliers all working to slightly different contracts. Managing the supply chain means working with different delivery times, trade terms and discount opportunities for each supplier. The level of individual specialism makes uniformity virtually impossible.

Centralisation would mean working with fewer product lines and this would not serve localised customer needs. For example, the aim is for each Waterstone's branch to

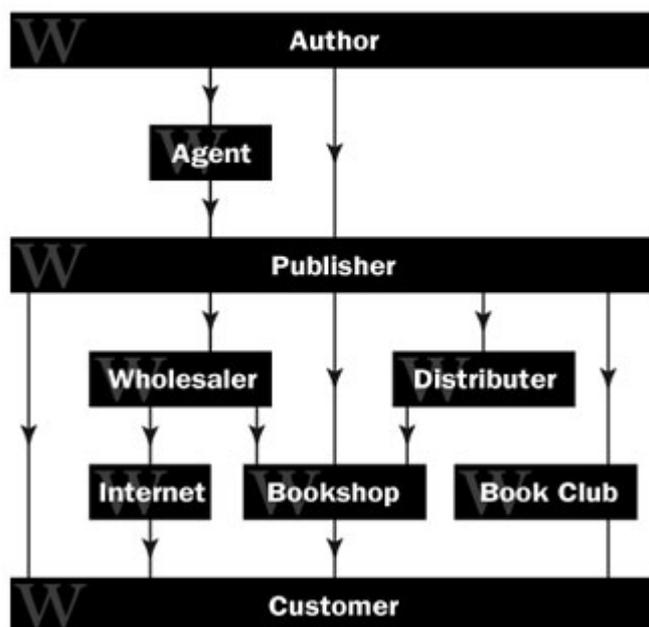
make between 50,000 and 150,000 titles available to its customers. The mix and variety of books on offer will depend upon the size of branch and customer needs and requirements within each catchment area.

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Organisational structure

The supply chain for Waterstone's is the variety of routes a finished book takes to reach each branch.



A typical retail company will have a hierarchical structure like the one shown. Dependent upon management policies, senior buyers will control the quantity and type of products provided, despite the fact that sales staff are the company's direct point of contact with customers. In this model, communication is one way. Within Waterstone's decentralisation helps to invert this triangle. This method of organisation brings the customer sharply into focus. This means that:

- customers are at the top of the hierarchy
- as local booksellers are the buyers at the front-line of the organisation, they are best placed to respond accurately and immediately to customers' needs
- communication between customers and booksellers, who are also the company's buyers, is a two way process.

Career Development Framework (CDF)

In order to equip booksellers to meet this pivotal role, Waterstone's has developed the Career Development Framework to develop and reward the skills, values and attitudes of its staff. The framework covers six key areas of the business at branch level including

customer service, business awareness, stock management, team development, security and health and safety. The framework consists of the 'five stages of bookselling'



Within Waterstone's decentralisation helps to invert this triangle.



Bookseller	Stage	1
Stage	(Core	Skills)
Bookseller		2
Stage	(Development)	3

Senior Stage 4	Bookseller	(Core	skills)
Senior Stage 5	Bookseller	(Development)	
Senior			Bookseller

(Preparation for Management).

These stages enable individual employees to set objectives that improve staff performance as they move through pay points and their skills are acquired and developed. Personal, team and company objectives encourage individuals to be flexible and dynamic in thinking about how to improve the customer service they offer in order to satisfy individual and local needs.

Starting a career as a bookseller

One element of the Career Development Framework is Waterstone's unique approach to stock management. The hallmark of decentralisation is the concept of 'freedom to act'. This means that booksellers are actively involved in making day-to-day decisions within the business. From the start of their career each bookseller is given responsibility for a number of sections within their branch, such as fiction, history, politics or travel literature. At a basic level this means that they ensure that the sections are tidy, well-ordered and customer friendly. As they become more experienced, they become directly responsible for monitoring stock quality, display and presentation, controlling budgets and marketing each section.

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Career development

Stage 1

A new bookseller will be 'buddied' with a colleague through a mentorship. This shared experience enables them to learn the skills of stock management during the first stage.

They will be shown how to use Waterstone's sales and stock database. This system is called Phoenix and booksellers use the information it provides to check the sales of titles in their sections. Phoenix is an Electronic Point Of Sales (EPOS) system, which records the sales history of every book sold in a branch on a certain day. For example, if two copies of a book have sold, Phoenix will offer a recommended order quantity of two. However, the decision to reorder a particular title, and in what quantity, is dependent upon many factors. This is where a bookseller's individual judgment and specialist knowledge are invaluable. As part of their developing experience they would have to consider:

- how well the title has sold in the past
- the number of customer enquiries about the book
- whether it had been reviewed recently in newspapers and magazines, as well as whether it
- had been the subject of media interest or television coverage
- if it was part of an in-store promotion
- whether it was in the national best-seller lists.

The fact that booksellers draw upon their wider knowledge and have the power and freedom to act upon it, is crucial to the concept of decentralisation as it:

- allows branches to respond fully to the needs of customers and local markets
- enables branches to run with optimum stock levels. This means that the right quantity of books are in stock and that these are available when customers want to buy them.

Stage 2

Each phase of the Career Development Framework builds upon and consolidates the skills and learning acquired at previous stages. Once the principles and practices behind everyday stock replenishment have been mastered, a Stage 2 bookseller will begin to develop skills around buying new titles for their sections from publisher's representatives. As booksellers are constantly in contact with customers and listen to their thoughts and recommendations, they are aware of changing views and the current demand for certain areas. This feedback creates market focus as it enables booksellers to develop their range of sections in a way which is tailored to the profile of their local customer base.

Stage 3

During this phase, senior booksellers are encouraged to develop the leadership skills necessary for branch management. At this level, it is important that the skills of individuals around stock management are located within the wider context of the branch, as well as the values of Waterstone's and the culture of the company. One of the ways in which Stage 3 booksellers can increase their knowledge in this area is by organising local promotions, such as 'Branch Bestsellers' or 'booksellers Choice'. These are good ways of combining the enthusiasm of the bookseller with the interests of their customers.

Waterstone's draws the attention of its customers to new titles and promotions through table displays. By working with the marketing department at Head Office, individual booksellers can produce their own leaflets, banners and table signs. This is a clear and active way of signposting titles that have been generated by local demand.

Stages 4 and 5

During stages 4 and 5, senior booksellers are responsible for co-ordinating branch events such as author signings, reading groups or school visits. This provides an opportunity to build community links and obtain first-hand feedback from customers.

Booksellers can negotiate greater discount for stock sold at events and also decide upon the best way to use publicity opportunities for the good of their branch.

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Conclusion

Supported by the Career Development Framework, decentralisation has enabled employees within Waterstone's to focus their work upon the needs of their customers. It has also empowered each individual to make his/her own contribution, not just to the success of the branch, but also to the business as a whole.

Waterstones | Decentralisation within a book retailer

Read more: <http://businesscasestudies.co.uk/waterstones/decentralisation-within-a-book-retailer/conclusion.html#ixzz2PW1EMxFN>

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