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ISSUES OF TRANSFORMING THE ORGANIZATIONAL STRUCTURE OF PRODUCTION: INTERNATIONAL EXPERIENCE

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Abstract

The transformation of organizational structures in production has become one of the central managerial and economic challenges of the twenty-first century. Rapid technological change, globalization of markets, digitalization, and increased competitive pressure have forced enterprises to reconsider traditional hierarchical models and search for more flexible, adaptive, and innovation-oriented organizational forms. This paper examines the key issues related to changing the organizational structure of production through the lens of international experience. Drawing on examples from developed and emerging economies, the study analyzes how foreign companies redesign their production structures to improve efficiency, responsiveness, and sustainability. Special attention is paid to the shift from rigid functional hierarchies to process-oriented, network-based, and hybrid structures, as well as to the role of digital technologies, lean production principles, and human capital management in these transformations.

Keywords

organizational structure, production management, restructuring, international experience, industrial organization, management innovation

The organizational structure of production has always reflected the technological level, market conditions, and managerial philosophy of a given historical period. In the industrial era, production systems were predominantly organized according to rigid hierarchical principles, emphasizing clear division of labor, centralized control, and standardized procedures. Such structures proved effective under conditions of mass production, stable demand, and relatively slow technological change. However, as global economic conditions evolved, especially in the second half of the twentieth century, these traditional models began to reveal significant limitations. Increasing market volatility, shorter product life cycles, and rising consumer expectations required production systems to become more flexible, adaptive, and customer-oriented. As a result, many countries initiated profound changes in the organizational structure of production, seeking new forms that could ensure both efficiency and innovation.

International experience shows that organizational restructuring in production is rarely a linear or purely technical process. In the United States, for example, large manufacturing corporations in the 1970s and 1980s began to move away from strictly functional structures toward divisional and matrix models. This shift was driven by the need to manage diversified product portfolios and operate in multiple markets simultaneously. Divisional structures allowed companies to decentralize decision-making, assign responsibility for results to specific units, and respond more quickly to market changes. At the same time, matrix structures

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emerged as an attempt to combine the advantages of functional specialization and project-based coordination. Although matrix systems often faced challenges related to role ambiguity and conflict of authority, they represented an important step toward more flexible organizational arrangements.

In Western Europe, organizational changes in production were strongly influenced by social and institutional factors. Countries such as Germany, Sweden, and the Netherlands developed models that emphasized cooperation between management and employees, long-term planning, and high levels of workforce qualification. The German system of industrial organization, often associated with the concept of "co-determination," illustrates how organizational structure can integrate economic efficiency with social stability. In this model, production units are organized to promote collaboration between engineers, skilled workers, and managers, while employees participate in decision-making through works councils and supervisory boards. Such arrangements have facilitated gradual but consistent organizational change, enabling firms to adopt advanced production technologies without undermining workforce commitment.

Japanese experience in restructuring production organizations has attracted particular attention worldwide. The success of Japanese manufacturing in the late twentieth century was closely linked to innovative organizational principles such as lean production, just-in-time systems, and continuous improvement. Unlike traditional Western hierarchies, Japanese production structures tended to be flatter and more team-oriented. Responsibility for quality and efficiency was distributed across work groups rather than concentrated solely at the managerial level. This approach required a fundamental rethinking of organizational roles and relationships, as workers were expected to contribute not only manual labor but also ideas for improvement. International diffusion of lean production practices demonstrated that organizational structure is inseparable from organizational culture, and that copying formal elements without adapting underlying values often leads to limited results.

In recent decades, the digital transformation of industry has become a major driver of organizational change. The spread of automation, artificial intelligence, and digital platforms has altered the very logic of production organization. International experience indicates that digital technologies enable new forms of coordination that reduce the need for multiple hierarchical layers. In advanced economies, many manufacturing firms have adopted network-based organizational structures, where production is coordinated through digital systems connecting internal units, suppliers, and customers. Such structures allow companies to outsource non-core activities, integrate global value chains, and respond rapidly to fluctuations in demand. However, they also raise new challenges related to control, data security, and coordination across organizational boundaries.

The experience of multinational corporations provides valuable insights into the complexities of organizational restructuring. Operating across different institutional, cultural, and regulatory environments, these companies must design production structures that balance global integration with local responsiveness. Many have adopted hybrid organizational models, combining centralized strategic control with decentralized operational units. This approach allows firms to standardize key processes and technologies while adapting production practices to local conditions. The success of such models depends largely on effective communication mechanisms, clear definition of responsibilities, and investment in managerial competencies capable of operating in complex organizational environments.

Emerging economies offer another important perspective on organizational change in production. Countries such as China, South Korea, and Brazil have undergone rapid

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industrialization, often combining imported organizational models with local practices. In China, for instance, organizational restructuring has been closely linked to broader economic reforms and the transition from a centrally planned system to a market-oriented economy. State-owned enterprises have been gradually restructured to introduce clearer accountability, performance-based management, and more flexible production units. At the same time, private and foreign-invested firms have experimented with various organizational forms, ranging from traditional hierarchies to highly flexible, project-based structures. This diversity illustrates that organizational change is shaped not only by technological and market factors but also by institutional context.

One of the recurring issues in changing the organizational structure of production is resistance to change. International experience confirms that structural reforms often encounter opposition from employees and middle managers who perceive them as a threat to their status, job security, or established routines. Successful restructuring initiatives therefore tend to combine formal organizational changes with comprehensive change management strategies. These include transparent communication, employee participation, training programs, and alignment of incentive systems with new organizational goals. Without such measures, even well-designed structures may fail to deliver expected results.

Another critical issue concerns the relationship between organizational structure and innovation. Modern production increasingly relies on continuous innovation, both incremental and radical. International experience suggests that overly rigid structures inhibit knowledge sharing and creativity, while excessively loose structures may undermine coordination and efficiency. As a result, many organizations seek a balance by adopting flexible but disciplined structures that support cross-functional collaboration. Examples include project-based teams, internal networks of expertise, and temporary task forces that operate within a broader organizational framework. These arrangements allow production systems to adapt to changing technological and market conditions without losing coherence.

Sustainability has also emerged as an important factor influencing organizational restructuring in production. In response to environmental regulations, social expectations, and resource constraints, companies in many countries are redesigning their production structures to support sustainable practices. This often involves closer integration between production, logistics, and environmental management functions, as well as collaboration with external stakeholders. International experience indicates that achieving sustainability objectives requires organizational structures that facilitate long-term thinking, cross-departmental coordination, and accountability for environmental and social performance.

In conclusion, the international experience of changing the organizational structure of production demonstrates that there is no single universal model suitable for all contexts. Organizational restructuring is a complex, multidimensional process influenced by technological, economic, social, and institutional factors. While global trends such as digitalization, decentralization, and flexibility shape contemporary production structures, their concrete implementation varies across countries and industries. The most successful examples share several common features: alignment between structure and strategy, integration of technological and human factors, and a strong emphasis on learning and adaptation. For enterprises seeking to enhance their competitiveness in a rapidly changing global environment, studying and critically adapting international experience in organizational restructuring remains an essential task.

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