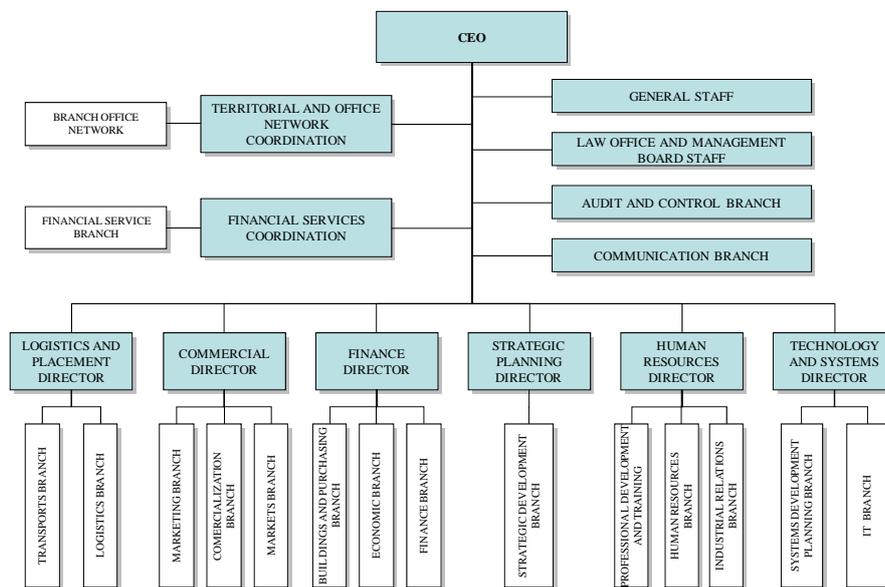


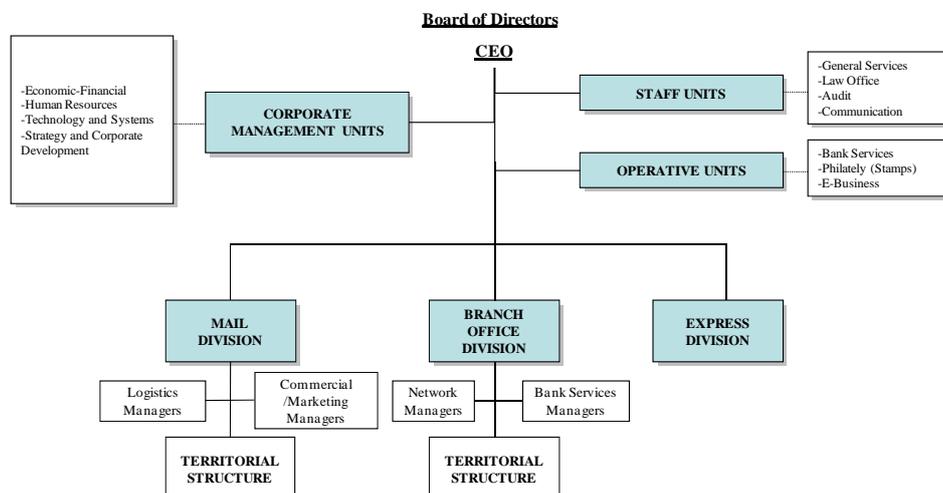
Application 18.2 (updated):
EVOLUTION OF THE ORGANIZATIONAL STRUCTURE OF CORREOS Y TELÉGRAFOS

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As we can see in application 17.3, one of the most important changes made by Correos y Telégrafos for adapting to the new situation of an increasingly competitive environment has involved its organizational structure. Before these changes, Correos y Telégrafos had an organizational structure that reflected a traditional functional model, which limited the operational coordination and agility to respond to a changing environment:



According to the 2001-2003 Strategic Plan, the implementation of the new strategy required the design of a new organizational structure that would enable the Company to respond better to the new requirements of the competitive environment. Thus, the new organizational form reflected a territorial structure divided by geographical areas and then into provinces, with a divisional structure:

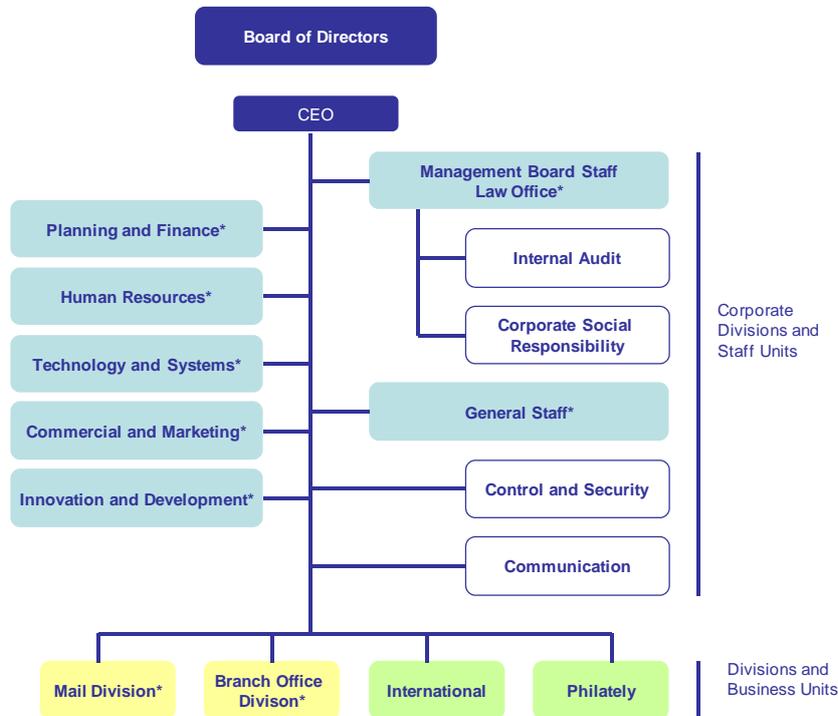


The representation and management of the Company as a whole remained with headquarters, with its top managers being assisted by staff units (General Service, Law Office, Audit and Communication). In addition, headquarters coordinated the divisions, supervised and developed the business strategy to uphold the corporate identity and provided central services. Correos y Telégrafos was therefore structured into three basic divisions with management autonomy and activities defined by the type of product: Mail Division (Postal Services), Branch Office Division (postal outlets) and Express Division (Parcel). These three divisions had no separate legal personality and each one of them divided the Spanish territory by areas with a regional manager. Thus, each division targeted specific markets with management autonomy and its own balance sheet, with its own sales team, and with a clear focus on customers and service.

Moreover, its structure had three Operating Units focused on the business that, once consolidated, could be structured as new divisions. The Bank Services Unit would be responsible for exploring and exploiting opportunities in the financial sector; the Philately Unit would focus on stamp collecting, and the e-Business Unit was charged with identifying projects related to the new economy and the Internet.

There were also four Corporate Management Units (Economic-Financial, Human Resources, Technology and Systems, and Strategy and Corporate Development) at headquarters, with a functional dependency. Their basic mission was to support divisions in order to ensure a homogeneous organizational vision across the Company's activities based on a shared corporate culture. Thus, unity of action in the Company's businesses was guaranteed.

Following the implementation of the 2004-2006 Strategic Plan, although Correos y Telégrafos still maintains a divisional structure, certain changes have been made to its organizational model. Its divisional structure is composed of two divisions - Mail and Branch Offices- two business units -International and Philately-, five corporate divisions and two staff units –Board of Directors Staff/Law Office and General Staff. The two divisions are structured into territorial areas.



* Executive Committee

The Mail Division is responsible for the postal service throughout Spain. Through its nationwide coverage, the company manages the daily collection, processing, transport and distribution of all types of deliveries. To achieve these aims, the Company invests resources in technological modernization and the automation of processes. It has a structure of four Central Branches, a staff unit and fourteen Territorial Divisions that encompass all Spain's provinces. With 51,731 employees, this Division is the Company's largest. Its work is directly related to the mail service, being essential for achieving the required levels of service and customer satisfaction.

The Branch Offices Division has a dual role -public service and the marketing network- and ensures the required accessibility levels by acting as a sales channel for postal services and other products and services. Its initiatives are geared toward meeting the new demands of society by adapting and expanding its range, improving customer service and increasing physical coverage. Its organizational structure consists of three units and five managers at the top level and nine territorial units, employing 12,229 workers.

The International Business Unit allows the Company to market abroad a portfolio of solutions tailored to the characteristics and requirements of the mail market. It has also established alliances with other foreign postal operators to develop their own business and it is present in supranational agencies and institutions, thus promoting cooperation with its counterparts in other countries. Its commercial activity includes two lines of action: the expansion of the postal service portfolio for domestic users and the attraction of foreign clients, offering them products with greater value, quality, reliability and a wide geographical distribution network.

The Philately Business Unit is responsible for developing the Company's stamp collecting operations. Its initiatives are linked to the issue and distribution of stamps, promoting the collection of its products, as well as organising and attending exhibitions and fairs both at home and abroad.

Source: Adapted from Mora (2008)