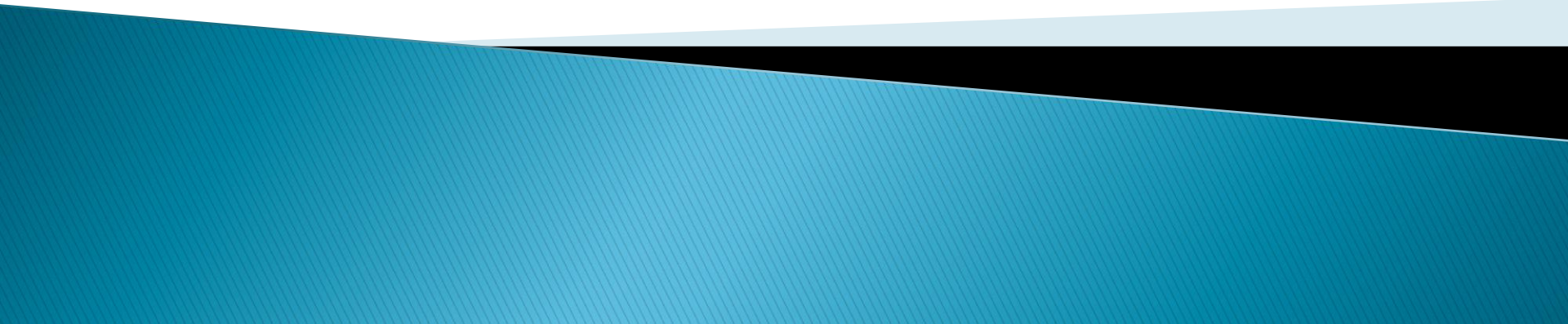
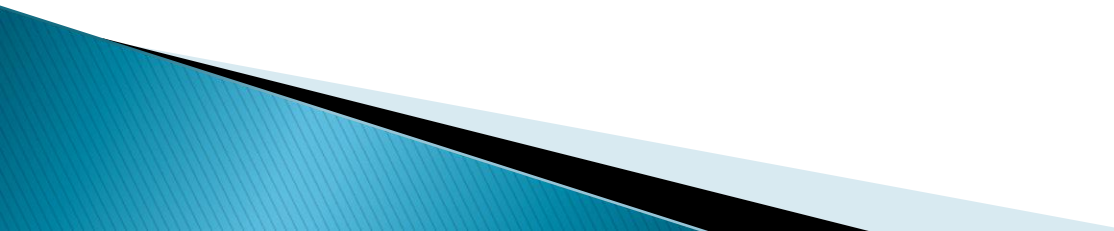


# Global Organization Design



# Entering The Global Arena

- ▶ More companies are doing business globally
  - ▶ Companies need top leaders who have a global outlook
  - ▶ *Advancements in technology and world communications have changed the competitive landscape*
- 

# Motivations for Global Expansion



*Economic, technological, and competitive forces have combined to push companies from a domestic to a global focus*

## Motivations for Global Expansion:

- ▶ Economies of Scale
- ▶ Economies of Scope
- ▶ Low-Cost Production Factors

# The Global Economy as Reflected in the Fortune Global 500

	Number of Companies on the Global 500 List		
	2006	2008	2011
United States	170	153	133
Japan	70	64	68
China	20	29	61
France	38	39	35
Germany	35	37	34
Britain	38	34	30
Switzerland	12	14	15
South Korea	12	15	14
Netherlands	14	13	12
Canada	14	14	11
Italy	10	10	10
Spain	9	11	9
India	6	7	8
Taiwan	3	6	8
Australia	8	8	8
Brazil	4	5	7
Russia	5	5	7
Mexico	5	5	3
Sweden	6	6	3
Singapore	1	1	2

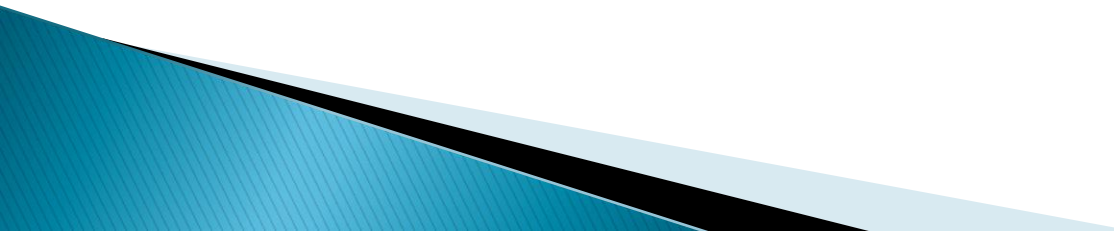
Source: Based on data from "Global 500," *Fortune* magazine's annual ranking of the world's largest corporations for 2006, 2008, and 2011, <http://money.cnn.com/magazines/fortune/global500/> (accessed December 7, 2011).

# Stages of International Evolution

	I. Domestic	II. International	III. Multinational	IV. Global
Strategic Orientation	Domestically oriented	Export-oriented, multidomestic	Multinational	Global
Stage of Development	Initial foreign involvement	Competitive positioning	Explosion	Global
Structure	Domestic structure plus export department	Domestic structure plus international division	Worldwide geographic product structure	Matrix, transnational structure
Market Potential	Moderate, mostly domestic	Large, multidomestic	Very large, multinational	Whole world

Source: Based on Nancy J. Adler, *International Dimensions of Organizational Behavior*, 4th ed. (Cincinnati, Ohio: South-Western, 2002), 8–9; and Theodore T. Herbert, "Strategy and Multinational Organization Structure: An Interorganizational Relationships Perspective," *Academy of Management Review* 9 (1984), 259–271.

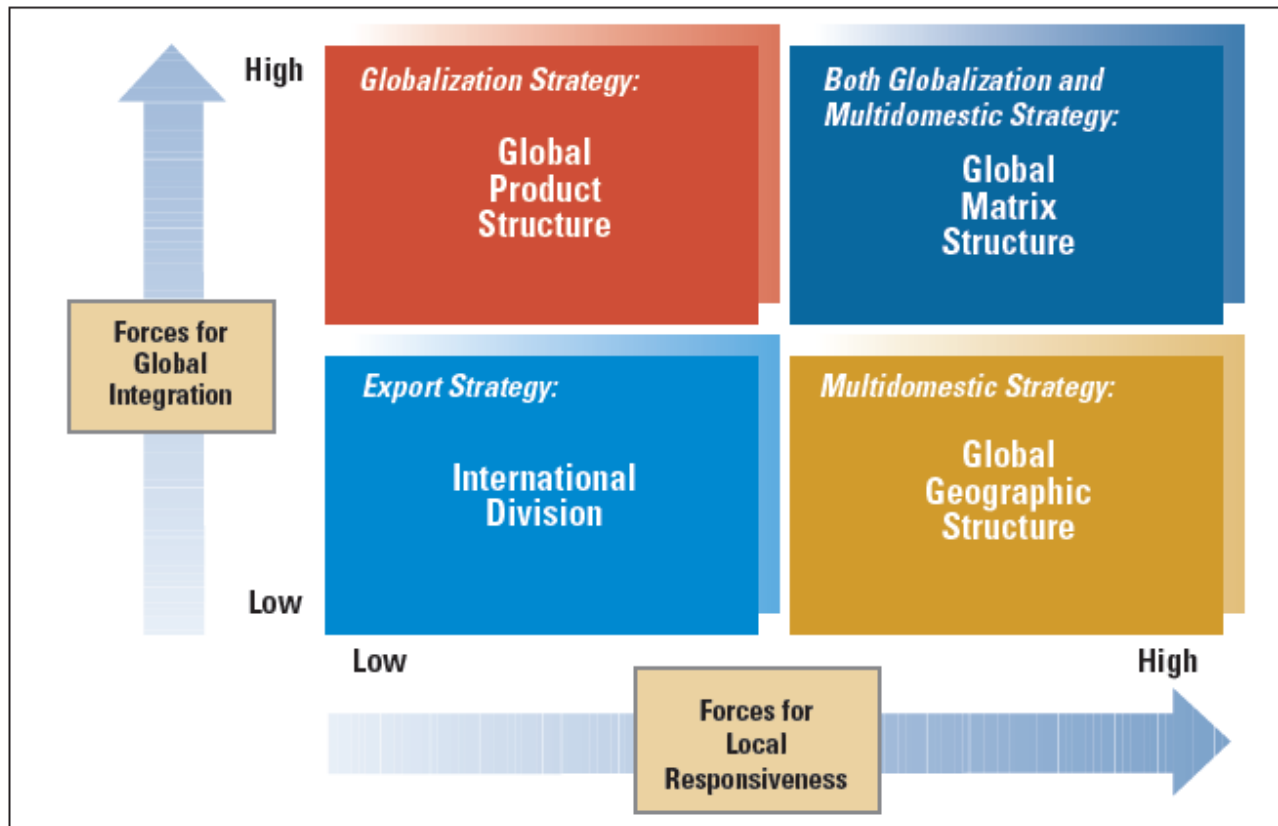
# Global Expansion Through International Strategic Alliance

- ▶ *Licensing* – allowing another firm to market your brands
  - ▶ *Joint Ventures* – separate entity of two or more firms
  - ▶ *Consortia* – groups of independent companies
- 

# Strategies for *Global vs. Local* Opportunities

- ▶ Global standardization versus local responsiveness
  - Globalization or multidomestic strategy
- ▶ ***Globalization strategy*** – products are standardized throughout the world
- ▶ ***Multidomestic strategy*** – competition is handled in each country independently

# Fitting Organization Structure to International Advantages



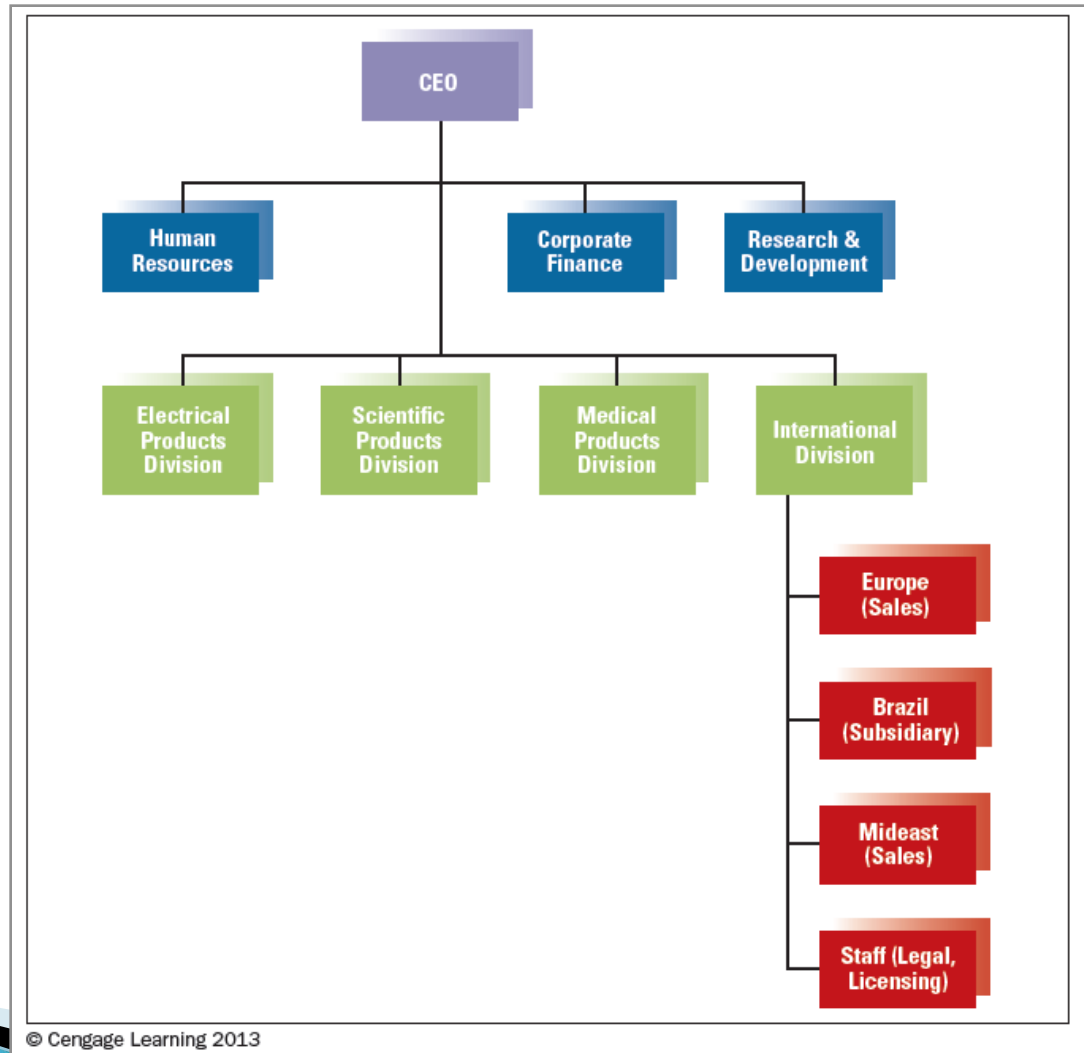
Source: Based on Christopher A. Bartlett and Sumantra Ghoshal, *Text, Cases, and Readings in Cross-Border Management*, 3rd ed. (New York: Irwin McGraw-Hill, 2000), 395; Roderick E. White and Thomas A. Poynter, "Organizing for Worldwide Advantage," *Business Quarterly* (Summer 1989), 84–89. Gunnar Hedlund, "The Hypermodern MNC—A Heterarchy?" *Human Resource Management* 25, no. 1 (Spring 1986), 9–36; and J. M. Stopford and L. T. Wells, Jr., *Managing the Multinational Enterprise* (New York: Basic Books, 1972).



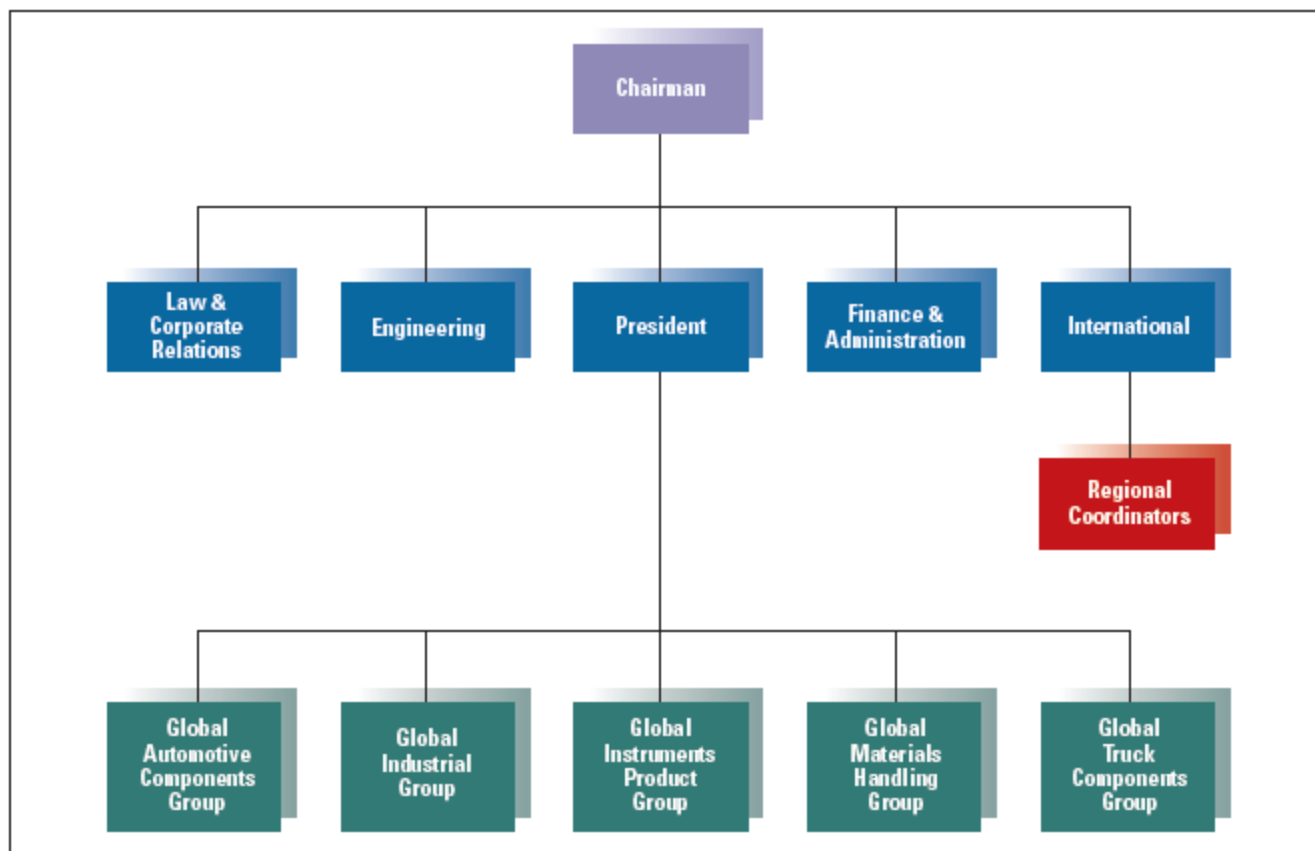
# Global Organization Structure

- ✓ International Division
- ✓ Global Product Division
- ✓ Global Geographic Division
- ✓ Global Matrix Structure

# Domestic Hybrid Structure with International Division

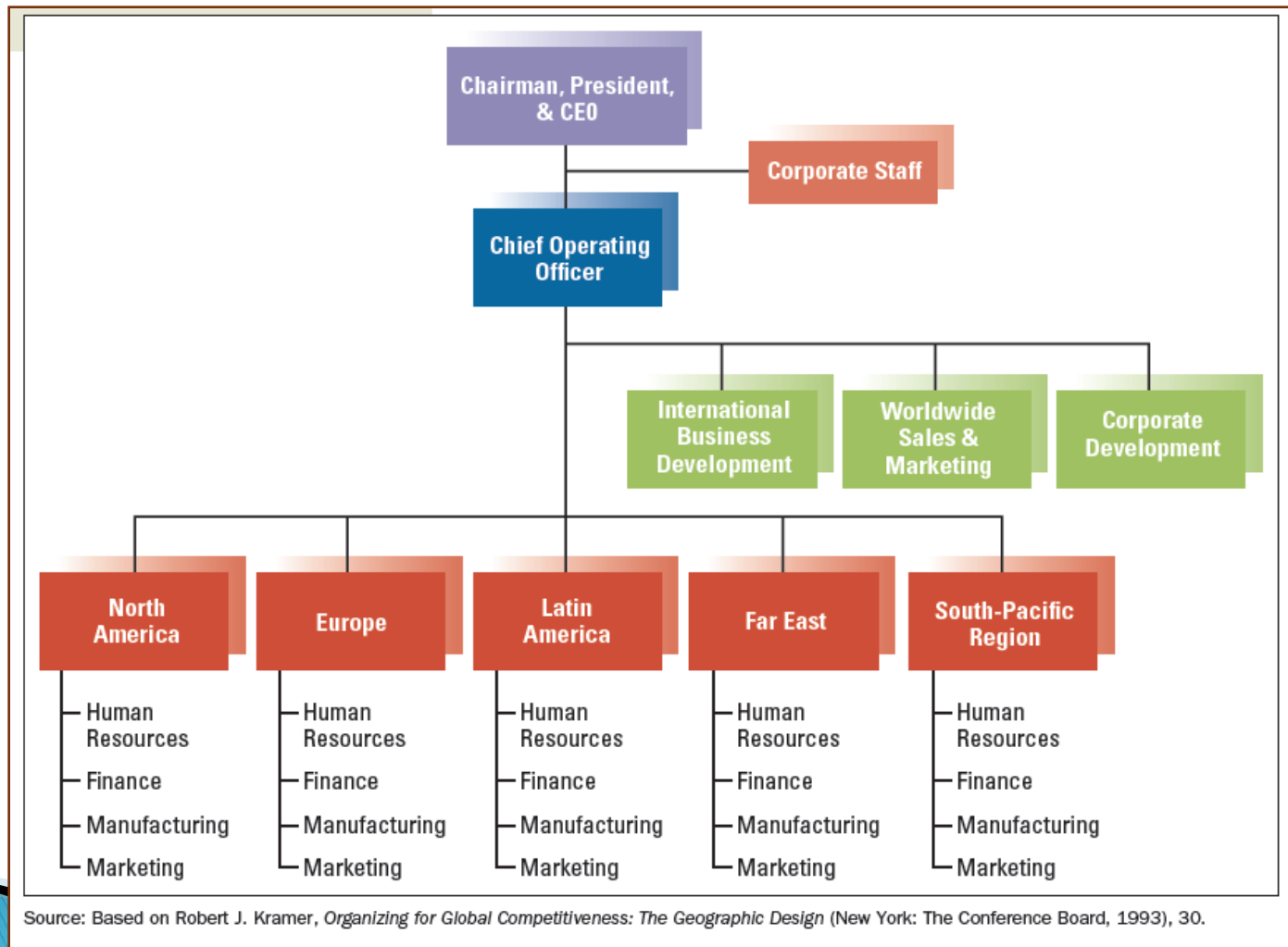


# Partial Global Product Structure



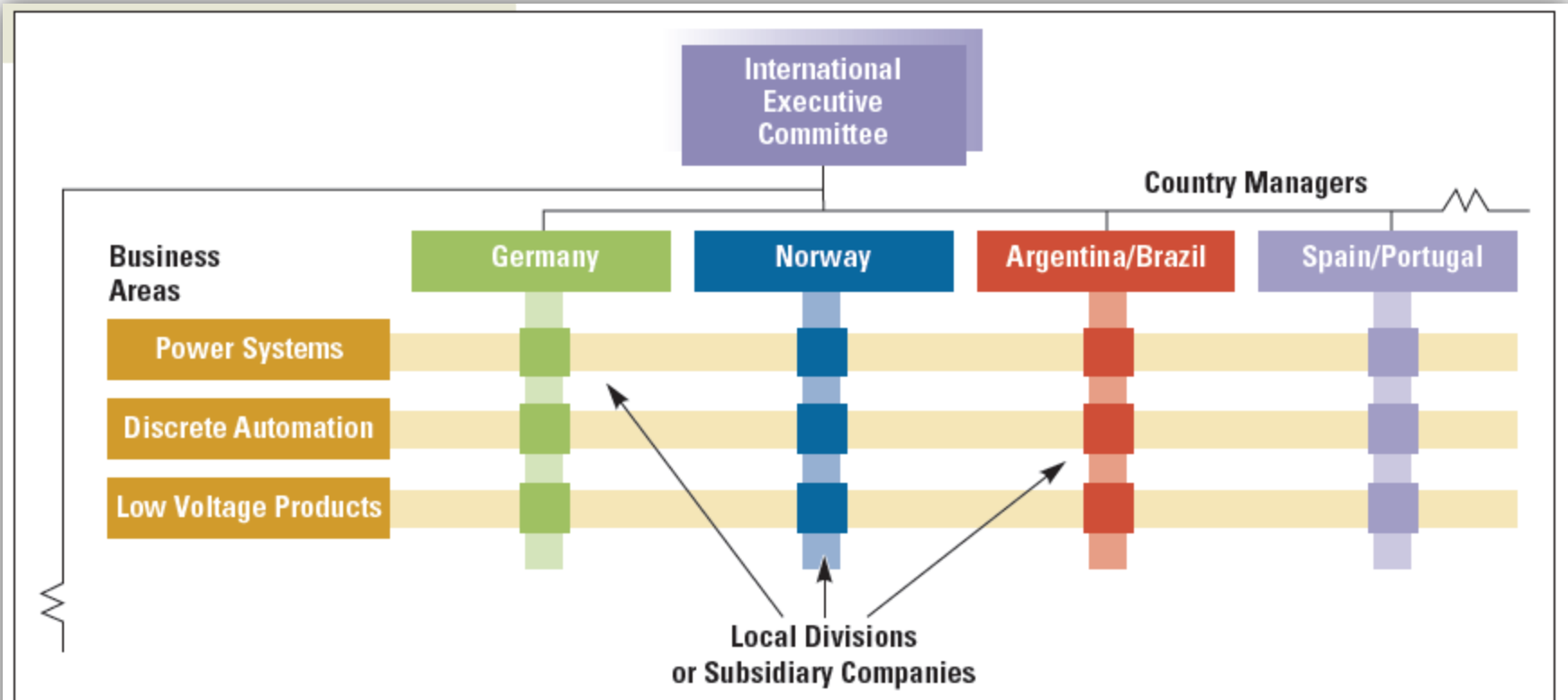
Source: Based on *New Directions in Multinational Corporate Organization* (New York: Business International Corp., 1981).

# Global Geographic Structure

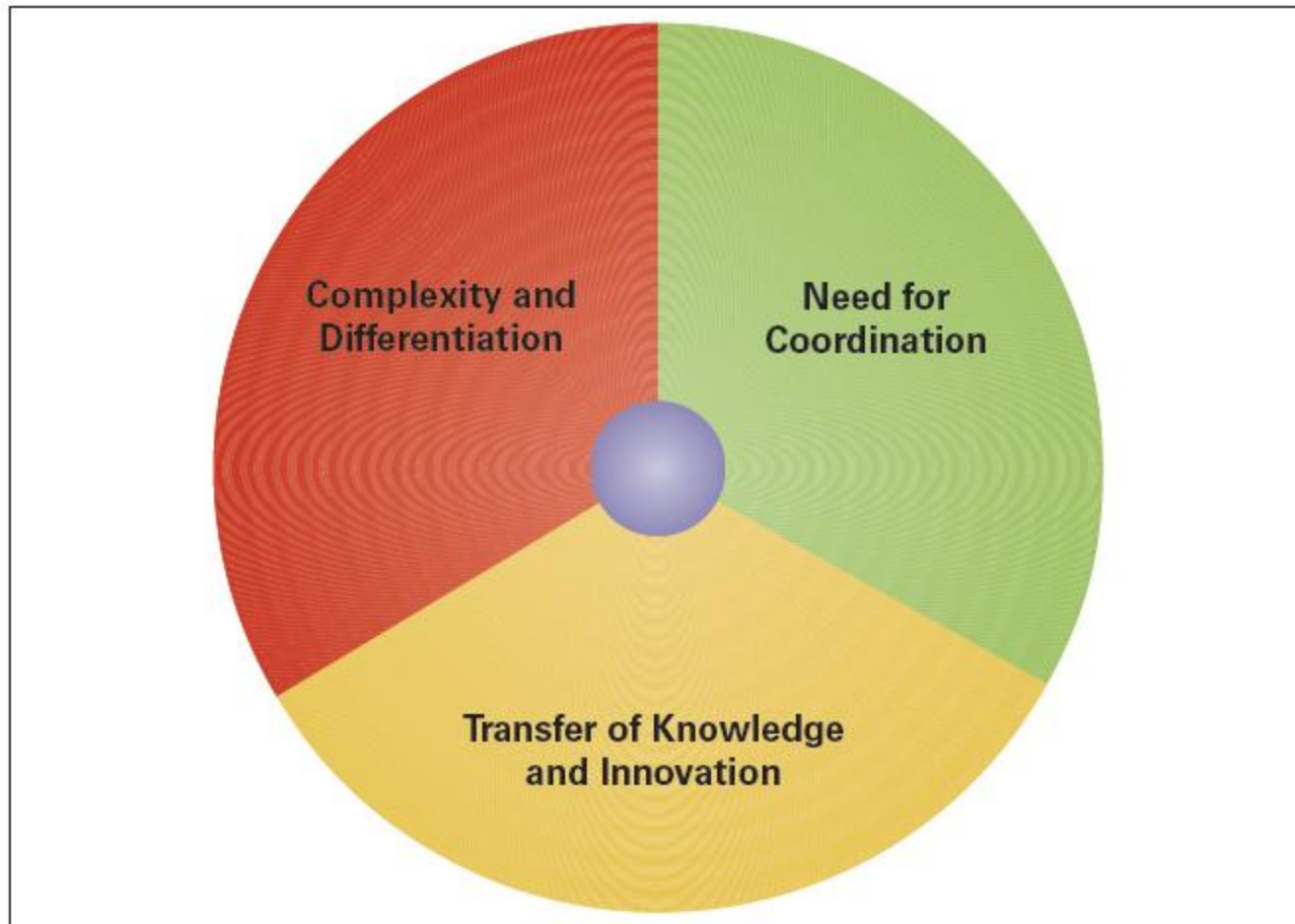


Source: Based on Robert J. Kramer, *Organizing for Global Competitiveness: The Geographic Design* (New York: The Conference Board, 1993), 30.

# Global Matrix Structure



# The Global Organizational Challenge



# Leading Multinational Companies and Selected Countries

Company	Revenue*	Country	Annual GDP†
Exxon Mobil	404.6 billion	Egypt	403.9 billion
Walmart	378.8 billion	Greece	370.2 billion
Royal Dutch Shell	355.8 billion	Malaysia	355.2 billion
BP	291.4 billion	Nigeria	292.6 billion
Toyota	262.3 billion	Algeria	269.2 billion
ING Group	212.0 billion	Peru	218.8 billion
General Motors	181.1 billion	Finland	182.0 billion
General Electric	172.7 billion	Kazakhstan	167.6 billion

\*This size comparison is assuming revenues were valued at the equivalent of GDP.

†Gross domestic product.

Source: "Count: Really Big Business," *Fast Company* (December 2008–January 2009), 46.

# Examples of Trickle-Up Innovation

Company	Innovation and Application
Groupe Danone:	Built tiny plants in Bangladesh that produce one-hundredth of the yogurt a typical Danone factory produces, and then discovered they can operate almost as efficiently as the firm's large factories, spurring Danone to adapt the concept to other markets
Nestlé:	Took the Maggi brand dried noodles created as a low-cost meal for rural Pakistan and India and repositioned it as a budget-friendly health food in Australia and New Zealand
General Electric	Created an inexpensive portable electrocardiogram machine for sale in India, where medical practitioners face power fluctuations, lack of funding and space for big machines, high levels of dust, and difficulty replacing parts in expensive equipment, and now sells it in the United States as well as other countries around the world
Hewlett-Packard	Has a team in India looking for ways to migrate Web-interface applications created for mobile phones in Asia and Africa to developed markets in the United States and Europe
John Deere	John Deere India developed a high-quality low-cost tractor for farmers in India that is now increasingly in demand in the United States among farmers reeling from the recession and that will play a big role in Deere's expansion in Russia

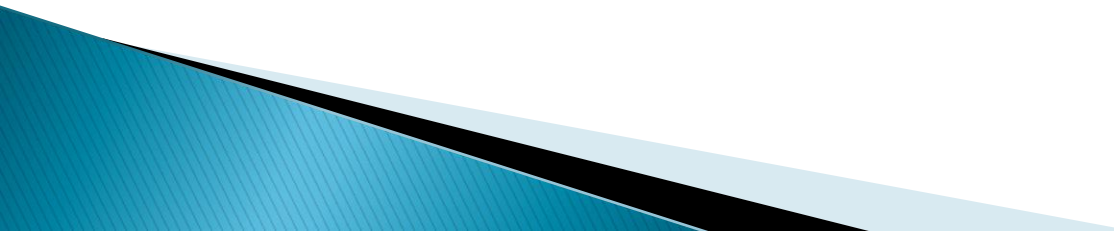
Sources: These examples are from Michael Fitzgerald, "As the World Turns," *Fast Company* (March 2009), 33–34; Reena Jana, "Inspirations from Emerging Economies," *BusinessWeek* (March 23 & 30, 2009), 38–41; Jeffrey R. Immelt, Vijay Govindarajan, and Chris Trimble, "How GE Is Disrupting Itself," *Harvard Business Review* (October 2009), 3–11; and Navi Radjou, "Polycentric Innovation: A New Mandate for Multinationals," *The Wall Street Journal Online* (November 9, 2009), <http://online.wsj.com/article/SB125774328035737917.html> (accessed November 13, 2009).



# Global Coordination Mechanisms

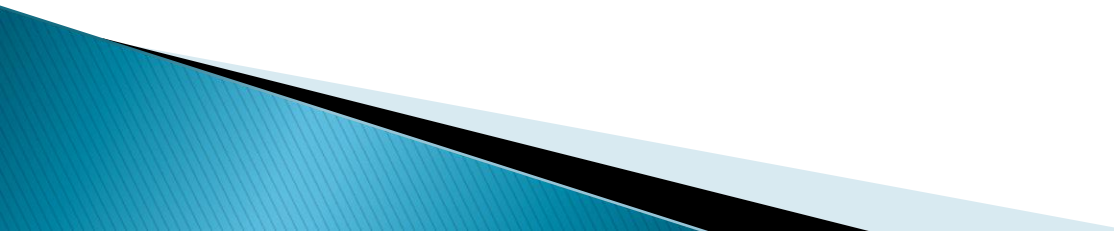
- ✓ Global Teams
- ✓ Headquarters Planning
- ✓ Expanded Coordination Roles

# Benefits of Collaboration

- ▶ Cost Savings
  - ▶ Better Decision Making
  - ▶ Greater Revenue
  - ▶ Increased Innovation
- 

# Cultural Differences In Coordination and Control

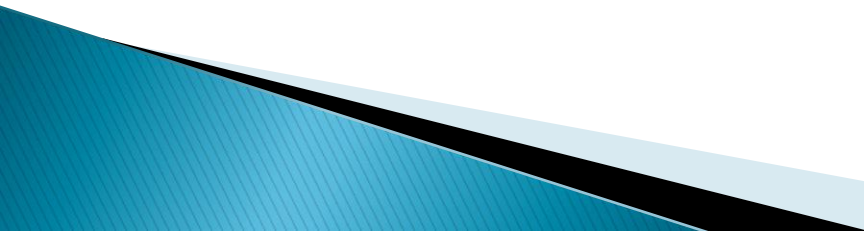
## National Value System

- ▶ *Power Distance*: people accept inequality
  - ▶ *Uncertainty Avoidance*: members feel uncomfortable with uncertainty and ambiguity
- 

# National Approaches to Coordination and Control

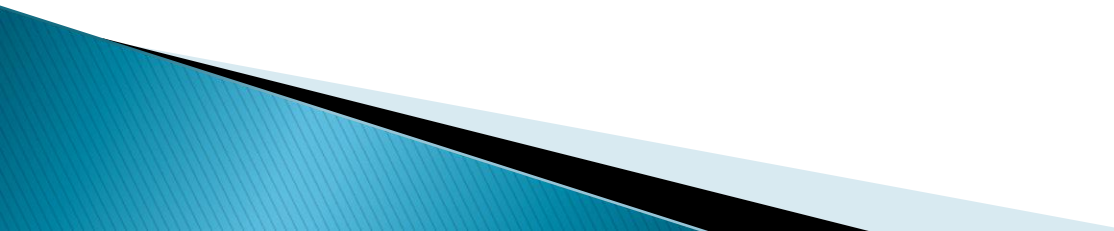
- 1) *Centralized Coordination: Japanese Companies*
- 2) *Decentralized Approach: European Firms*
- 3) *Coordination and Control Through Formalization: The United States*
- 4) *Tradition in Chinese companies remains more family-oriented and relatively small*

# The Transnational Model of Organization

- ▶ Advanced international organization to deal with multiple, interrelated, complex issues
  - ▶ Theory is based on interdependence
  - ▶ Useful for large, multinational companies with subsidiaries
  - ▶ Create an integrated network of individual operations that are linked together
  - ▶ Not an organizational chart; it is a managerial state of mind
- 



# Transnational Organizations

- ▶ Assets and resources are dispersed worldwide
  - ▶ Structures are flexible and ever-changing
  - ▶ Subsidiary managers initiate strategy and innovations that become strategy for the whole organization
  - ▶ Corporate culture, shared vision, and management style guide the organization
- 

# Design Elements

- ✓ Managers must design organizations for complex international coordination
  - ✓ Organizations' international strategies and structures evolve
  - ✓ There are diverse options for specific international strategies
  - ✓ There are a variety of challenges for global organizations
  - ✓ Diverse national and cultural values influence an organization's approach
  - ✓ Companies operating globally require broad coordination
- 