

# **Chapter 8:**

## **Organization Structure and Control Systems**

**PowerPoint by:  
Mohamad Sepehri, Ph.D.  
Jacksonville University**



# Chapter Learning Goals

1. Understand the importance of appropriate organizational structures to effective strategy implementation.
2. Become familiar with the types of organizational designs suitable for the level and scope of internationalization of the firm.
3. Be able to recognize why and when organizational restructuring is needed.



# Chapter Learning Goals

4. Understand the role of technology in the evolution of the networked structure; and to appreciate the role of “human networks” in achieving business goals.
5. Realize how organizational design affects manager’s job, for example, on the level and location of decision making.
6. Emphasize the role of control and monitoring systems suitable for specific situations in the firm’s international operations.

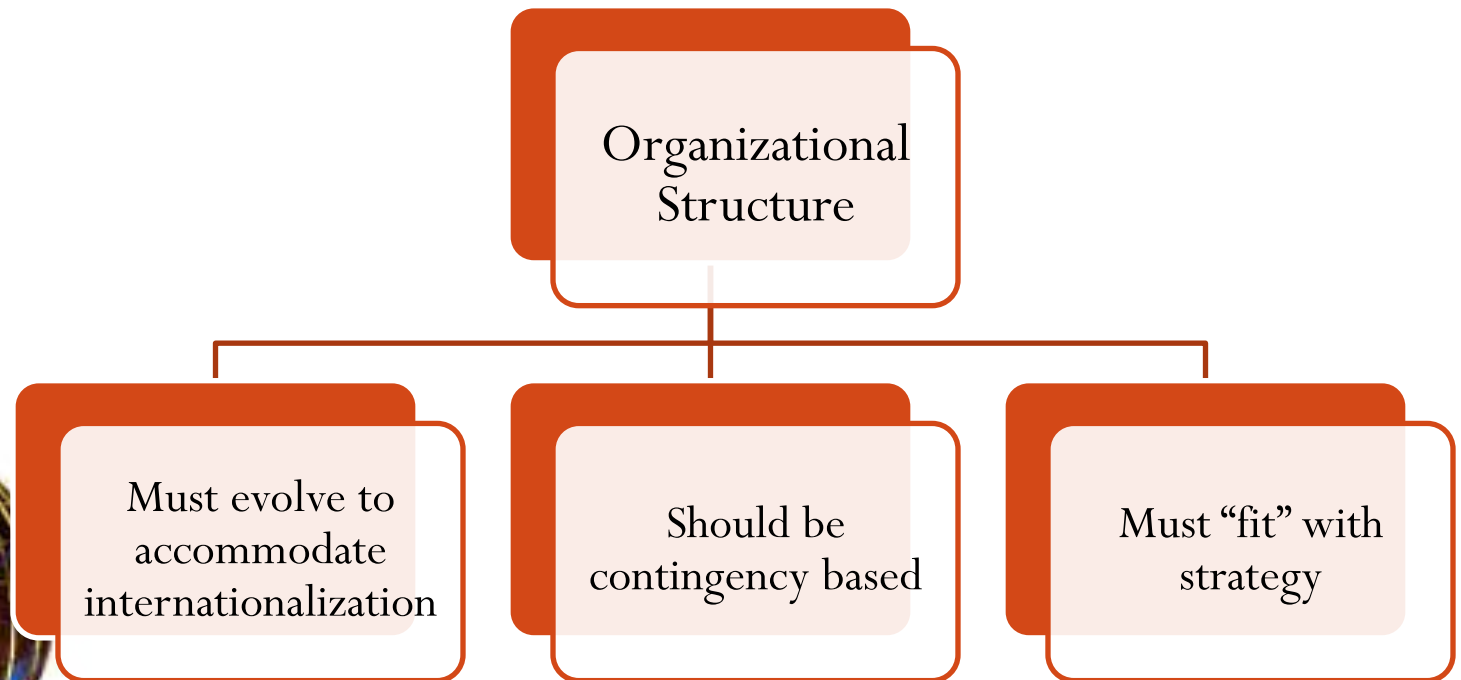


# Opening Profile: Samsung Electronics Recognizes to Fight Downturn

- **Badly hit by the global economic downturn**
- **Implemented a radical reorganization in 2009**
- **Consolidating business operations into two operating divisions**
- **Replaced the heads of five of its eight overseas operations**



# Organizational Structure



# Evolution and Change in MNC Organizational Structures

- **Structural evolution/stage model**
  - **Alcoa**
    - Created smaller units
    - Linked geographically dispersed, but similar businesses (e.g., Brazil and Australia)



# Evolution and Change in MNC Organizational Structures

\* Domestic structure plus export department

\* Domestic structure plus foreign subsidiary

Typical ways to  
structure international  
activities

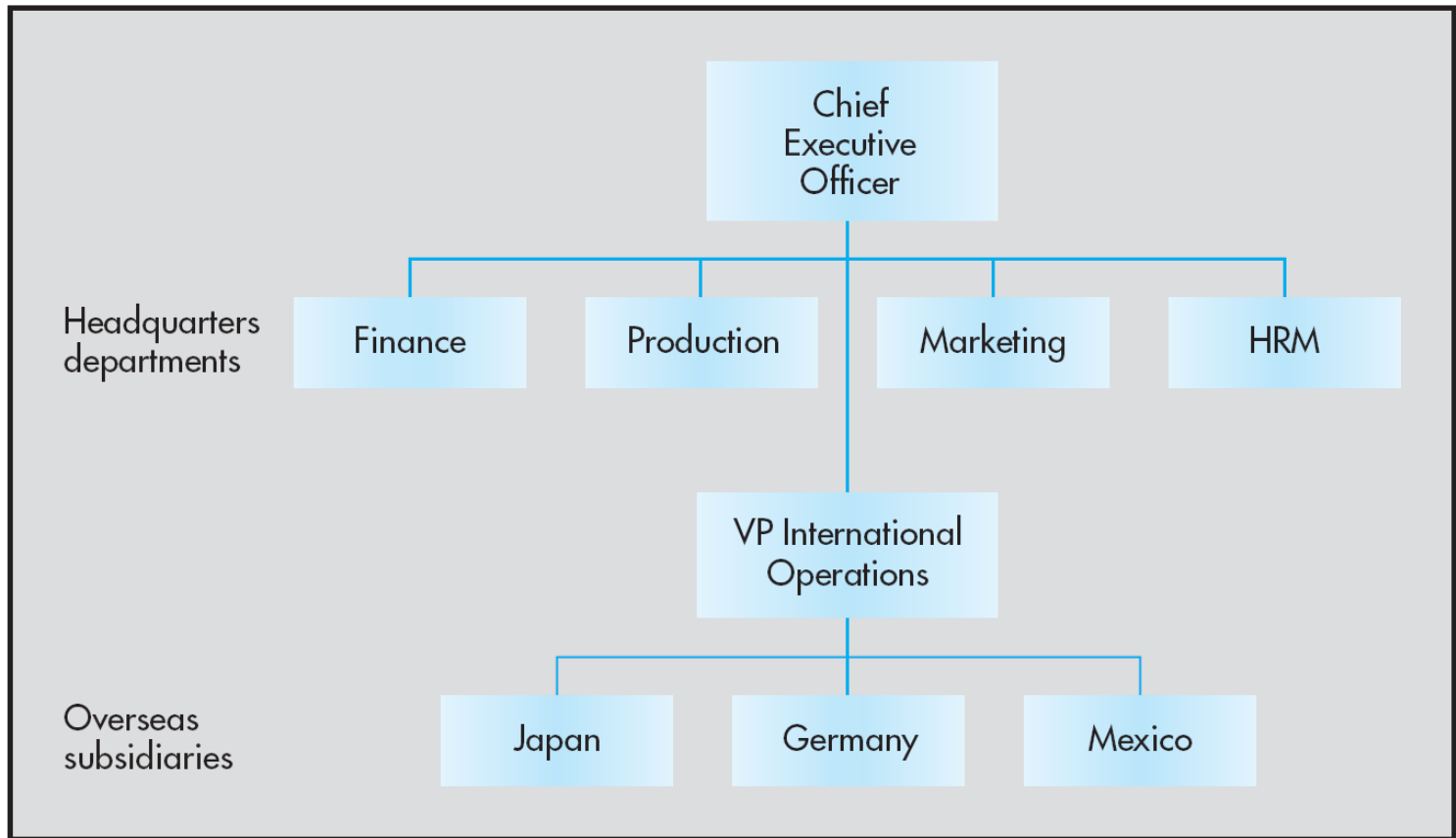
\* Global functional structure  
\* International division

\* Global product structure  
\* Matrix structure



# Domestic Structure Plus Foreign Subsidiary

**EXHIBIT 8-1** Domestic Structure Plus Foreign Subsidiary





# Integrated Global Structures

## International Division

- Organized along functional, product, or geographic lines
- IBM World Trade 
- Pepsi Cola International



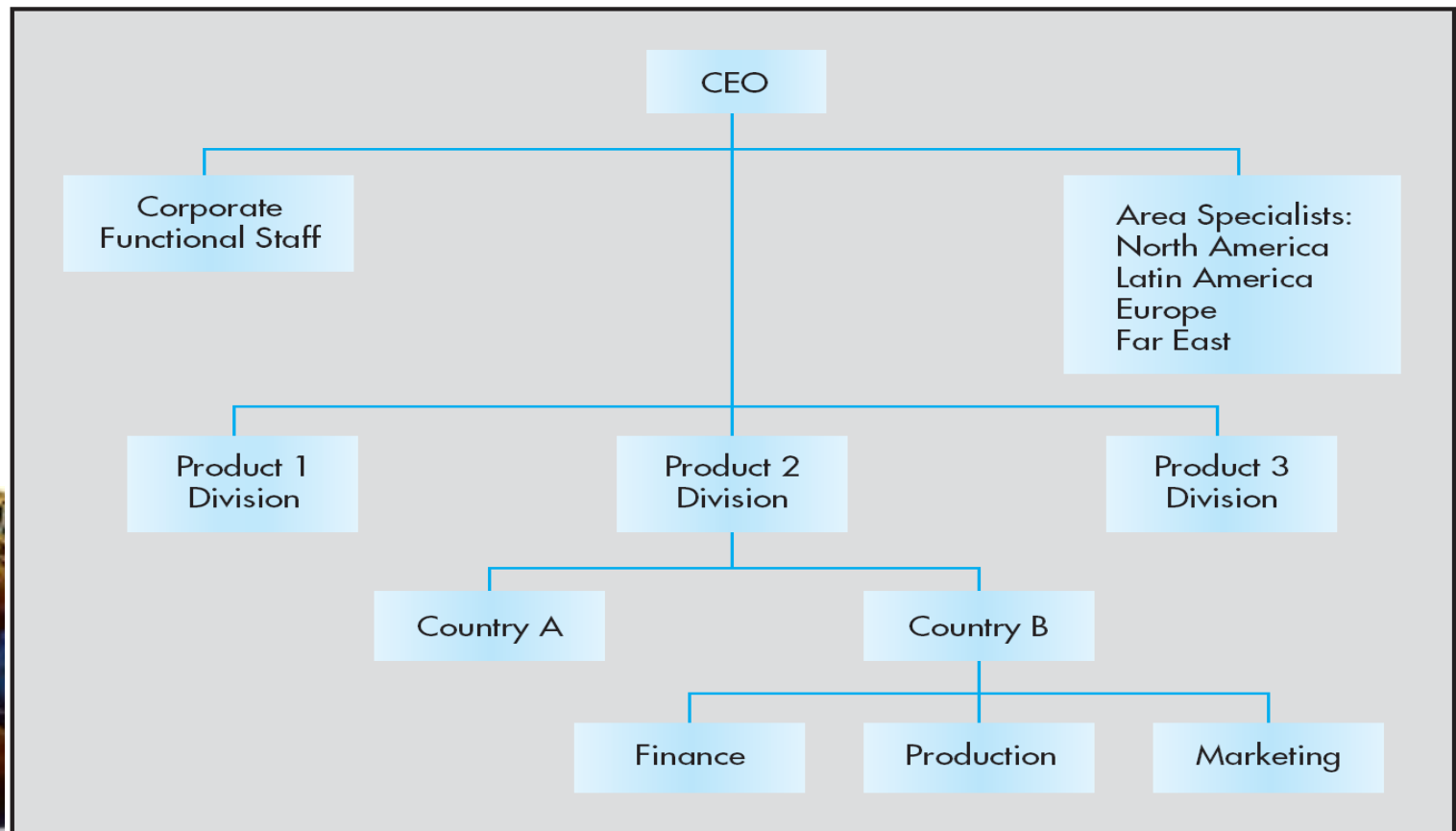
## Global Functional Structure

- Designed on the basis of the company's functions
- Allows for functional specialization and economies of scale

# Integrated Global Structures:

## *Global Product (Divisional) Structure*

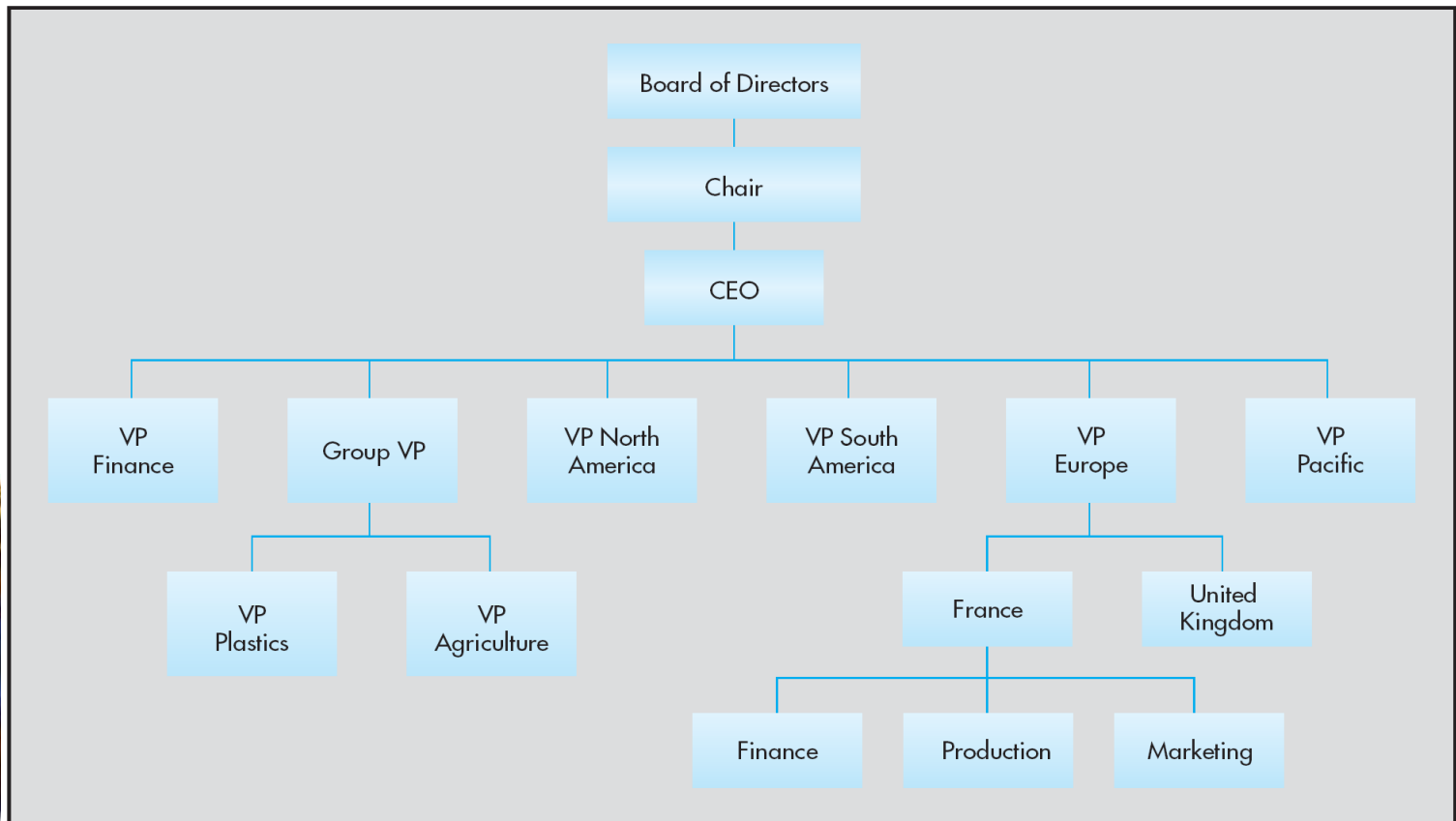
**EXHIBIT 8-2** Global Product (Divisional) Structure



# Integrated Global Structures:

## *Global Geographic (Area) Structure*

EXHIBIT 8-3 Global Geographic Structure



# Organizing for Globalization

## Differentiation

- Focusing on and specializing in specific markets

## Integration

- Coordinating those same markets



# Organizing for Globalization



- Moved away from its traditional geographic structure to a global structure



- ABB is legendary in changing its organizational structure to fit its new strategic directions and its competitive environment.

# Organizing for Globalization

**Be Global—  
Act Local**

- Responding to local market structures and consumer preferences, along the globalization-regionalization continuum



- Allows managers to act independently
- Keeps some centralized control, but decentralizes control of foreign subsidiaries

# Management Focus: Proctor & Gamble's “Think Globally—Act Locally” Structure

## P&G's Global/Local Structure

- Global business units
- Market Development Organizations (MDO)
- Global Business Services (GBS)
- Corporate functions



Gillette

## Philosophy

Think globally

Act locally

Enabling P&G to win with  
customers and consumers

Be the smartest/best



P&G

# Interorganizational Networks

I-Form:

Acer—Taiwan

Royal Philips  
Electronics

Platformisation

Intel

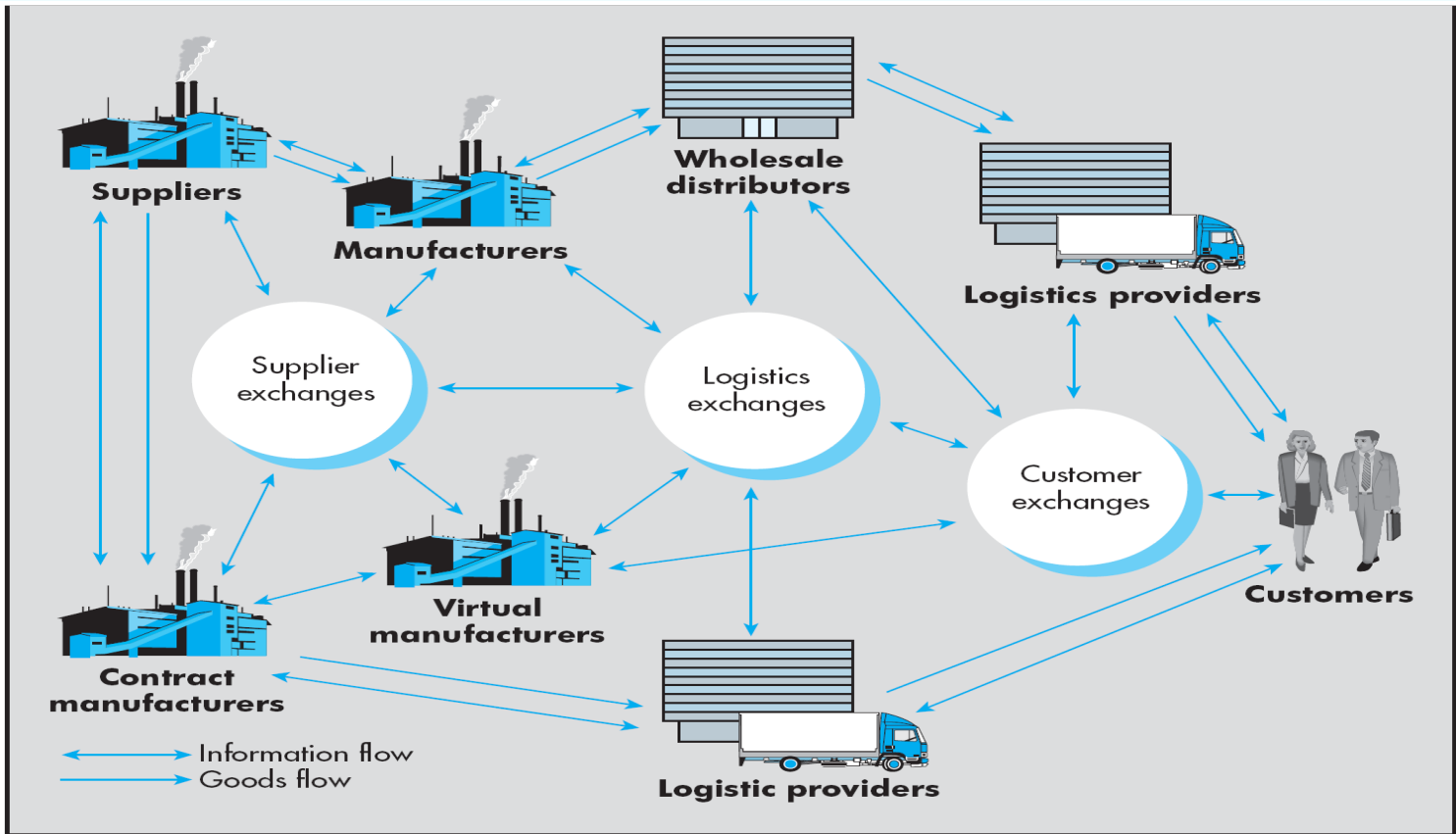
Relational/  
Global  
e-Networks





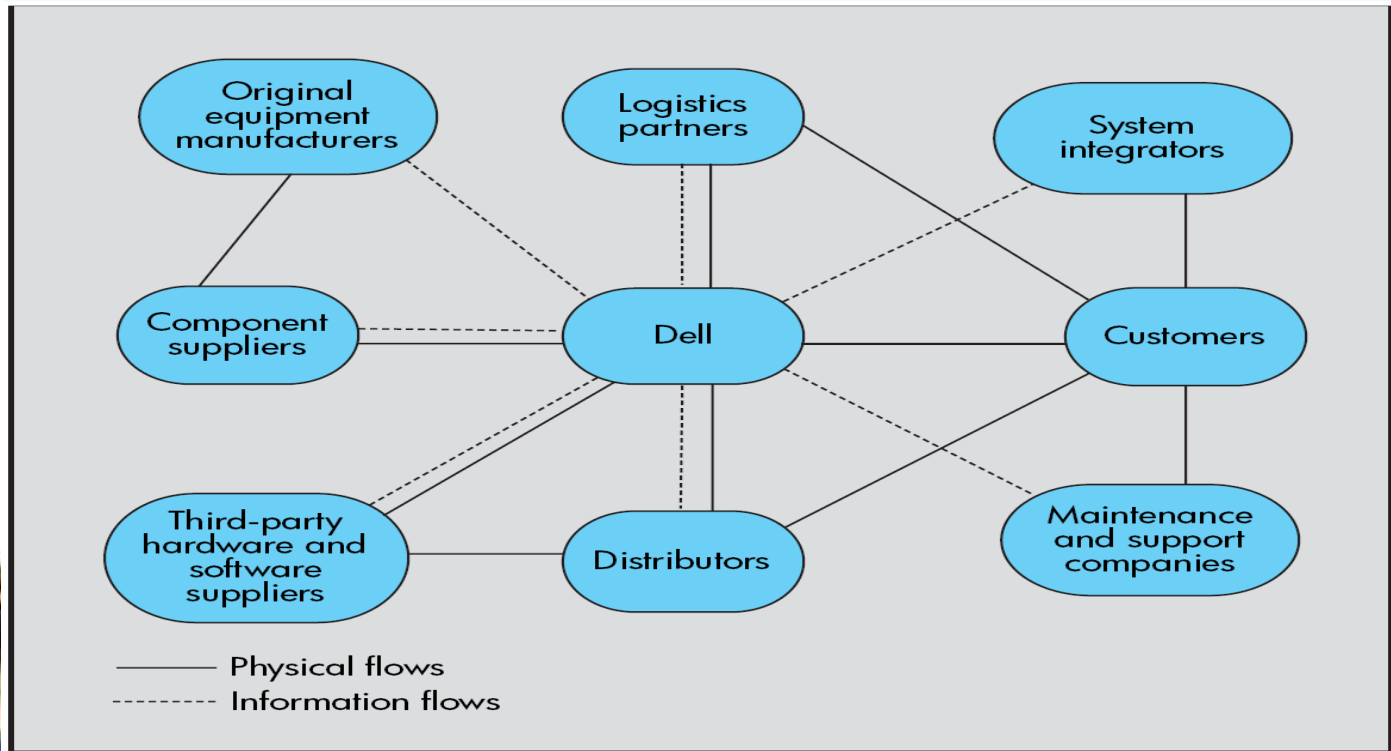
# Global E-Corporation Network Structure

EXHIBIT 8-6 The Global E-Corporation Network Structure



# Transnational Corporation (TNC) Network Structure

EXHIBIT 8-7 Dell's Value Web Model



SOURCE: Adapted from Kenneth L. Kraemer and Jason Dedrick, "Dell Computer: Organization of a Global Production Network" (December 1, 2002). Globalization of IT. Paper 255, Center for Research on Information Technology and Organizations, University of California, Irvine.

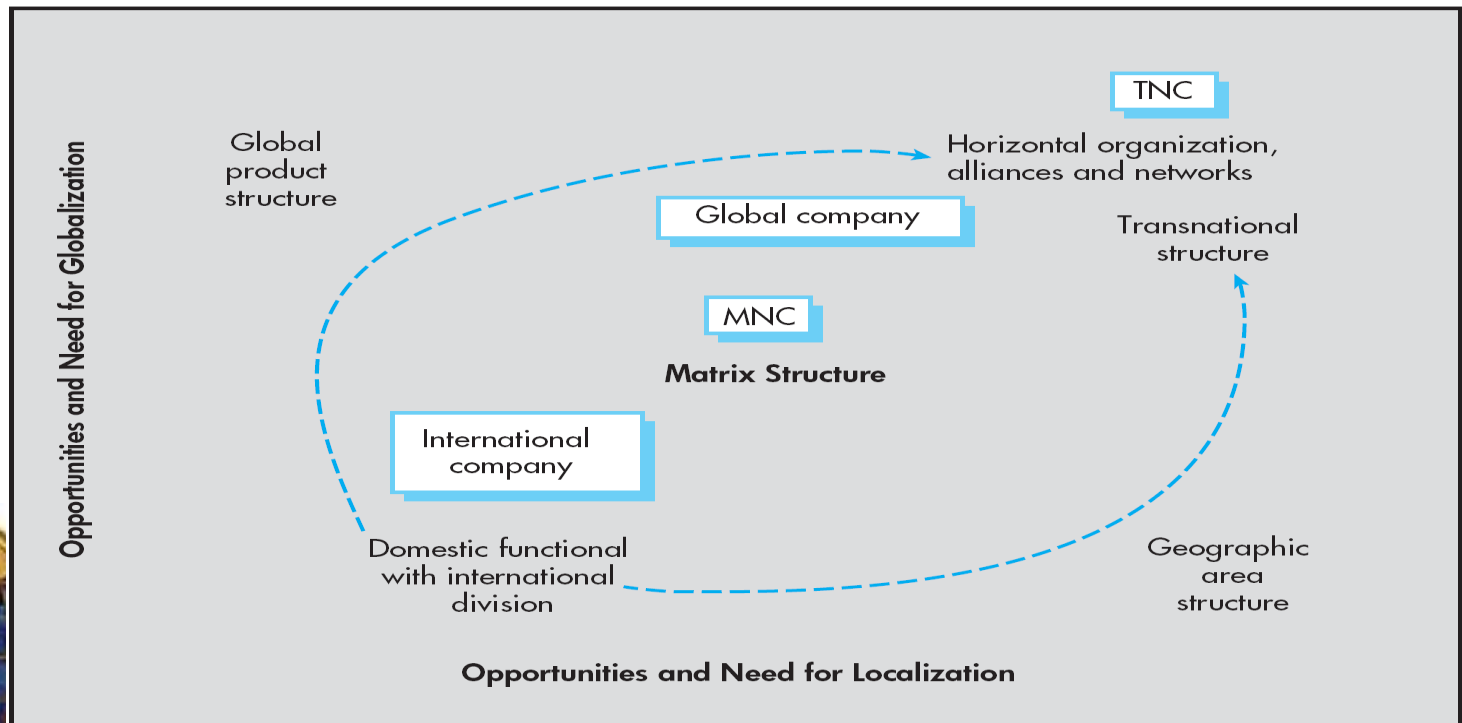
# Matrix Structure and Transnational Company: Coordination and Control System

- Attempts to combine:
  - *The capabilities and resources of a multinational corporation*
  - *The economies of scale of a global corporation*
  - *The local responsiveness of a domestic company*
  - *The ability to transfer technology efficiently typically of the international structure*



# Choice of Organizational Form

## EXHIBIT 8-8 Organizational Alternatives and Development for Global Companies



SOURCE: Based on models by R. E. White and T. A. Poynter, "Organizing for Worldwide Advantage," *Business Quarterly* 54 (Summer 1989); John M. Stopford and Louis T. Wells, Jr., *Managing the Multinational Enterprise* (New York: Basic Books, 1972); and C. A. Bartlett, "Organizing and Controlling MNCs," *Harvard Business School Case Study*, no. 9 (March 1987): 365, 375.

# Organizational Change and Design

## Needed When:

**Clashes among divisions, subsidiaries, or individuals over territories or customers**

**Duplication of administrative or personnel services, sales offices, account executives**

**An increase in overseas customer service complaints**

**A shift in operational scope**

**Conflict between overseas and domestic staff**

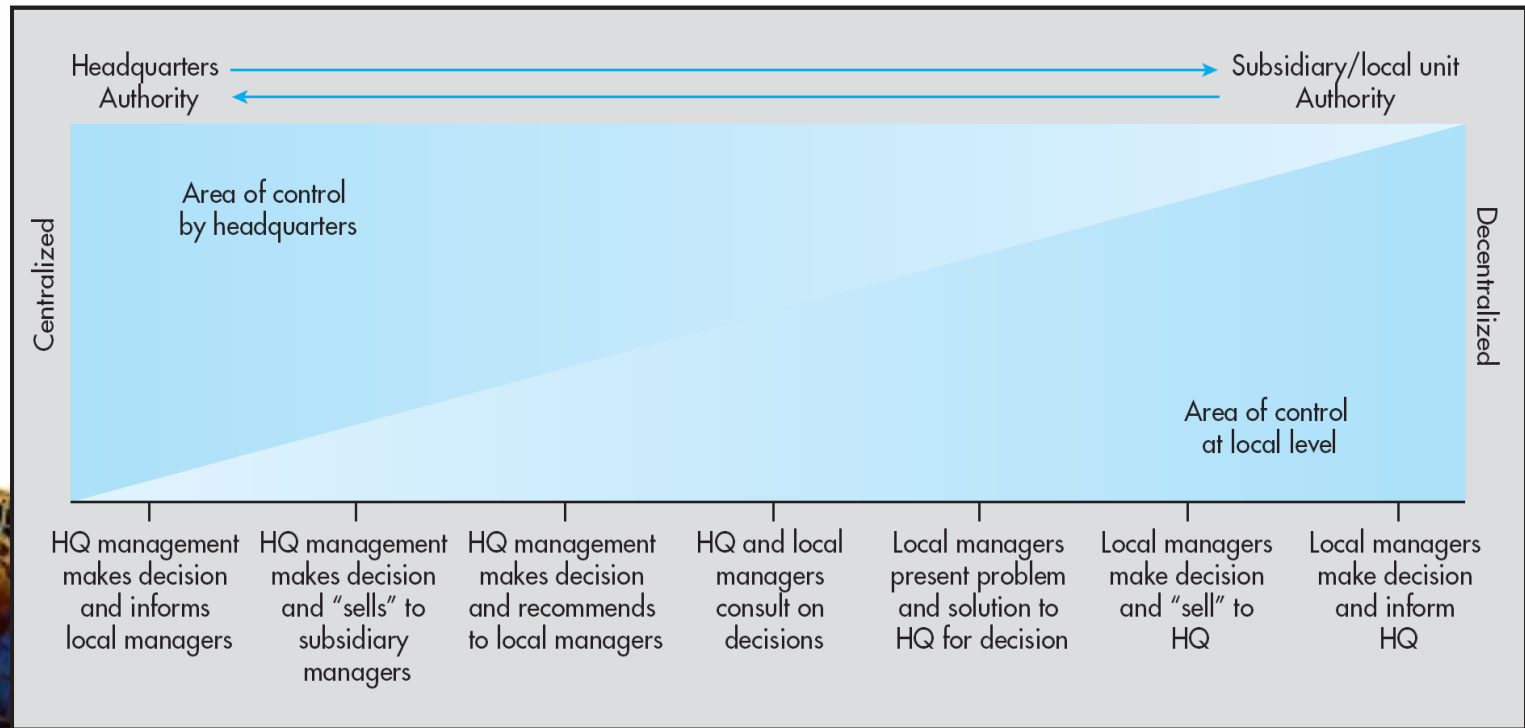
**Centralization leads to excessive and, thus, misused or misunderstood data**

**Unclear reporting relationships**



# Locus of Decision Making in an International Organization

**EXHIBIT 8-11 Locus of Decision Making in an International Organization**



SOURCE: Based on and adapted from R. Tannenbaum and W. Schmidt; and A. G. Kefelas, *Global Business Strategy* (Cincinnati: South-Western, 1990).

# Control Systems for Global Operations

## Direct Coordinating Mechanism

- McDonald's in Moscow
  - *Problem: quality control*
  - *Solution: built processing plant in Moscow and provided managerial training*
- Other options: visits by head-office personnel and regular meetings

## Indirect Coordinating Mechanism

- Examples: sales quotas, budgets, and financial tools and reports
- Three financial statements
  - *One for accounting standards in host country*
  - *One for the standards in the home country*
  - *One for consolidation*

# Managing Effective Monitoring Systems

