

Chapter 9

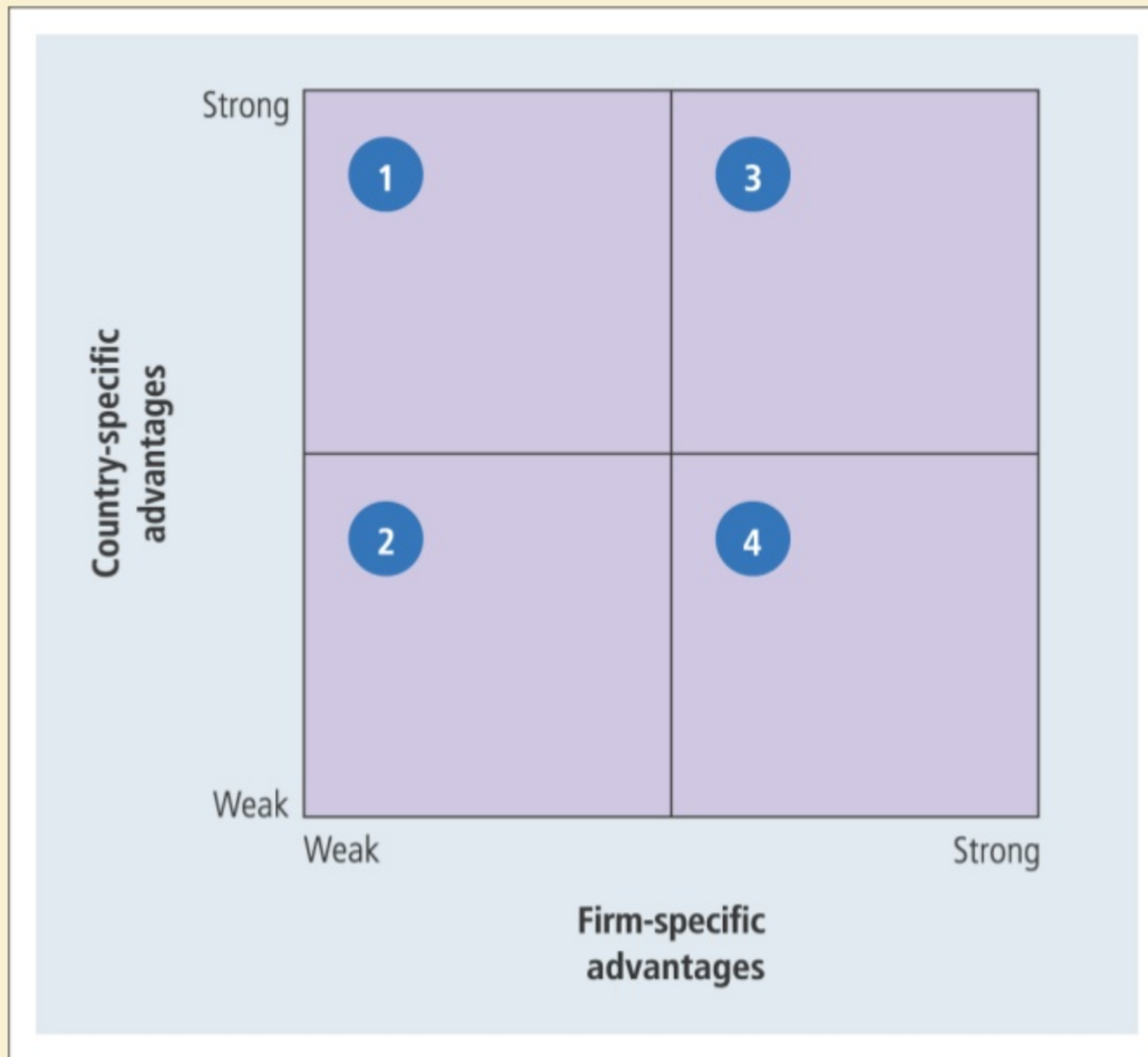
Organizing strategy

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- Objectives
- Introduction
- Organizational structures
- Strategic management and organizing strategy.

Introduction

- The FSA and CSA framework is related to the issues of organizational structure.
 - A centralized and hierarchical structure is usually followed by firms in cell 1 pursuing economic integration.
 - In cell 4, the strategy of national responsiveness may require a decentralized organizational structure.
 - In cell 3, it may be necessary to combine the advantages of both a centralized and decentralized organizational structure.



Organizational structures

Early organization structures

- When a company first begins international operations, it is typical for these activities to be extensions of domestic operations.
 - Primary focus continues to be the local market.
- As international operations increase, however, the MNE will take steps to address this growth structurally.
 - For instance, by having a marketing or export department handle international sales or by using an overseas subsidiary.

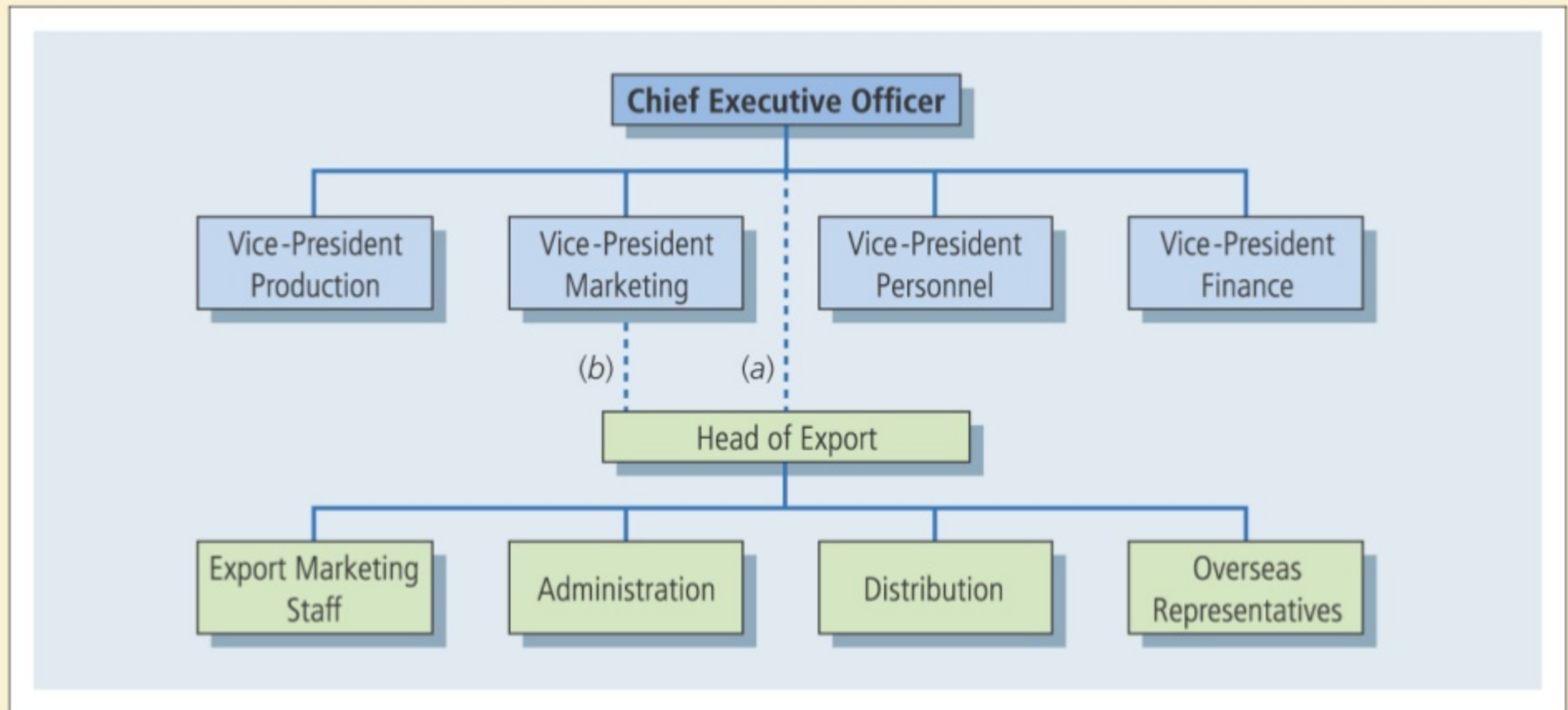


Figure 9.1 An export department structure

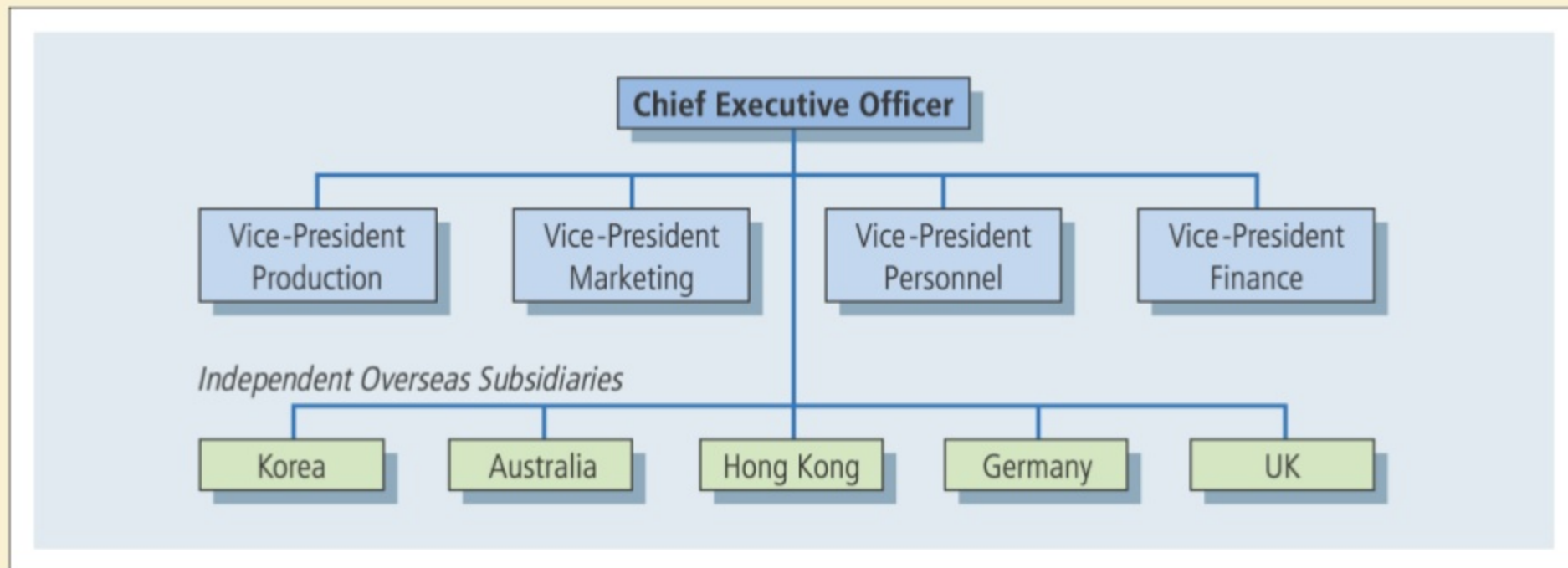


Figure 9.2 Use of subsidiaries during the early stages of internationalization

The international division

- The **international division structure** centralizes all the international operations.

Advantages:

- It reduces the CEO's burden of direct operation of overseas subsidiaries and domestic operations.
- It raises the status of overseas operations to that of the domestic divisions.

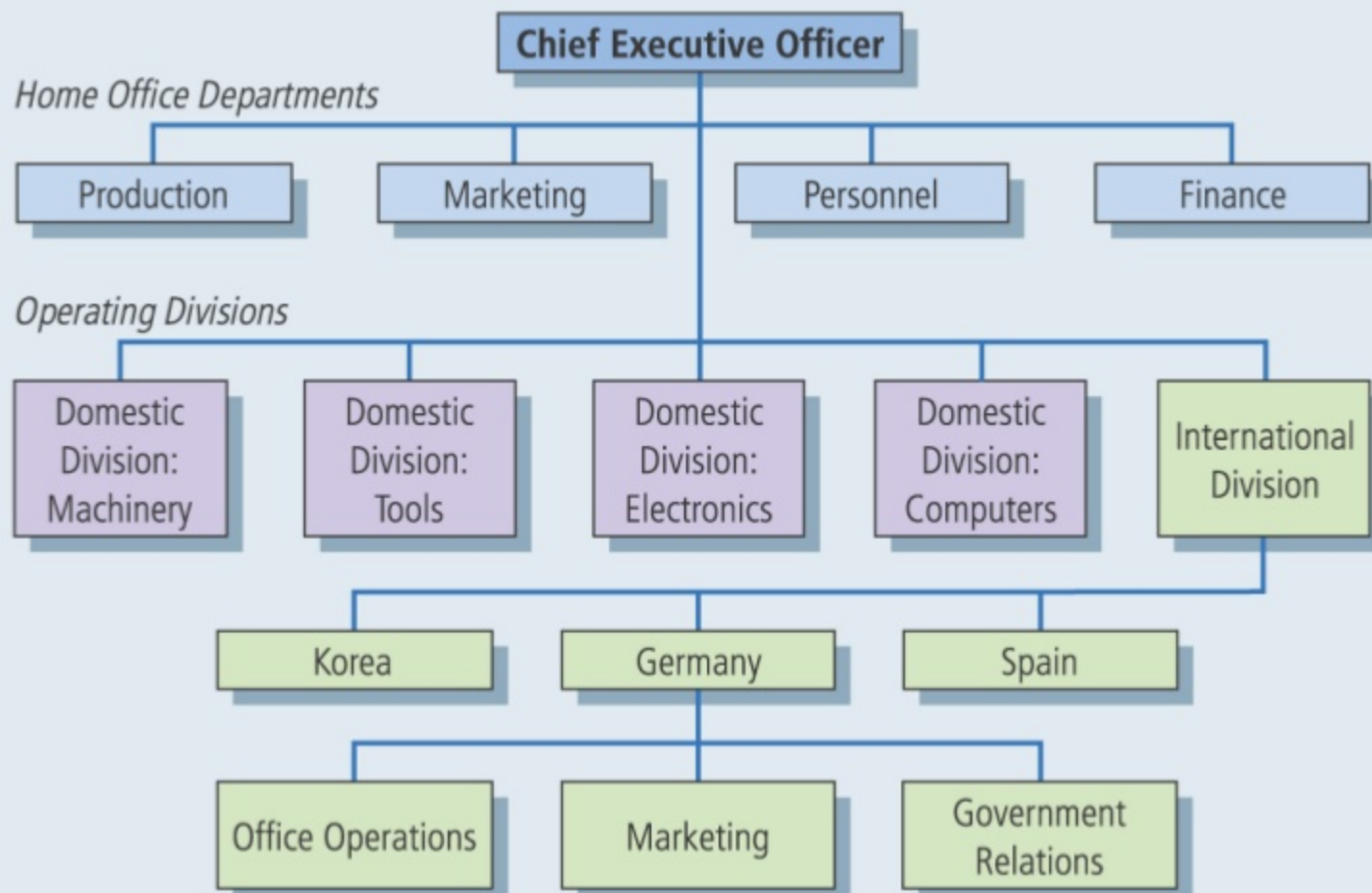


Figure 9.3 An international division structure

Global organization structures

- As MNEs generate more and more revenues from their overseas operations, their strategies and the structures used to implement these strategies become more global in focus.
- There are six basic types of global structures.

1. Global product structure

- An arrangement in which domestic divisions are given worldwide responsibility for product groups.

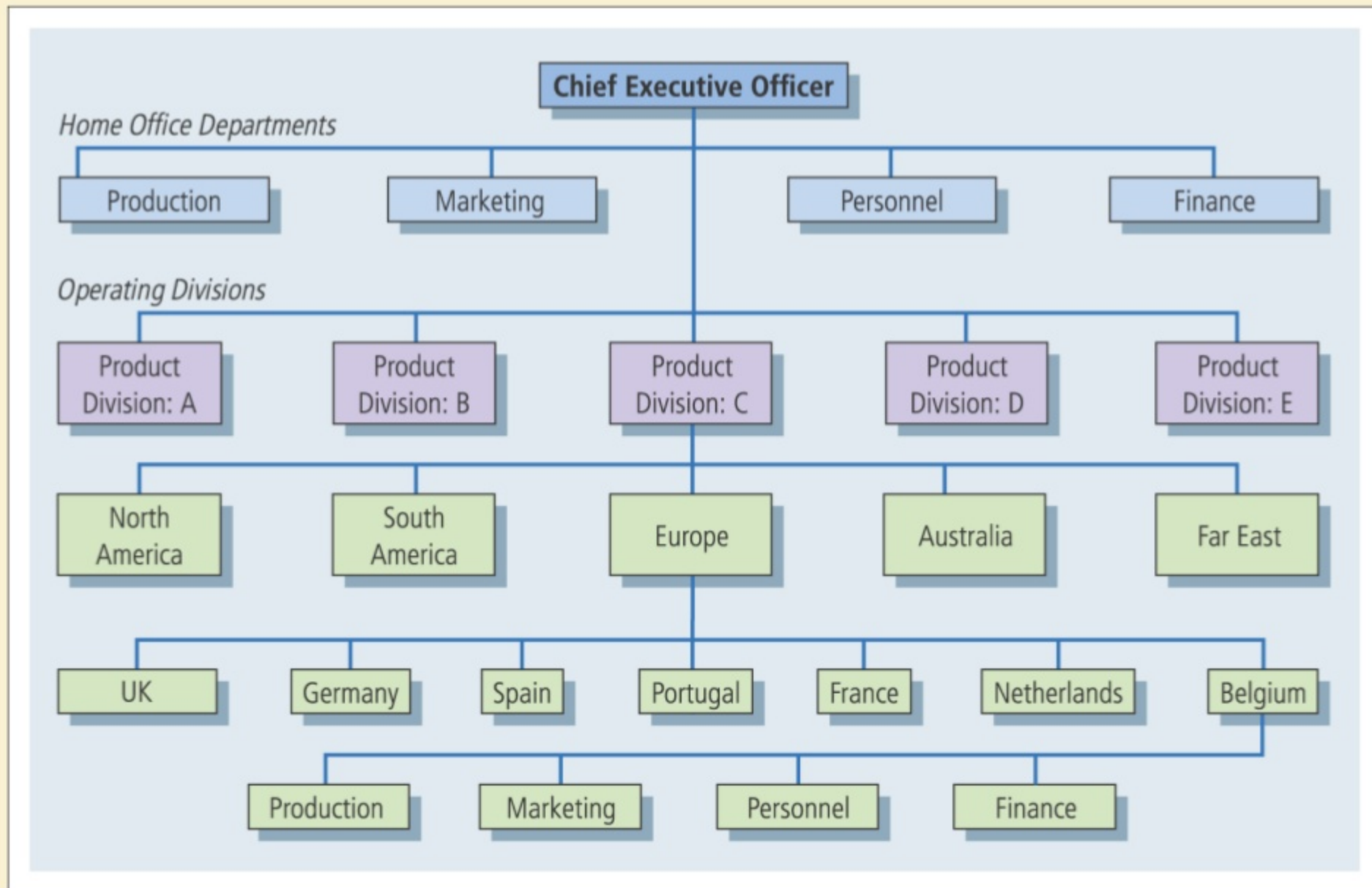


Figure 9.4 A global product structure

2. Global area structure

- Primary operational responsibility is delegated to area managers, each of whom is responsible for a specific geographic region.

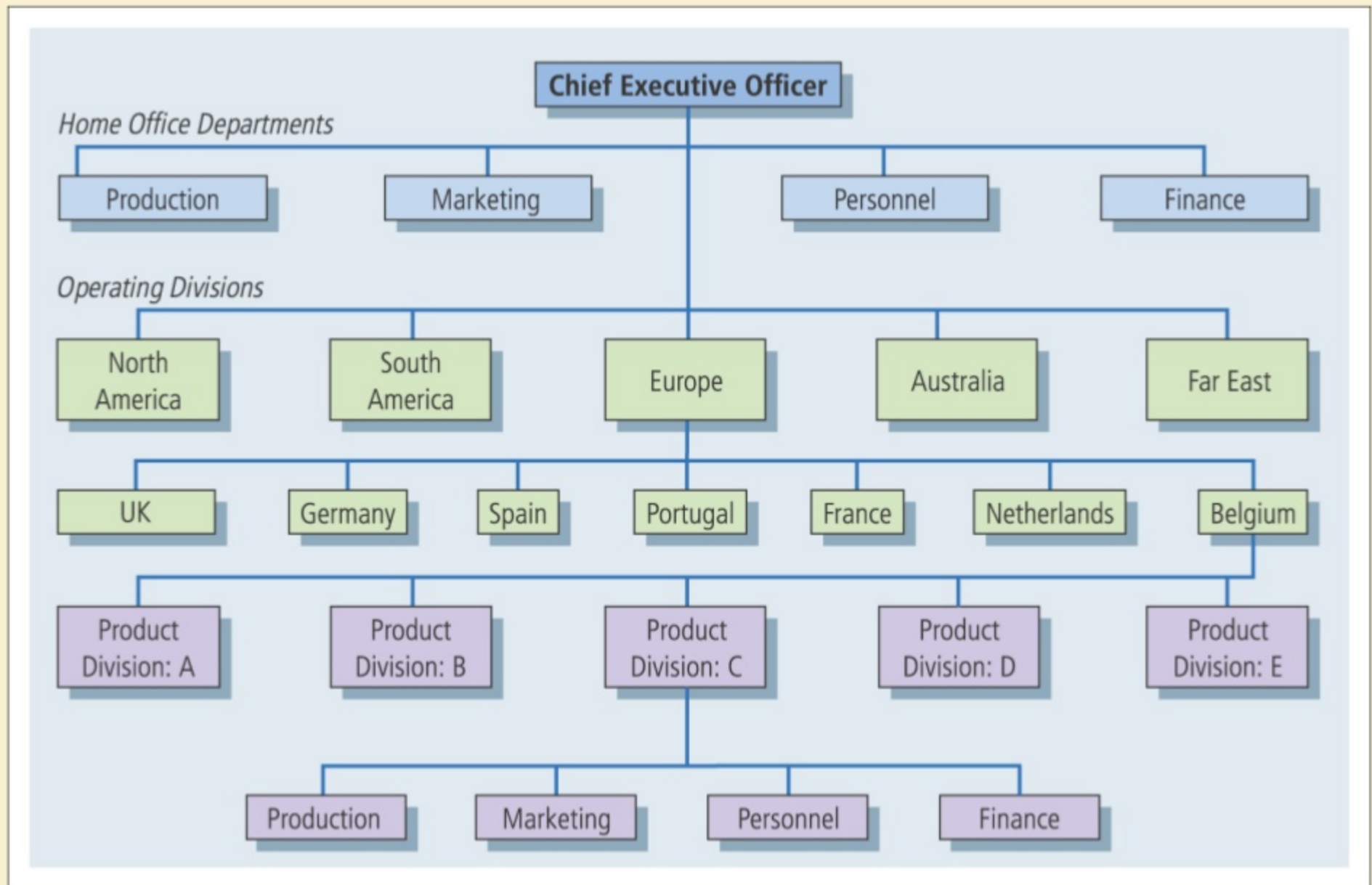


Figure 9.5 A global area structure

3. Global functional structure

- Builds around the basic tasks of the organization. For example, in manufacturing firms, production, marketing and finance are the three primary functions that must be carried out for the enterprise to survive.

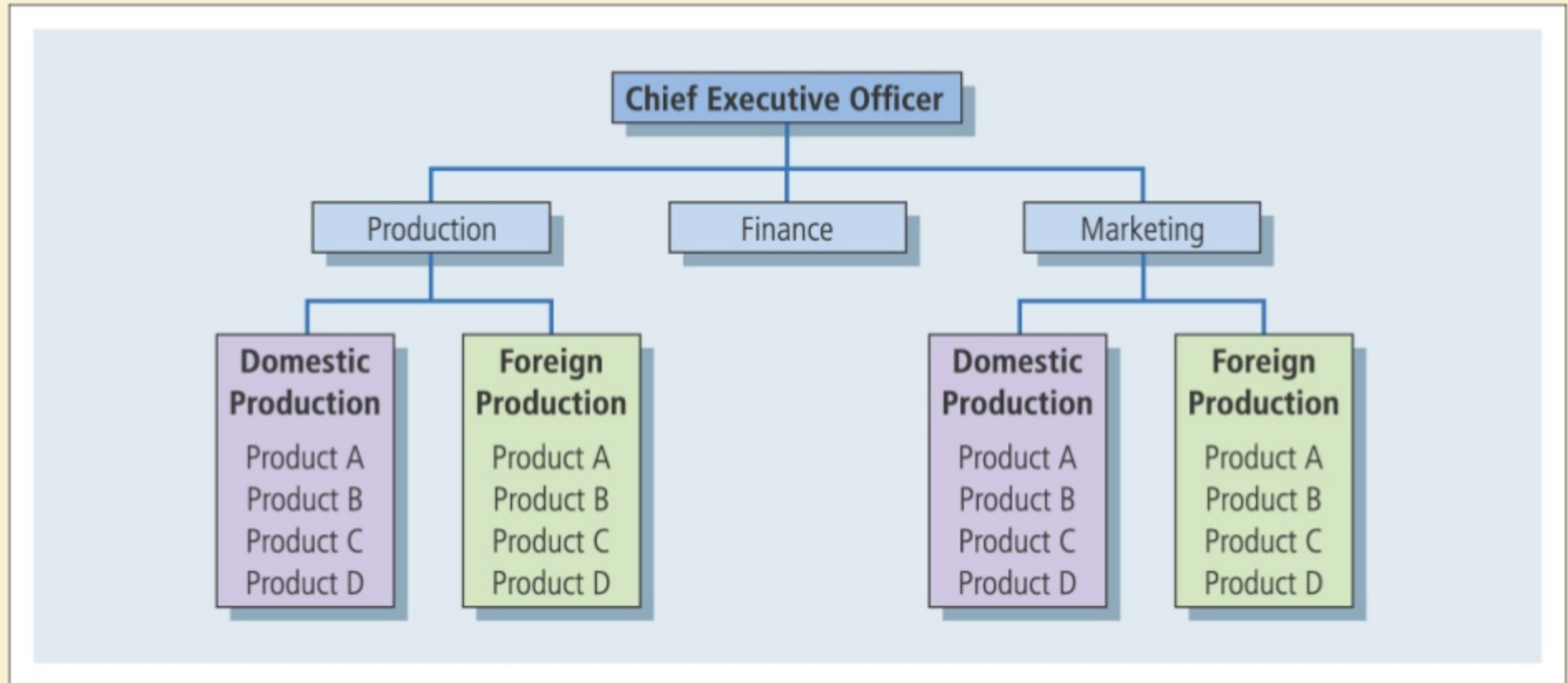


Figure 9.6 A global functional structure

4. Matrix structure

- An organizational arrangement that blends two organizational responsibilities such as functional and product structures or regional and product structures.



The diagram shows a geographic matrix structure. It consists of a table with a light blue background. The table has four columns and four rows. The first column is labeled 'Products' and the first row is labeled 'Regions'. The first cell is a triangle divided by a diagonal line. The columns are labeled 'Country A', 'Country B', and 'Country C'. The rows are labeled 'Product 1', 'Product 2', and 'Product 3'. The cells for 'Product 1', 'Product 2', and 'Product 3' are empty.

Regions Products	Country A	Country B	Country C
Product 1			
Product 2			
Product 3			

Figure 9.7 Geographic matrix structure

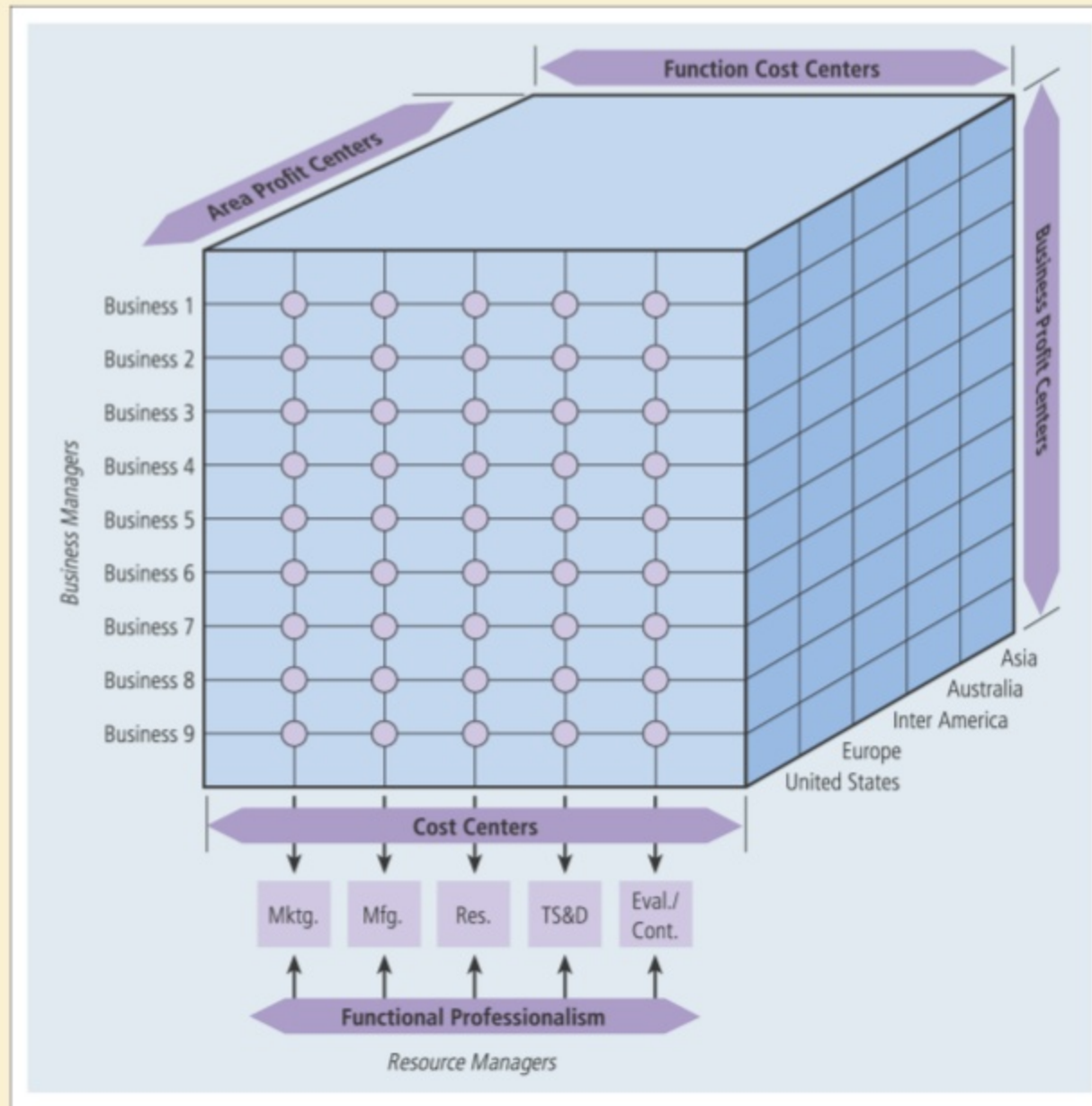


Figure 9.8 A multinational matrix structure

Source: Allan R. Janger, *Matrix Organizations of Complex Business* (New York: The Conference Board, 1979), p. 31