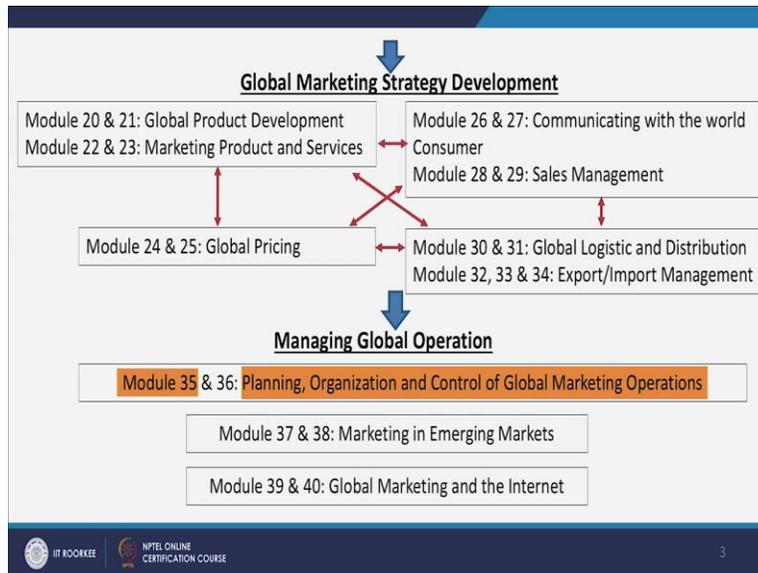


Global Marketing Management
Prof. Zillur Rahman
Department of Management Studies
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Lecture – 35
Planning, Organization and control of
Global Marketing Operations – Part I

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Welcome to Global Marketing Management. Now we will start talking about the last section of this course and this last section is on Managing Global operations. The last section has five modules and in this, that is module 35, to module 40. In the first part of this section, we will talk about, Planning, Organizing and Control of Global Marketing Operations and this will be discussed in two modules, module 35 and module 36. Let us see, what we will be talking about in module 35.

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Module Overview

1. Introduction
2. Global Strategic Marketing Planning
3. Key Criteria in Global Organizational Design
4. Organizational Design Options
5. Conclusion



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So this module 35, gives you some component of this topic that is planning, organizations, organization and control of global marketing operations and we will talk about the globe, Global Strategic Marketing Planning, the Key criteria, the Key Criteria in Global Organizational Design and Organizational Design Options.

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Introduction

- An important aspect of a company's global marketing activities is its marketing plan.
- To implement its global plans effectively, a company needs to reflect on the best organizational setup that enables it to successfully meet the threats and opportunities posed by the global marketing arena.

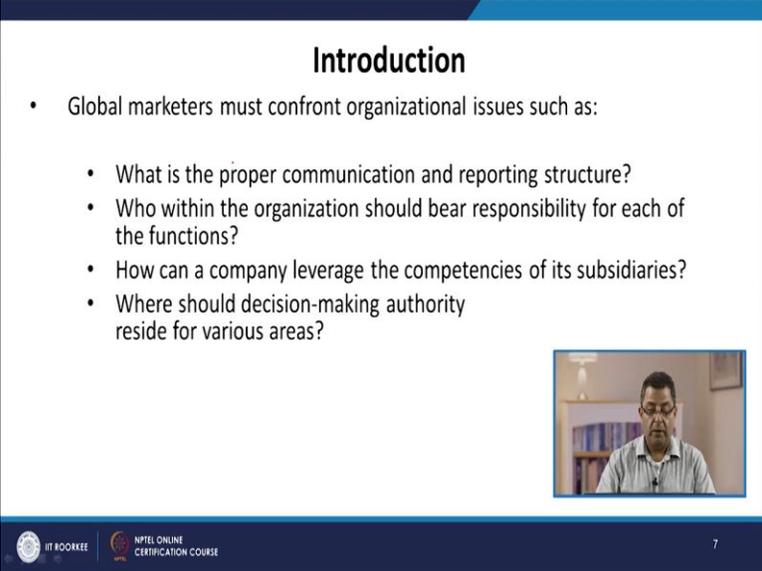


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Now, an important aspect of the company's global marketing activities is its marketing plan. So, marketing plan is derived after you have talked about, after you have talked about the mission and vision and the strategy and objectives etc. So to implement its global plan effectively, a company needs to reflect on the best organizational setup that enables it to successfully meet the threats and opportunities posed by the global marketing arena.

So first the important thing is for global marketing activity is to come up with a global marketing plan and then in order to implement those plans, another important thing is the organizational setup to implement those plans, and this, this organizational setup is also important to meet the threats and opportunities that are there in the global marketing.

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The slide is titled "Introduction" and contains a bulleted list of organizational issues. A small video inset in the bottom right corner shows a man speaking. The slide footer includes the logos for IIT BOOARKEE and NPTEL ONLINE CERTIFICATION COURSE, along with the number 7.

Introduction

- Global marketers must confront organizational issues such as:
 - What is the proper communication and reporting structure?
 - Who within the organization should bear responsibility for each of the functions?
 - How can a company leverage the competencies of its subsidiaries?
 - Where should decision-making authority reside for various areas?

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So global marketers must confront organizational issues, such as what is the proper communication reporting structure? Now, now our problem is that, now we are dealing with number of subsidiaries and number of different modes of entry across the world. So the mode of communication that was appropriate in the domestic market or in one country may not be appropriate in this kind of situation. So the first, the first problem is that we have to determine what is the proper communication and reporting structure.

The second problem is who within the organization should bear the responsibility for each of these functions? The third is how can a company leverage the competencies of its subsidiaries? Now, what happens is that, the company, the original company had some competencies and then he, it started expanding across, across the world and it expanded across continents and across and used various modes of entry. Now these subsidiaries, this country level companies, they have also have developed those competencies, or some kind of competencies over a period of time.

Where should decision making authority reside for various areas? So who is the person, who will take decision and where, where and where he will be located, will he be located in the at the subsidiary level or at the regional level or at the headquarter level? So these are some of the organizational issues that are important, while considering the global marketing operations.

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1. Global Strategic Marketing Planning

Many multinationals prepare a global strategic marketing plan to guide and implement their strategic and tactical marketing decisions. The four areas of global strategic marketing planning include:

- a) **Market situation analysis.** (Customers, competition, company, collaborators and context)
- b) **Objectives.** (Goals that are achievable and challenging at the same time)
- c) **Strategies.** (Formulating marketing strategies to achieve the set goals, including resource allocation)
- d) **Action Plans.** (Concrete actions that will implement those strategies).

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Now let us look at the first topic that is the, Global Strategic Marketing Planning. So, many multinationals prepare a global strategic marketing plan to guide and implement their strategic and tactical marketing decisions. So now the, these marketing plans are used to used to guide and implement the strategic and tactical marketing decisions. The four areas of global strategic planning are the following, the first is that, that every company has to do whether it is a purely domestic company, or a regional company or a global company, the first step to come up with a with a marketing plan is Marketing situation, Market Situation Analysis.

And this includes the customers, the target customers, the competition that the company is facing, the company's resources, objectives, etc., collaborators, so who all are collaborators and the context. The context include everything the in the external environment, that we have talked about, earlier in one of the modules earlier, and that include political, legal, political environment, legal, social, cultural, technology. So we have to do PEST or PESTEL analysis, for understanding the context.

So now you see what we are doing in market situation analysis is that we are linking external environment, the competition, the customers, all the collaborators we have, with the company. So the company will have certain kind of objectives and the company will have certain kind of, certain types of resources. So now, this market situation analysis will link the external environment, and the companies resources or objectives, the all the competition, the collaborators etc.

So it is very important that this context is to be understood, is understood, correctly by the by the company and this include the political, legal, social, cultural, technology, geography, all those kinds of components of the external environment. The next thing that is included in a marketing plan are the objectives. The goals that are achievable and challengeable at the same time.

So then this, this after market, market situation analysis, the company comes up with its objective, that is, that are mentioned here, the objectives. So objectives can be, can be in terms of profit maximization or market share maximization or customer satisfaction or employee satisfaction, technological leadership, etc., etc.

So a company may be pursuing different objectives and many a times these objectives can be, can be at loggerheads. Now, how to go about achieving those objectives is the third, third step, that is the strategies. So, formulating marketing strategies to achieve the set goals, including resource allocation. So first we have done the situation analysis then we have done the company has decided on the objectives and the third, third step they come up with a, with a plan, with a plan of action with the blueprint, with a strategy, strategy to achieve those objectives.

And the last and the next step here is Action Plan that is concrete actions that will implement those strategies. So now these strategies are broken down into smaller parts, achievable parts, concrete actions, and when these actions are completed, strategies that will lead to achievement of the objectives.

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Global Strategic Marketing Planning

Top-down versus Bottom-up strategic planning.

- International planning can be top-down (centralized) or bottom-up (decentralized).
- With top-down, corporate headquarters guides the planning process. This facilitates performance monitoring.
- Bottom-up planning process starts with local subsidiaries and is then consolidated at the headquarters level. It has the advantage of embracing local responsiveness.



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Now, how to go about making a global strategic marketing plan? So there can be a top-down or bottom up strategic planning approach. International planning can be top down that is centralized, centralized at the top or bottoms up, that is decentralized, that is, the decision making, flows from, from bottom to up in the first case, it flows from the top to down. With top down, corporate headquarters guides the planning process and this, this facilitates the performance monitoring.

In bottoms up planning process, it starts with local subsidiaries and is then consolidated at the headquarter level and it has the advantage of embracing the local responsiveness. While in the first case, you, we are looking for standardization, in the bottoms up, it is more suitable for.

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Global Strategic Marketing Planning

Pitfalls.

Marketing plans can go wrong in the implementation process because of these reasons:

- (a) Lack of proper information,
- (b) Too little emphasis on the development of alternative strategic options,
- (c) Unrealistic strategic objectives.
- (d) Lack of framework to identify strength/weakness, opportunity and threats.
- (e) External factors can also interfere



Now let us look at some of the, some of the disadvantages or pitfalls. So, marketing plans can go wrong in the implementation process. So you may have developed very, very good marketing plans but, at the implementation process, they, they may go wrong. And there are several reasons for that, the first is, the lack of proper information. So the plans, that you have developed, are based on incomplete or improper information.

The second is too little emphasis on the development of alternative strategic options. Now whenever plans are formulated, so there are alternate plans of actions also. So now the second problem, the second pitfall, is that, you, that the company has played, has paid, too little emphasis, on the development of alternative, alternative strategic options.

Or another pitfall, the third kind of pitfall can be unrealistic strategic objectives. So the objectives that were formulated here, when the company was establishing the objectives, they, those objectives were unrealistic. The next pitfall can be lack of a framework, to identify strengths and weaknesses, opportunities and threats, or the another problem can be, that the company, is not able to identify the SWOT, its strengths and weaknesses and the opportunities and threats that reside in the external environment.

So that will lead to the formulation of wrong objectives and therefore the Strategies and actions all will, all will, go wrong. The next pitfall is external factors can also interfere with all this

process. So because the external environment keeps on changing, so the company has formulated several things but because of change in external environment, some of these things may turn unrealistic.

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2. Key Criteria in Global Organizational Design

As with most other global managerial issues there is no magic formula that prescribes the “ideal” organizational setup under a given set of circumstances. Yet there are some factors that companies should consider when engineering their global organizational structure:

- A. Environmental Factors**
- B. Firm-Specific Factors**





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The next thing that we will talk about today is the Key Criteria in Global Organizational Development. Now, the first thing that we have seen is, we have, we have talked about, how to go about, developing global strategic marketing planning. Now, this planning has to be implemented by the organization and for that the organization need a proper organizational design.

So, as with most of the other global managerial issues there is no magic formula that prescribes the ideal organizational set up, under a given set of circumstances. So no type of organization, organizational structure will be, will be sufficient or good enough, for, in all situations and for all kind of objectives. Yet so there is no, no ideal organization setup and there is no formula to identify which organization set up to be used, when. But yet there are some factors that companies should consider when they are engineering their global organizational structure and these these factors come into two packets. The first packet is that of Environmental factors and the second packet is that of Firm specific factors.

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2. Key Criteria in Global Organizational Design

A. Environmental Factors

1. Competitive Environment
2. Rate of Environmental Change
3. Regional Trading Blocs
4. Nature of Customers



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Now let us look at each of these factors. So in environmental factors, what are the issues that are important, the first is, competitive environment, the rate of environmental change, regional trading blocs and nature of customer. So, there are other factors also, but these four factors are more important to be considered, when environmental factors that affect global organizational design are to be taken into consideration.

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Key Criteria in Global Organizational Design

1. *Competitive environment.*

- Global competitive pressures force MNCs to implement structures that facilitate quick decision-making and alertness.
- In industries where competition is highly localized, a decentralized structure where most of the decision-making is made at the country-level is often appropriate.



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Now, what does this competitive environment means that is the first one. Global competitive pressures force a multinational company to implement structures that facilitate quick decision making and alertness. So now the as you know the competition across industries and across countries is increasing, so it requires, that a company should be a company should be more

responsive, they should be more agile, the decision making should be more, should be quick. So because of that, because of this, there, there is always a pressure on company to have an organizational structure, which, which helps in quick decision making.

In industries where competition is highly localized, a decentralized structure, where most of the decision making is made at the country level is often appropriate. So now you see that when you have local competition, then, there, there is a need to have the decision making, that is bottoms up and a decentralized structure is more appropriate in that kind of situation.

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Key Criteria in Global Organizational Design

2. Rate of environmental change.

- Drastic environmental change is a way-of-life in scores of industries.
- Businesses that are subject to rapid change require an organizational design that facilitates continuous scanning of the firm's global environment and swift responsiveness to opportunities or threats posed by that environment.



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The next factor that is important here is the rate of environmental change. Now you, as all of us, understand that only change is constant and it has, it keeps on happening every time, but, the rate of this change may be different across countries, across times, and across cultures across industries. Therefore another important thing to consider while designing while designing a global organization is, the rate of environmental change.

So, drastic environmental change is a way of life in scores of industries. So in some industries, the technology is changing very quickly, competition is changing, evolving, so therefore the drastic environmental changes are the way of life in several industries. Businesses that are subject to rapid change now see, keep in mind that when drastic environmental changes when businesses are subjected to rapid change they require an organizational design that facilitates

continuous scanning of the firm's global environment and swift responsiveness, to opportunities or threat, posed by that environment.

So in this kind of situation an organizational design that facilitates continuous scanning of the firm's global environment, so the company should be able to continuously monitor the global environment and bring about a swift response to the opportunities or threats that keeps on coming up all the time because of the change in global environment.

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Key Criteria in Global Organizational Design

- 3. Regional trading blocs.**
 - Companies that operate within a regional trading bloc usually integrate to some extent their marketing efforts across the affiliates within the block area.
- 4. Nature of customers.**
 - The customer base has a large influence on organizational design.
 - Companies want global reach but also want to “stay close” to their customers.

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The third issue to be considered are is regional trading blocs. So companies that operate within a regional trading bloc, so now earlier, we were talking about global companies that operate across the world. Now another important issues here is regional trading blocs. So companies that operate within the organization tradition, regional trading blocs usually integrate to some extent their marketing efforts across the affiliates within the block area.

Now you understand that this regional trading bloc for the purpose of business, they start looking like, like one country. Now in that situation there is a need to integrate to some extent the marketing efforts across affiliates within that, that block area, otherwise there is no advantage of operating in a regional trading bloc because, if you are not able to integrate your marketing efforts.

The fourth is the nature of customers. The customer base has a large influence on organizational design. Companies want global reach but also want to stay close to the customers. Now, you, you see that on the one hand, companies they want to increase their global reach but at the same time, they also want to be stay, stay near to their customers.

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Key Criteria in Global Organizational Design

B. Firm-Specific Factors

1. Strategic Importance of International Business
2. Product Diversity
3. Company Heritage
4. Quality of Local Managerial Skills

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Another packet of factor is the, Firm Specific factors, now earlier we were talking about the environmental factors. So, organizational design is dependent on two types of factors one is environmental factors, these environmental factors consists of competitive environment, rate of environmental change, regional trading blocs, and nature of competitors.

Then another packet that affects the design is Firm Specific factors and these firm specific factors include strategic importance of international business in the scheme of things for the company. Second is product diversity. The third is company Heritage and the fourth is quality of local managerial skills. Let us look at each one of them in detail.

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Key Criteria in Global Organizational Design

1. *Strategic importance of international business.*

- Typically, when overseas sales account for a very small fraction of the company's overall sales revenues, simple organizational structures can easily handle the firm's global activities.
- As the firm grows so will its organizational structure.

2. *Product diversity.*

- Companies with substantial product diversity tend to go for a global product division configuration.



What is meant by Strategic Importance of International Business. Typically, when overseas sales account for a very small fraction of the company's overall sales revenue, in that case simple organizational structure can easily handle the firm's global activities but as the firm grows, so will its organisational structure. So the overall implication of this point is that, as the contribution of of earnings or profits from international business increases, it calls for a change in organizational design.

So earlier, when the, when, when the earnings were a small part of overall portfolio, then the original kind of organizational structure, that the company already had, may be sufficient, but as this contribution increases, it also call for calls for a change in organizational structure. The second is product diversity. So companies with substantial product diversity tend to go for a global product division configuration. So when the when the company has more number of products then they go for a global product division type of configuration.

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Key Criteria in Global Organizational Design

3. *Company heritage.*

- Differences in organizational structures within the same industry can also be explained via corporate culture.
- Revamping an organization to make the structure more responsive to new environmental realities can be a daunting challenge.

4. *Quality of local managerial skills.*

- Decentralization is a problem when local managerial talent is missing.



The third factor is Company's Heritage. So difference in differences in organizational structures within the same industry can be explained via the corporate culture. Revamping an organization to make the structure more responsive to new environmental realities can be a daunting challenge. So now, the older the company is, the more difficult it it will be for that company to change. So, these companies, older companies that that were born long time ago they have organized organizational structure and they keep on adding to that structure. Now with changing realities, it becomes difficult for them to change the organizational structure.

The fourth part, fourth point here is, the quality of local managerial skills. Decentralization is a problem when local manager, managerial talent is missing. So now you see that the company wants the headquarter wants that the decision making should be held, locally, but then the problem is that the local managerial talent may not be available.

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3. Organizational Design Options

The principle designs that firms can adopt to organize their global activities are:

1. *International division*
2. *Product based structure.*
3. *Geographic structure*
4. *Matrix structure*
5. *Networked organization*



Now let us look at the various Organizational Design Options. We have talked about what are the factors that affect the Global organizational design. Now let us look at the various types of organizational design. So the principal design that firms can adopt to organize their global activities are the following five, the first is the International division, Product based structure, Geographic structure, Matrix structure and Networked organization. We will see each one of them in detail now.

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Organizational Design Options

1. *International division structure.*

- Most companies begin with an export department.
- This is usually followed by an international division.
- International opportunities are scanned.
- This option is suitable for companies that have a product line that is not too diverse and that does not require a large amount of adaptation to local country needs.
- This also works for companies that are still primarily domestic producers.



What does this International division structure means? So most company, as they grow most companies, they were local in nature, and as they go they started exporting. So now in that case there then there is a need to establish export department. So this is usually followed by, after they

have a successful experience with exporting then they move on to the next stage, that is, they will set up a, international division. International opportunities are scanned.

So this option is suitable for companies that have a product line that is not too diverse and that does not require a large amount of adaptation to local country needs. So in this kind of situations we are doing, we are just exporting, and we are not localizing or adopting the products that the company already has. So and this also works for companies that are still primarily domestic producers. So there is a domestic producer and then, then he starts exporting. So this kind of a structure is more suitable for those kind of people.

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Organizational Design Options

2. Global product division structure.

- This option centers around the different product lines or strategic business units of the company. Each SBU is managed separately.
- This option is popular among high-tech companies with highly complex products or MNCs with a very different product portfolio.

Benefits include:

- Large degree of flexibility in terms of cross-country resource allocation and strategic planning.
- Economies of scale in production.

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The next option is Global Product division structure. So this option centers around the different product lines or strategic business units of the company. Each strategic business unit is managed separately. So this option is popular among hi tech companies with highly complex products or multinationals with a very different product portfolio.

Now when you have a different portfolio or you have a highly complex products, then you need to have a product division structure, so each product has a division. The benefits of this is that there is a large degree of complexities in terms of cross country resource allocation and strategic planning and it also leads to economies of scales in production.

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Organizational Design Options

- Competitive cost position improvement.
- Facilitates the development of a global strategic focus to cope with challenges posed by global players.

Shortcomings include:

- Lack of communication and coordination can lead to needless duplication of tasks.
- Can distract from local market needs.
- Can scatter company resources--fragmentation.

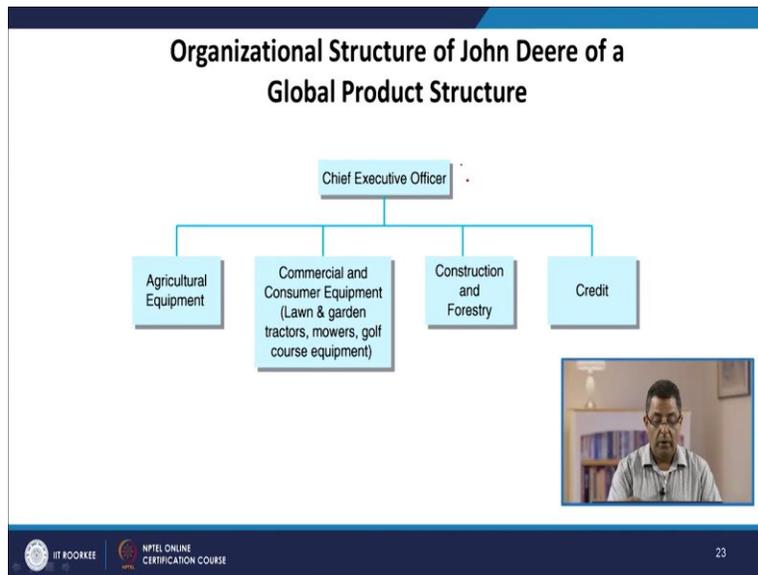
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The competitive cost position improves because, because of economies of scales, and it also facilitates the development of a global strategic focus to cope with challenges posed by the global players. Now here because there is a product division, so now this product division keeps on looking for, for the competitors. And they are more alert to any kind of changes or any kind of change in competition that may be there. But the shortcomings are there is a lack of communication and coordination between the product division and that can lead to needless duplication of task, tasks.

So there are different product divisions and there may not be coordination between between different product division so that will lead to, to duplication of task. So it can distract from local market needs. So the now the focus of the company is on the product and not the local market requirement. So what happens is that, the company can lose track, of local market needs and then they may continue to focus on, on their product, while the local market needs would be may be different.

So it can scatter company resources and that will lead to fragmentation. So when there is no coordination, so the resources will be, will be scattered and that will lead to fragmentation and that will that may lead to losses for the company.

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Now look at the organizational structure of John Deere, of a global product structure, now they have a global product structure. So there is a CEO, they have a division that is Agriculture equipment division, then they have Commercial and Consumer equipment, so that include lawn and garden tractors, mowers, golf course equipment. Then they have a division dedicated for Construction and Forestry and the fourth division is, is dedicated to credit. Now you see that there can be lots of, lots of duplication of effort happening, because lot, lots of these, these the tractors etc. may be may also be useful for construction

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Organizational Design Options

3. Geographic structure.

- Area structures are especially appealing to companies that market closely related product lines with very similar end-users and applications around the world.

Country-based subsidiaries.

- By setting up country affiliates, the MNC can stay in close touch with the local market conditions.
- Handicaps include:
 - a) Too costly.
 - b) Coordination cumbersome.
 - c) Leads to a “not-invented-here” bias.

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The third option is the geographic structure. So the area structures are especially appealing to companies that market closely related product lines with very similar end-users and application around the world. So in this case there are geography, geographic structure so there can be a Asian subsidiary or African subsidiary or American subsidiary and so on so forth. So the country based subsidiaries by setting up country affiliates the multinational can stay in focus in close touch with local market conditions.

So now what, what, the advantage here is that, the multinational the headquarters they, they are more able to see clearly, what is happening in that region, and respond accordingly. But the handicap is that they may be too costly. Then the coordination again, the coordination across these regions maybe cumbersome and it leads to a not-invented-here bias.

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The Coca-Cola Company: Example of a Geographic Structure

Operations

<i>Africa</i>	<i>Latin America</i>	
President	President	
East and Central Africa	Brazil	
Nigeria and Equatorial Africa	Latin Center Division	
North and West Africa	Mexico	
South Africa	South Latin Division	
<i>East, South Asia and Pacific Rim</i>	<i>North Asia, Eurasia and Middle East</i>	
President	President	
India	China	
Philippines	Eurasia and Middle East	
South Pacific and Korea	Russia/Ukraine/Belarus	
Southeast Asia and West Asia	Japan	
<i>European Union</i>	<i>North America</i>	
President	President	
Central Europe	Canada	
Germany and Nordic Division	Foodservice and Hospitality Division	
Iberian Division		
Mediterranean Division		
Northwest Europe		





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Now let us look at the Coco Cola company, the example of a Geographic Structure. So, in Africa they have a President for East and Central Africa, Nigeria and equatorial Africa, North and West Africa, and South Africa. In East South Asia and Pacific Rim, they have a President, so they have a president in India, in Philippines, in South Pacific, in Korea, and South East Asia and West Asia. In European Union they have a President, in Central Europe, German, and Germany and Nordic division, Iberian division, Mediterranean division and North west division and so on and so forth. So this is how a Coca Cola company they have a geographic structure in place.

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Job Description of Japan Country Manager at Twitter

Responsibilities

- Lead all Twitter business operations in Japan.
- Identify, partner and collaborate with local strategic partner(s) in Japan to drive higher and sustained adoption for Twitter.
- Work closely with Japanese strategic partner to localize/internationalize the Twitter service.
- Construct a working road map for localization, define hiring plan and create a dashboard for Twitter usage and trends in Japan.
- Become the go-to person for all matters concerning Japan Twitter strategy, localization road map and execution.
- Budgetary responsibility and profit/loss leadership over Twitter investments in Japan.
- Liaison between Product and the Japanese Twitter Product, modeling changes and strategies based on analytical reasoning.
- Become a leading and vocal evangelist for the Japanese user base.
- Support the Business Development team in Twitter by identifying, evaluating, and testing revenue-generating strategies for the Japanese Twitter Product.
- Support the internationalization initiatives for Twitter in other regions.

Source: Adapted from twitter.jobscore.com, accessed on March 11, 2009.



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Now, let us look at the job description of Japan country manager at Twitter. So now there is a country manager of Japan, in Japan for Twitter. And these are the various responsibilities that are there. So, the first is, lead all Twitter business operations in Japan. The second is to identify, partners and collaborate with local strategic partners in Japan, to drive higher and sustained adoption for Twitter. The third is they work closely with Japanese strategic partners to localise, internationalize the Twitter services.

Then they become the person they become the go to person for all matters concerning, Japan Twitter strategy, localization, road map and execution. So these are the various kind of these kind of job roles that this country manager for Twitter has to play in Japan.

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Organizational Design Options

New role of country managers.

- Most believe that this is a declining form of organization.
- Forces that are leading to a decline include:
 - a) Threats by global competitors that must be dealt with globally.
 - b) Global customers.
 - c) Regional trading blocs.
- Factors that still point to the **usefulness** of this form of manager includes:
 - a) Nurturing links with local governments.
 - b) Local competitor consideration.
 - c) Strong local brands.



Now there is another important issue here is the new role of country managers. So, most believe that this is a declining form of organization. Forces that are leading to a decline include, the threat by global competitors that must be dealt with globally. Now you see that there are global competitors so the threat has to the threat posed by them, has to be has to be dealt with globally, and not locally or at the country level, because, country at country level the subsidiary may not have the requisite resources to deal with them and those kind of resources may be available only at the global level.

Then there are global customers. Global customers, they can be in the B to B or several times they also happened to be in B to C, and the third is a regional trading blocs. The factors that still point to the usefulness of this form of organization includes, nurturing the links with local government, because, the managers there they are able to nurture links with the local government, and therefore they can lobby with the government to have more suitable laws. Then it can also lead to local competitor consideration, and then this the biggest advantage of this is that they can nurture strong local brands.

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Organizational Design Options

- d) Innovative ideas that come from the local environment.
- To strike a balance, country managers must fit one of these profiles:
 - a) The trader--entrepreneurial spirit.
 - b) The builder--develops local markets.
 - c) The cabinet member--team player.
 - d) The ambassador--in charge of large or strategic markets. Good at government relations.
 - e) The representative--like Ambassador but in large markets.



Innovative ideas that come from the local environment, so because we are giving more power to the local subsidiary and there are lots of ideas that can be, say that can be taken, by the headquarter from that, from that, subsidiary. So to strike a balance, country manager, must fit one of these profiles. The first is the, trader entrepreneurial spirit. The second is the Builder, that is, that develops local market. The third is the Cabinet member, that is, the team player.

The fourth is the Ambassador, in charge of large or strategic markets, good at government relations, and the fifth one is, the representatives, like ambassadors but in large markets. So ambassadors are in are in smaller markets, representatives are in large markets.

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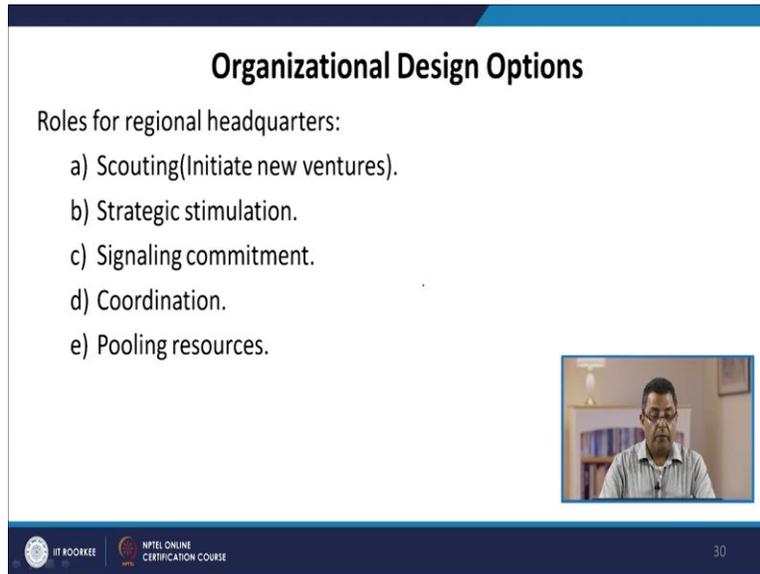
Organizational Design Options

4. Regional structures.

- Many MNCs that do not feel entirely comfortable with a pure country-based structure and opt for a region-based structure with regional headquarters.
- A regional structure offers a compromise between a completely centralized organization and the country-focused organization.
- A typical structure has divisions for North America, Latin America, the Asia Pacific and EMEA(Europe, Middle East and Africa)

Then we come to the next point that is Regional structures. So many multinationals do not feel entirely comfortable with the pure country based structure with regional headquarters. A regional structure offers a compromise between a completely centralized organization and the country focused organization. So now there is a marriage of these two things completely centralized and complete completely decentralized and we come to somewhere in between. A typical structure has divisions for North America, Latin America, the Asia Pacific and the EMEA that is; it stands for Europe, Middle East and Africa.

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Organizational Design Options

Roles for regional headquarters:

- a) Scouting(Initiate new ventures).
- b) Strategic stimulation.
- c) Signaling commitment.
- d) Coordination.
- e) Pooling resources.

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Now what is the role of the regional headquarters? The first is scouting, so they have to initiate new ventures that are more appropriate locally in those in that region, then they are also supposed to do strategic stimulation, they have to signal commitment, to the local to the region that they, that how serious they are with that region, they also have to do coordination and pooling of resources.

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Organizational Design Options

5. Matrix structure

- Using one structure can often be a disaster.
- The matrix structure combines forms and recognizes the multi-dimensional nature of global strategic decision-making.
- There is a dual chain of command.
- Structures could even be three dimensional.
- **Advantages include:**
 - a) Reflect complexities--local and global competitors, customers, and distributors.
 - b) Fosters team spirit and cooperation.



The last another type of structure is Matrix, Matrix structure, using one structure can be often can, often lead to disaster. So in that case, the matrix structure combines forms and recognizes the multidimensional nature of global strategic decision making. So there is a dual chain of command, in earlier structures there was one chain of command, here you have dual chain of command and the structure can even be three dimensional. The advantages of having this kind of structure are that they reflect complexities, local and global competitors, customer and distributors; they can also foster team spirit and cooperation.

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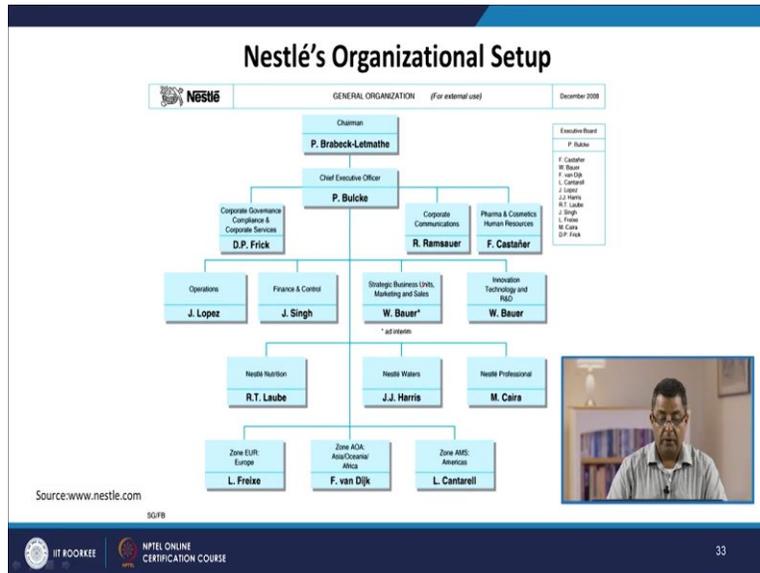
Organizational Design Options

- **Disadvantages include:**
 - a) Reporting and profit responsibilities are confusing and conflict oriented.
 - b) Bureaucratic bloat.



But the disadvantages are, that the reporting and profit responsibilities are confusing and they are conflict oriented, they may lead to lots of conflict and it becomes more bureaucratic to handle this kind of organization, because, there is two or three lines of reporting.

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Now this is what Nestle's organizational set up looks like. So at the, at the head, there is the Chairman then there is the Chief Executive Officer for Corporate Governance Compliance and Corporate Services, and Corporate Communication, Pharma and Cosmetics Human Resource and so on and so forth. And these now they cover, they go down to the zone level. So one zone is for Europe, another is for Asia, Oceania and Africa and the third is for America's.

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Organizational Design Options

6. *The global network solution.*

- The network model is an attempt to reconcile the tension between two opposing forces--the need for local responsiveness and the wish to be an integrated whole.
- This form is a mindset rather than a real structure (in the truest sense of the term). Another term used to describe this form is transnational.
- Advocates of this model believe that MNCs should develop processes and linkages that allow each unit to tap into a global knowledge pool.



The next type of, of option that is available for a global organization to design itself is a global network solution. The Network model is an attempt to reconcile the tension between two opposing forces and what are the two opposing forces, the need for local responsiveness one and the wish to be integrated whole. Because of these two, two opposing forces another kind of organizational design has come up, that is called as a global network solution.

This form is a mindset rather than a real structure, in the truest sense of the term. So there may not be a real structure but it resides in the mind of the managers that we have a global network. Another term used to describe this form is transnational. Advocates of this model believe that MNC should develop processes and linkages that allow each unit to tap into a global knowledge pool.

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Organizational Design Options

- An international teaming concept can be used to form the network.
- The network concept can center around three assumptions:
 - a) A set of basic assumptions about people.
 - b) Assumptions about managerial policies.
 - c) Assumptions about certain expectations.



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An international teaming concept can be used to form this kind of network. The network concept can center around 3 kind of assumptions. The first is a set of basic assumptions about people, assumptions about managerial policies, and assumptions about certain expectations.

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Guidelines on Global Virtual Teamwork

- Start with face-to-face meeting to kick off trust building.
- Keep the team as small as practical.
- Have a code of practice on how to communicate and behave (e.g., how to respond to e-mails).
- Communicate regularly, but don't overdo it.
- Ensure everyone understands each other's role.
- Have a supportive sponsor who represents their interests at a senior level within the organization.
- Keep strong links with the parent organization.
- Reward results, not how people work.

Source: "'Virtual Teams' Endeavor to Build Trust," *Financial Times*, September 9, 2004, p. 8.



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Now, these are some of the guidelines to come up with a global virtual teamwork. The first is start with face to face meeting to kick off trust building. So that is very important to have a face to face to for building trust. The second is to keep the team as small as possible, have a code of practice to, on how to communicate and behave and so on so forth. So these are some guidelines that are helpful for the company, who want to have a global virtual team work.

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Conclusion

- Running a multinational organization is a tremendous challenge. The tension between global and local needs to be addressed.
- In this module, the issues of structure and control mechanisms for the MNC that shape a truly global organization are reviewed. Each of the structural form alternatives are identified and explained with suitable examples where ever possible.
- Companies can pick from a variety of structures, ranging from a single international division to a global network operation.



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To conclude, running a multinational organization is a tremendous challenge. The tension between global and local needs are to be addressed, by way of organizational design. So in this module, the issue of a structure and control mechanism for the multinational that shapes a truly global organization are reviewed. So now we have seen, we have seen that when, when a company, wants to become a global organizational what are the structure and control mechanism. Each of the structural form alternative are identified and explained with suitable examples.

So, companies can pick from a variety of structures ranging from single international division to a global network operation, but keep in mind, always keep in mind that every kind of structure is not suitable for every kind of company in every kind of situation and in every kind of country. So international in single international division is suitable in some circumstances and then, the company has to go and evolve and become a global network operations after they after they reach a particular, particular situation.

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References

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2. Terpstra V and Sarathy R, *International Marketing* (2003), Thomson South Western, Eighth Edition.
3. Keegan W J, *Global Marketing Management*(2004), Pearson Education. Seventh Edition



And these are the three books that that are used to develop this module. Thank you.