Course Title: Multinational Management

Home Work

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1. Please discuss some costs and benefits of the different management structures. Under what conditions should a firm choose a particular structure.

Some costs and benefits of different managements structures are given below:

Name	Costs	Benefits
Dominant Parent management structure	● Small subsidiaries has almost no power over decision making. ● Maximum executive are from dominant parent enterprise. ● Dominant parent select all the functional managers. ● Difficult to cope with complex environment. ● Low efficiency and lack of energy create difficult environment for subsidiaries.	● Dominant parent can make any important decision to complete the goal without being worried about subsidiaries. ● Maximum autonomy power for selecting mangers. ● Subsidiaries has less responsibility of money risk, job distribution.
Shared management structure	● Limits on business development. ● Unlimited liability, Perceived lack of prestige, ● Limited access to capital, Potential for differences and conflict, Slower, more difficult decision making, Profits must be shared. ● The business has no independent legal status.	● Both parent share same number of managers position. ● They share the responsibility equally. ● Less formal with fewer legal obligations, ● Easy to get started, Sharing the burden, Access to knowledge, skills experience, and contacts, Better decision-making, privacy.
Split-control management structure	● Disadvantages are quite same as the shared structure. ● Partners don't share theirs technology fully. ● Discord in some decision making. ● Sometimes partners shows less cooperation for other partners at it's dull time.	● It has similar benefits with the shared management structure. ● Partners usually share strategic decision making. ● In functional level partner make decision independently. ● Partner don't need to share their skills or technology completely. ● Partners can protect their secrecy in protected area.
Independent management structure	● It seldom occurs in ICAs. ● Different companies manager might have a discord about any decision. ● One company's independent decision can hamper other parent company's confidentiality. ● It is not a mature structure for ICAs.	● Alliance manager can act like mangers from separate companies. ● It's characteristic is more of mature IJVs. ● It's mangers have nearly completely decision-making autonomy. ● IJVs can recruit managers from outside the parent companies.

Rotating management structure	• Managerial position are not fixed for any company. • At the time of rotation, one company's manager's direction could cause some difficulties for other managers. • Unstable key position is not always beneficial for the partners company.	• Manager changes in the hierarchy position after a period of time. • Each partner can appoint their own manager. • It is suitable for training the local talent whom could be sent to the developing countries.

For choosing a particular structure a firm should consider below conditions:

Management Structure	Conditions
Dominant Parent	If the alliance has more strategic importance to one partner, a dominant management structure is likely to follow
Shared	If partners have similar technologies or know-how and they contribute this knowledge equally to the alliance, they should prefer a shared management structure
Split-control	if partners have different technologies or know-how and they contribute this knowledge equally to the alliance, they should prefer split management structures.
Independent	If the partners don't want to share their technology or skills fully, so they should follow Independent structure.
Rotating	If the partners want to appoint their managers or own person in the key position they should follow the rotating structure.

2. Why are trust and commitment so important to strategic alliance? How can a partner demonstrate trust and commitment to a joint venture?

Trust allows organizational members to take risks, try new things, and therefore it boosts innovation. Ultimately, these practical implications reveal that trust is a source of competitive advantage and underpins success. Throughout the literature, cooperation is taken to entail trust.
Trust seems to be a critical factor in determining alliance performance between alliance partners .
The importance of trust in developing of long-term organizational relationships has been emphasized in the alliance literature. The existence of trust in a relationship reduces the perception of risk associated with opportunistic behavior. Partners that trust each other generate greater profits, serve customers better, and are more adaptable . When exchanges are governed by trust, transaction costs can be reduced. Indeed, it has been argued that trust is so important to alliances that it is considered "the cornerstone of the strategic partnership success". At least we can conclude that trust between partners is positively related to alliance performance.
A great deal of attention has been paid to the performance of international joint ventures (IJVs) and trust has been recognized as a key factor influencing it.The emergence of trust as a process and develops a process model of trust building in IJVs, which is used to analyse four case studies. The main conclusions are the following: Whereas competence-based trust starts from public information, promissory-based trust and goodwill-based trust are individually orientated and mainly develop through direct personal interaction. Such interaction may lead to bonds of friendship between delegates. Before these bonds evolve, trust is mainly based on the perceived self-interest of the partner in the joint venture. When the bonds of friendship dominate, the main source of trust shifts towards emotional commitments. Thus, in the early stages of an IJV, promissory-based trust predominates, and as the joint venture progresses, competence-based trust emerges. Goodwill-based

trust is important throughout the process. A commitment to cooperate emerges from initial self-interest.

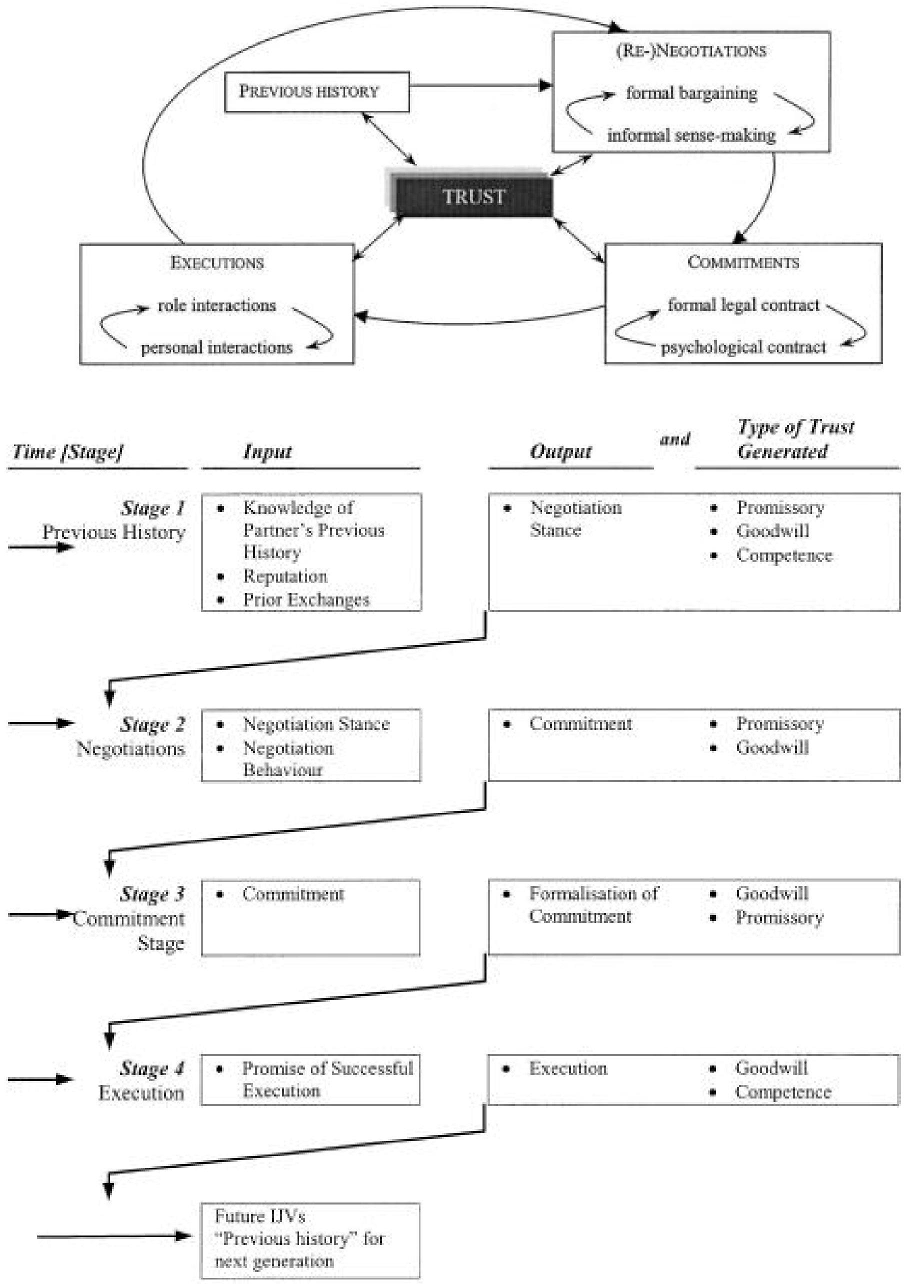

Fig. 2. A process model of the development of trust in IJVs.