



chapter three

# International Business Organization Design

The image shows a spiral-bound notebook cover with a white background. The title 'International Business Organization Design' is written in a large, bold, green, rounded font. Above the title, the words 'chapter three' are written in a smaller, red, cursive font. The cover is decorated with various elements: a green wavy shape in the top right corner, a red wavy line in the top right, a green wavy shape in the bottom left corner, a red wavy line in the bottom left, a green heart shape in the bottom right, and several red and green star shapes. The spiral binding is visible on the left side.



# Organizational Design in International Business

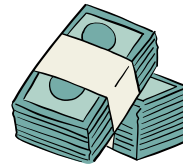
It refers to how a company arranges roles, responsibilities, authority, and communication across countries and regions to effectively manage global operations and support business strategies.

## Product Structure



## Geographic Structure

## Functional Structure



## Matrix Structure

# PRODUCT STRUCTURE

## 1 PRODUCT-CENTRIC ORGANIZATIONAL STRUCTURE

Companies divide their operations into separate product-based units (e.g., skincare, haircare) with dedicated teams responsible for product development, marketing, and distribution.

## 2 SPECIALIZATION AND LOCAL ADAPTATION

This structure allows for specialized expertise within each division, enabling companies to adapt their products and strategies to local market needs, cultural preferences, and regulations.

## 3 EFFICIENCY AND INNOVATION IN GLOBAL MARKETS

By centralizing resources and decision-making, companies can achieve operational efficiencies, allocate resources effectively, and foster innovation to stay competitive internationally.

**Example:**   
Unilever

# GEOGRAPHIC STRUCTURE

1

## GEOGRAPHIC-BASED ORGANIZATIONAL STRUCTURE

Companies structure operations into regional divisions (e.g., North America, Asia-Pacific), each led by local managers and teams who understand and respond to the specific needs of their market.

2

## LOCAL EXPERTISE AND MARKET ADAPTATION

This approach leverages local knowledge to adapt products, marketing, and pricing strategies to suit regional consumer behaviors, cultural preferences, and regulatory environments.

3

## ADVANTAGES IN RISK MANAGEMENT AND CUSTOMER RELATIONSHIP

Organizing by geography helps companies manage risks (e.g., political instability, economic fluctuations) and improves customer relationships through closer, more responsive regional operations.

**Example:** *Coca-Cola*

# FUNCTIONAL STRUCTURE

## 1 FUNCTIONAL DEPARTMENT STRUCTURE

Companies organize around core functional areas (e.g., Marketing, Sales, Operations, Finance) to centralize expertise and ensure specialized focus on key business tasks.

## 2 CENTRALIZATION AND EFFICIENCY

Centralizing functions across markets promotes standardization, consistency, and operational efficiencies, helping the company scale and maintain quality globally.

## 3 EXPERTISE, COORDINATION, AND STRATEGIC FOCUS

Functional organization enhances coordination within specialized departments, supports strategic focus, and contributes to global best practices, ensuring alignment with overall business goals.

**Example:**



Apple Inc.

# MATRIX STRUCTURE

## 1 DUAL REPORTING STRUCTURE

Employees report to both functional managers (based on their expertise) and project managers (based on specific projects), balancing specialized work with project-focused goals.

## 2 FLEXIBILITY, COMMUNICATION, AND COLLABORATION

The matrix structure promotes flexibility in resource allocation, enhances cross-functional collaboration, and improves communication between departments and project teams.

## 3 ADVANTAGES IN RESOURCE OPTIMIZATION AND PROJECT EXECUTION

Matrix organizations optimize global resource allocation, enhance project management, and ensure that the right skills are applied to projects across different regions and functions.

**Example: SIEMENS**

# MNEs In International Business

## Multidomestic Firm

### DECENTRALIZED DECISION-MAKING

MNEs operating with a multidomestic strategy decentralize operations, giving local subsidiaries autonomy to adapt products and strategies to meet the unique needs of each market.

### LOCAL RESPONSIVENESS AND CUSTOMIZATION

The strategy focuses on customizing products, marketing, and operations to suit the specific cultural, regulatory, and consumer demands of each country or region.

### REGIONAL COORDINATION AND CULTURAL SENSITIVITY

MNEs coordinate across regions while ensuring cultural sensitivity, fostering trust and alignment with local values to strengthen market presence and acceptance.

Example:





# Multinational Firm

## Global Expansion and Strategies

MNEs drive globalization by expanding across borders through Foreign Direct Investment (FDI), Joint Ventures (JVs), and establishing subsidiaries in new markets.

## Centralized Governance and Control

The headquarters (HQ) of an MNE oversees corporate strategy, financial management, and coordination of global operations, often exercising centralization to maintain consistency and ensure strategic alignment across subsidiaries.

## Diversification and Corporate Responsibility

MNEs reduce risk through diversification into new markets or industries and enhance their reputation by committing to Corporate Social Responsibility (CSR) initiatives, promoting ethical practices and sustainability across all operations.

**Example:**



# GLOBAL FIRM

## GLOBAL STRATEGY AND INTEGRATION

MNEs adopt a global strategy to standardize operations, products, and services across markets, achieving global integration for greater efficiency, economies of scale, and consistent brand management.

## STANDARDIZATION AND ECONOMIES OF SCALE

MNEs pursue standardization to simplify operations and maintain brand consistency across international markets, while also benefiting from economies of scale by producing goods in larger quantities, reducing costs, and achieving competitive pricing.

## TRANSNATIONAL STRATEGY AND CROSS-BORDER SUPPLY CHAINS

Many MNEs combine global integration with local responsiveness through a transnational strategy, balancing global efficiency with local adaptation. They also build cross-border supply chains to source materials and manage production efficiently across different regions.

EXAMPLE: **SAMSUNG**

# Transnational Firms



## TRANSNATIONAL STRATEGY AND GLOBAL INTEGRATION

MNEs adopt a transnational strategy that combines global integration for efficiency and economies of scale with local responsiveness to meet the unique needs of different markets. .

## DECENTRALIZATION AND CROSS-BORDER COLLABORATION

Decentralization empowers local subsidiaries to make decisions and adapt quickly to market changes, fostering cross-border collaboration for knowledge sharing, innovation, and efficiency across the global network.

## GLOBAL BRAND MANAGEMENT AND CULTURAL SENSITIVITY

Effective global brand management ensures consistency and builds brand equity worldwide, while cultural sensitivity is crucial for understanding and adapting to local cultural differences to gain customer trust and enhance competitive advantage.

Example:



# Relation Of Sustainable Development Growth of MNEs In International Business

## **1** Corporate Social Responsibility (CSR)

MNEs enhance their reputation and reduce risks by engaging in CSR practices that positively impact society and the environment.

## **2** Environmental Sustainability

MNEs reduce their environmental footprint and improve efficiency by adopting sustainable practices such as reducing pollutants and conserving resources.

## **3** Ethical Business Practices

Upholding ethical standards, including human and labor rights, helps MNEs build stronger relationships and reduce legal and reputational risks.

## **4** Innovation and Technology Transfer

MNEs drive sustainable development through innovation, technology transfer, and adopting solutions that address societal and environmental challenges.

## **5** Stakeholder Engagement and Governance

MNEs achieve sustainable development by effectively engaging with stakeholders and ensuring transparent governance and communication.

# SMALL AND MEDIUM-SIZED INTERNATIONAL ENTERPRISES (SMIES)

## 1 Definition

### Global Engagement

SMIEs are small to medium-sized businesses involved in international operations like exporting, importing, or establishing foreign partnerships.

### Challenges and Growth Opportunities

They face limited resources but can expand by accessing new markets, leveraging global networks, and benefiting from economies of scale.

## 2 Constraints On SMIEs

### Financial Constraints

SMIEs often struggle with limited access to capital for international expansion, making it difficult to cover high market entry costs, such as market research, compliance, and establishing local operations.

# Managerial and Operational Challenges

Many SMIEs lack international business experience and have limited resources to manage operations across different countries.

## Regulatory and Market Entry Barriers

SMIEs face challenges complying with diverse legal frameworks, trade barriers, and tariffs in foreign markets.

## Market Entry and Competition

SMIEs must compete with larger, established multinational corporations and navigate challenges in market access and brand recognition.

## Technological and Infrastructure Challenges

SMIEs face difficulties in developing digital infrastructure and managing global supply chains, especially in markets with limited technological resources.



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