The Organizational Context

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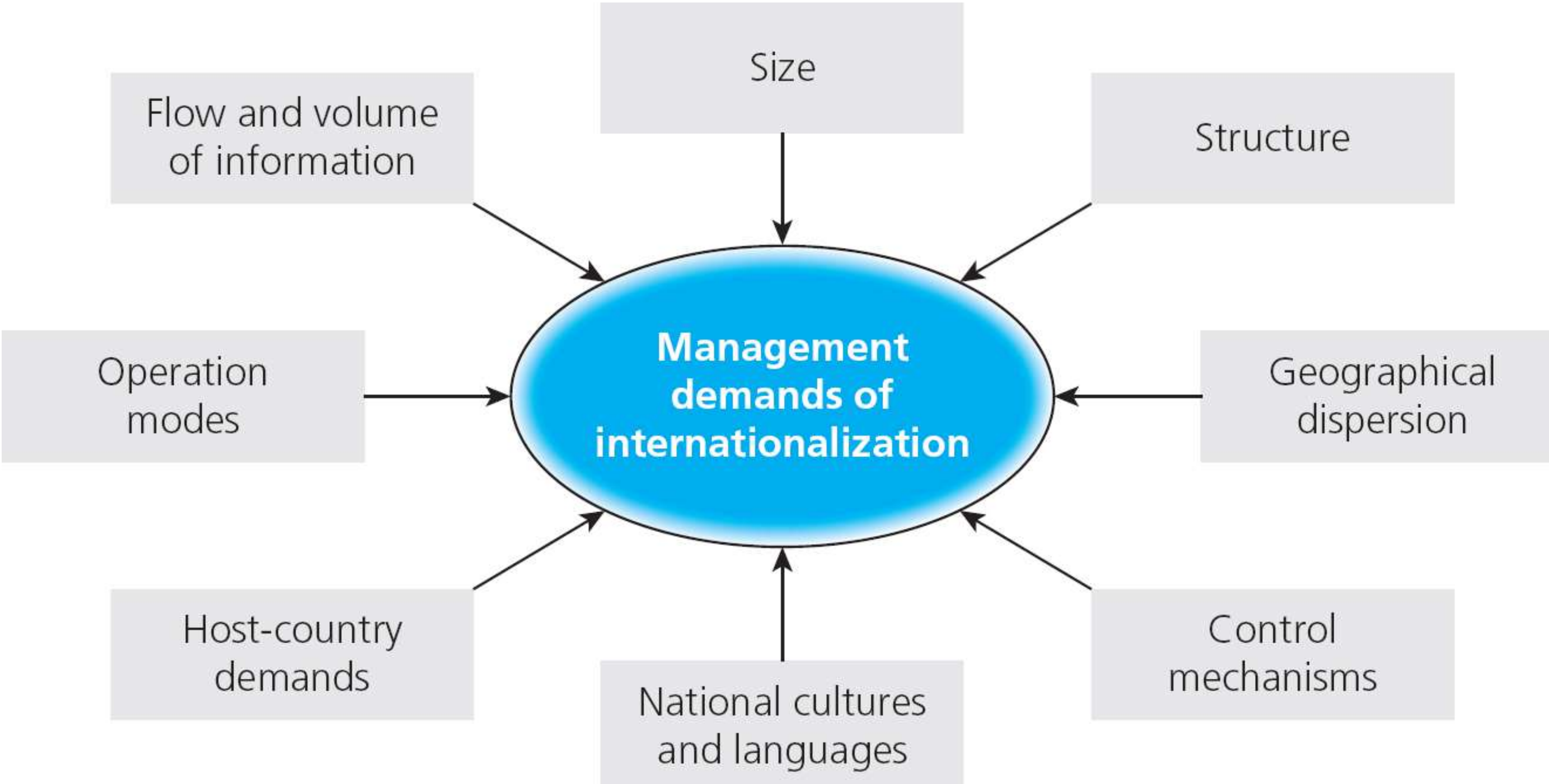
Chapter Objectives

We learn:

- Structural responses to international growth
- Control and coordination mechanisms, including cultural control
- Effect of responses on human resource management approaches and activities

Figure 2-1

Management demands of international growth



The path to global status

Organizational structures change due to:

1. Strain imposed by growth and geographical spread.
2. The need for improved coordination and control across business units.
3. The constraints imposed by host-government regulations on ownership and equity.

Figure 2-2

Stages of internationalization

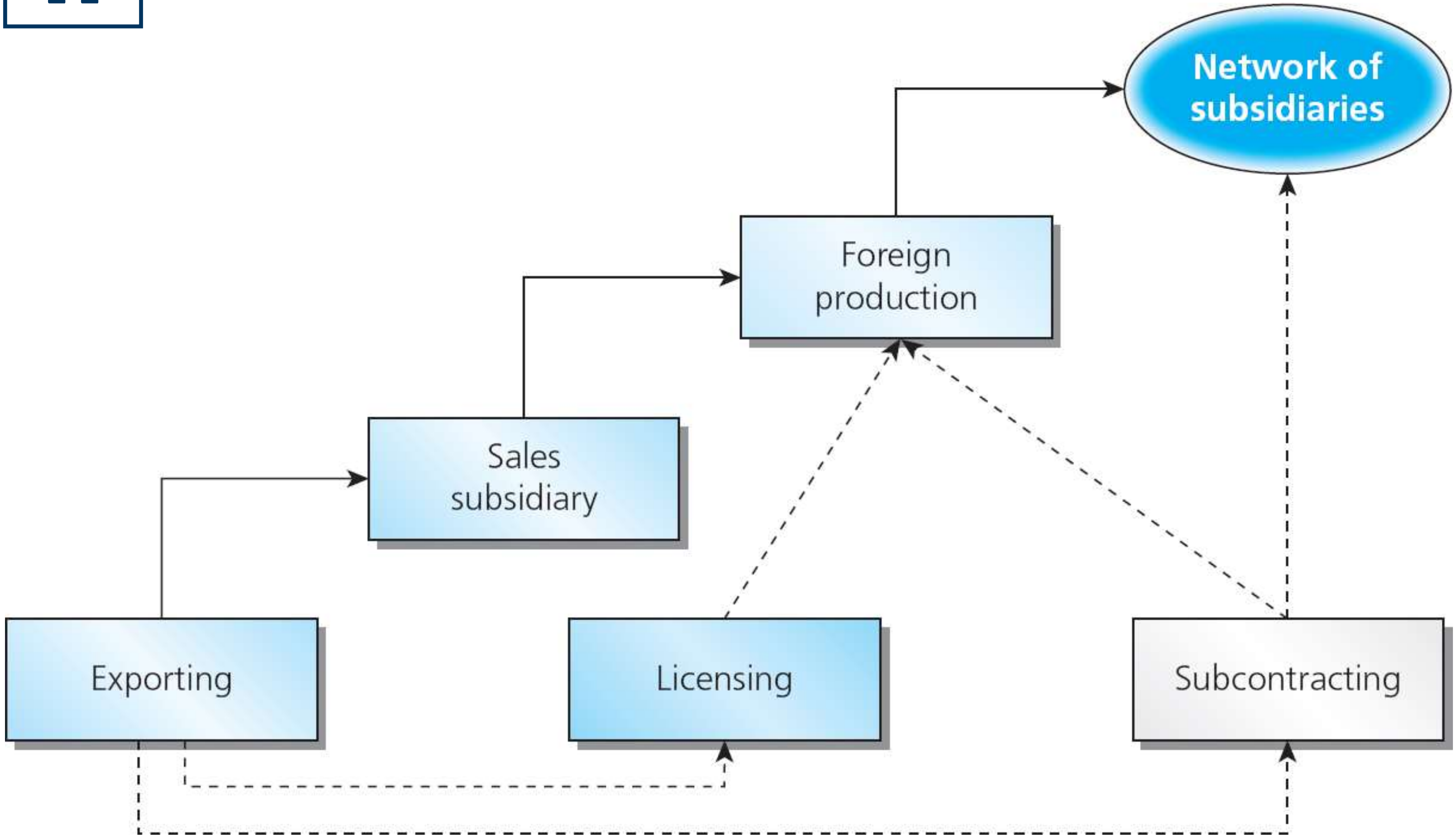


Figure 2-3

Export department structure

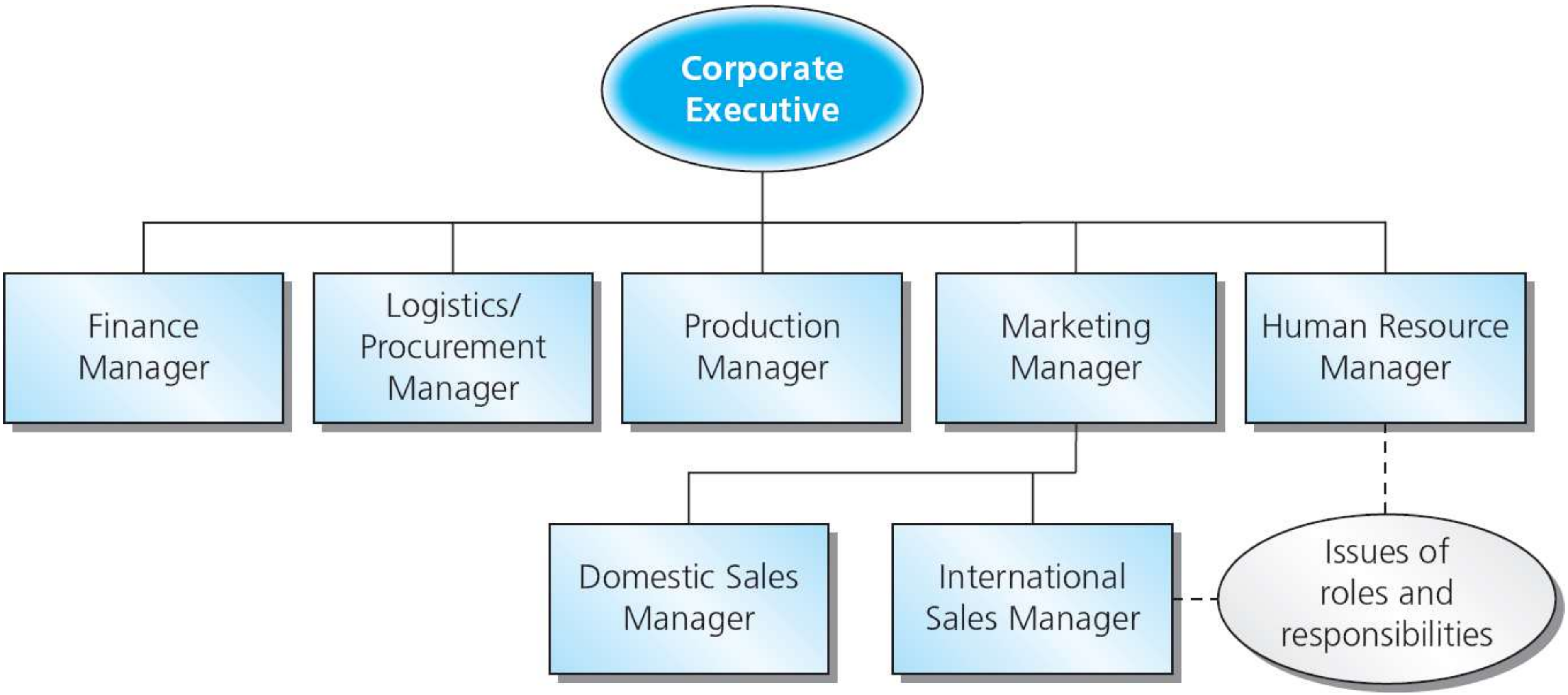


Figure 2-4

Sales subsidiary structure

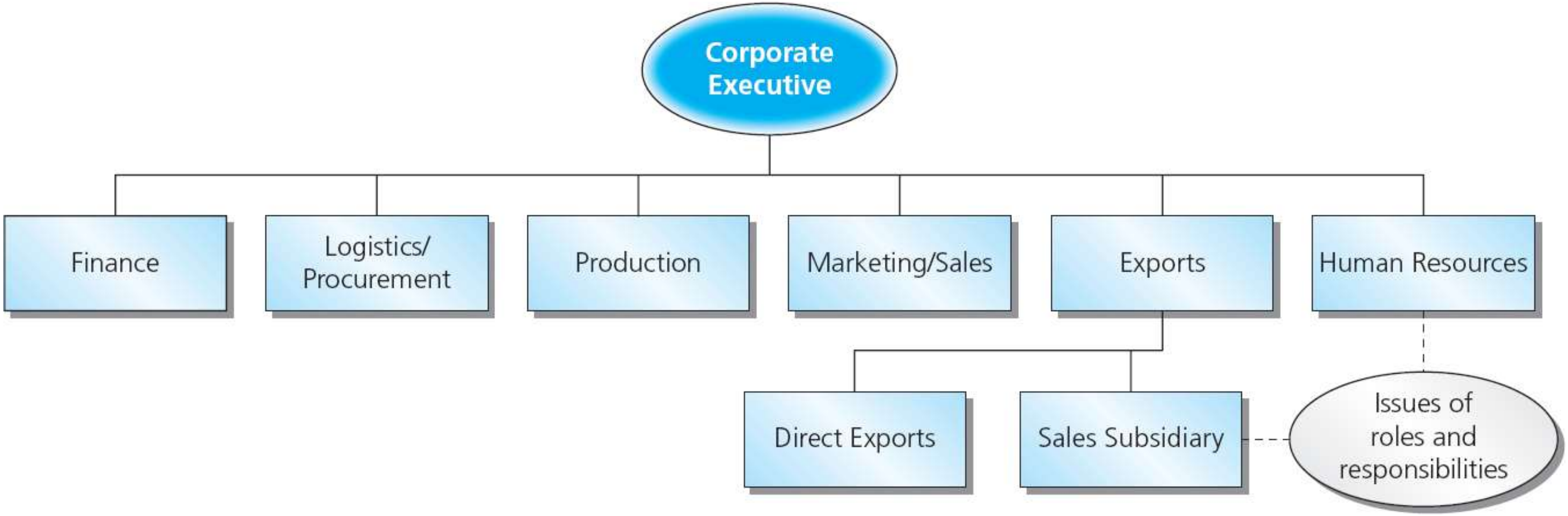
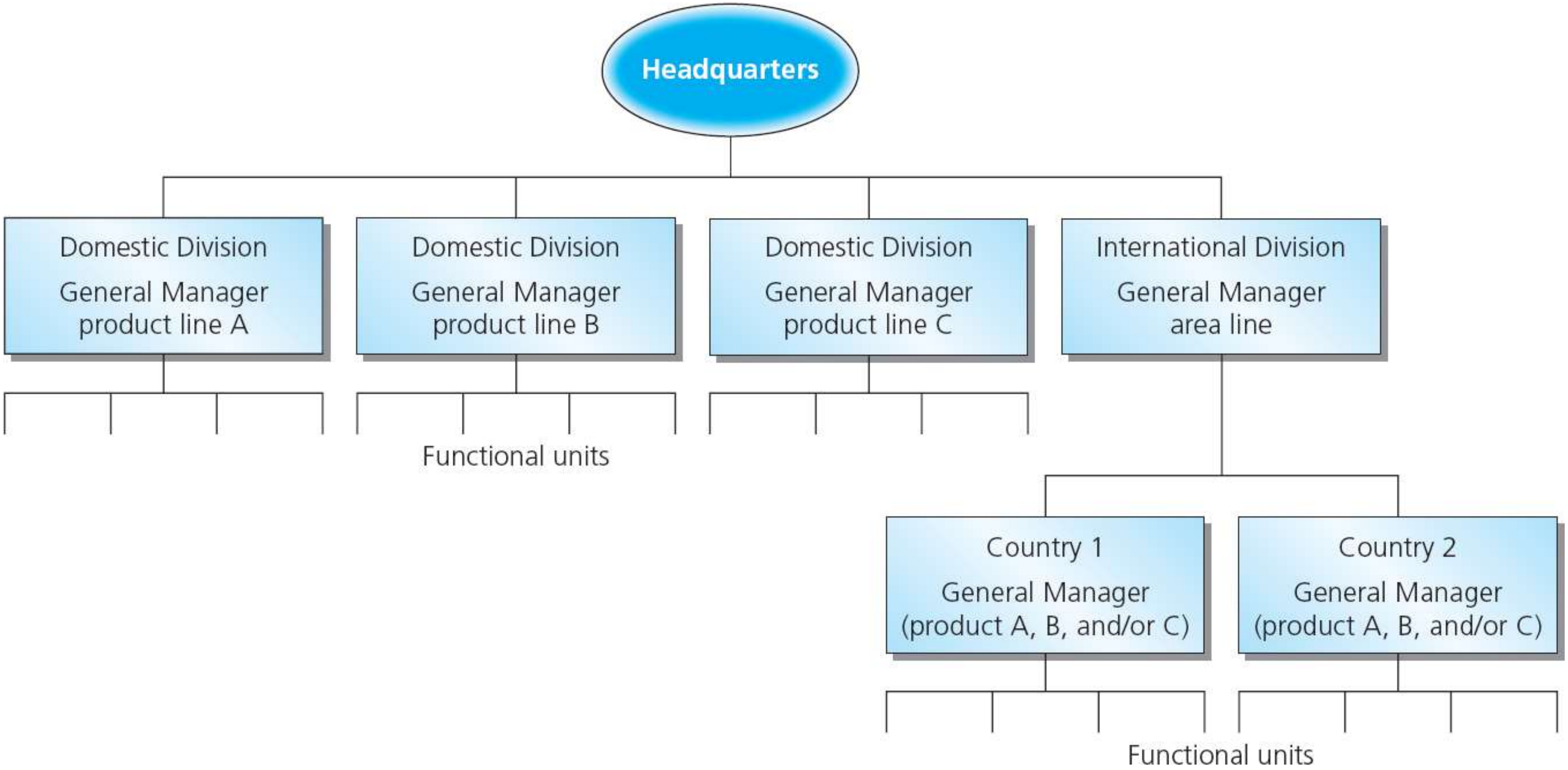


Figure 2-5

International division structure



MNEs' two major issues of structure

1. The extent to which key decisions are to be made at the parent-country headquarters or at the subsidiary units (centralization versus decentralization).
2. The type or form of control exerted by the parent over the subsidiary unit.

Figure 2-6a

Global product division structure

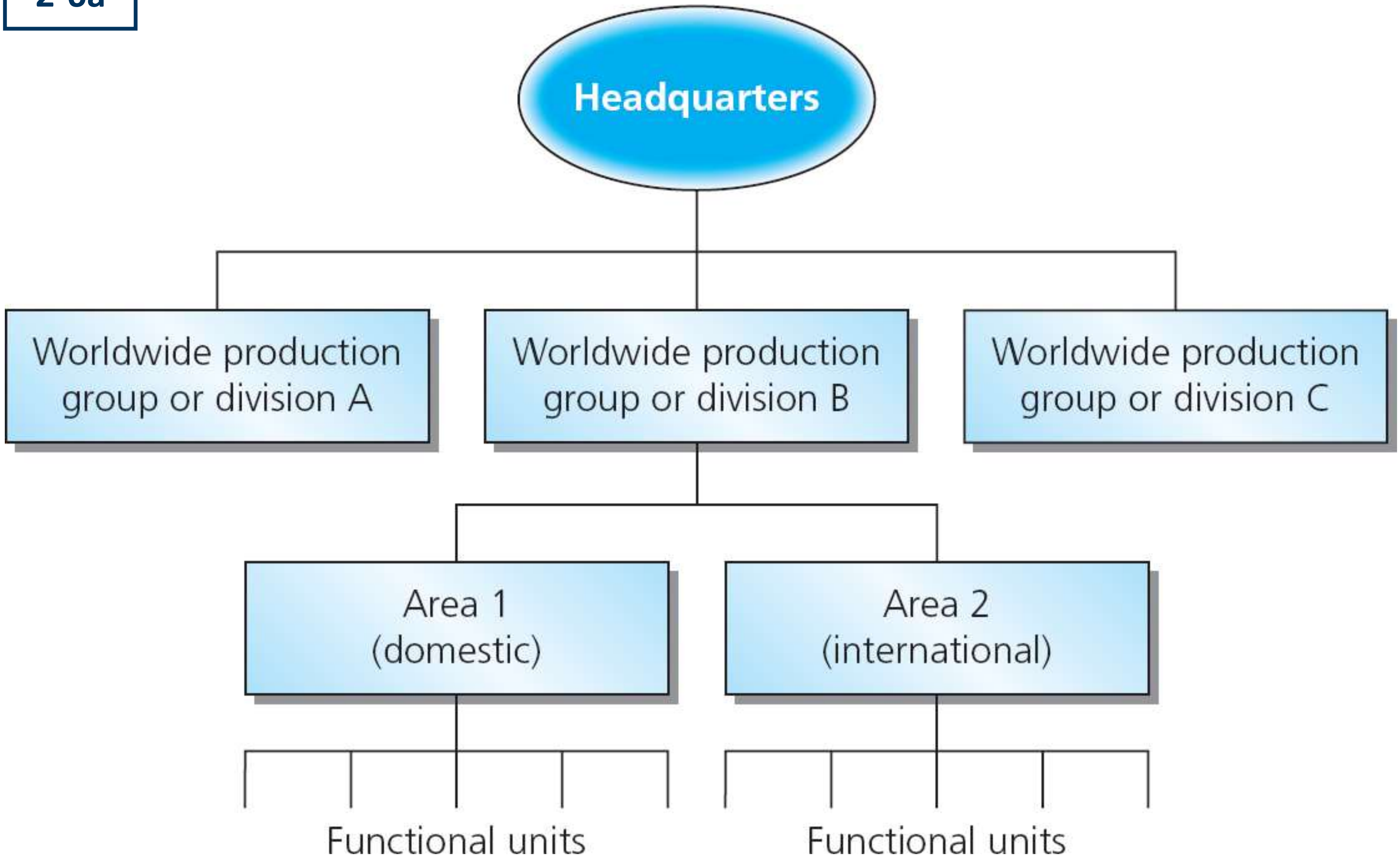


Figure 2-6b

Global area division structure

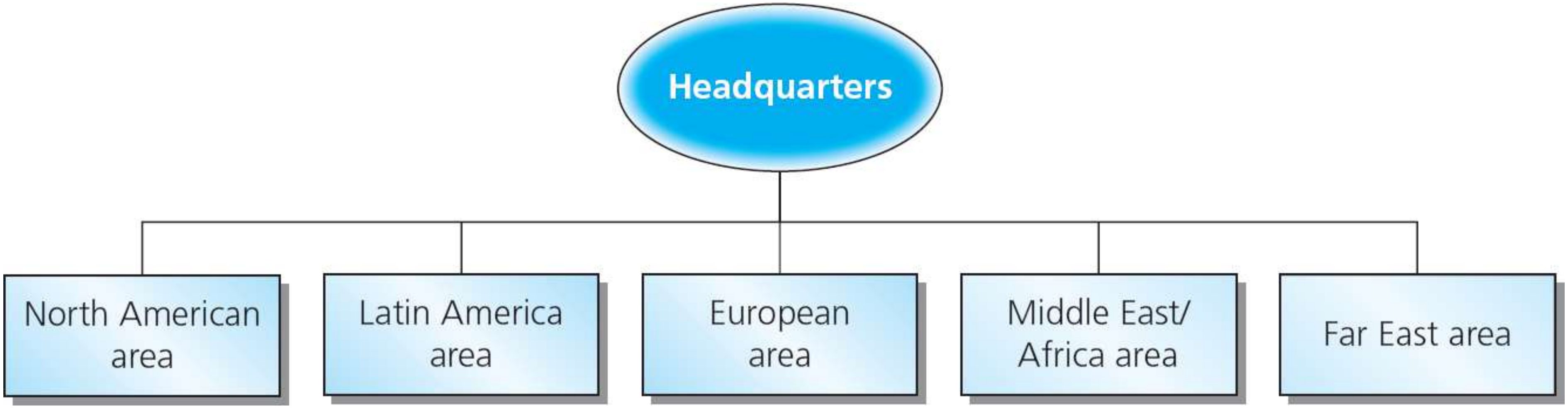
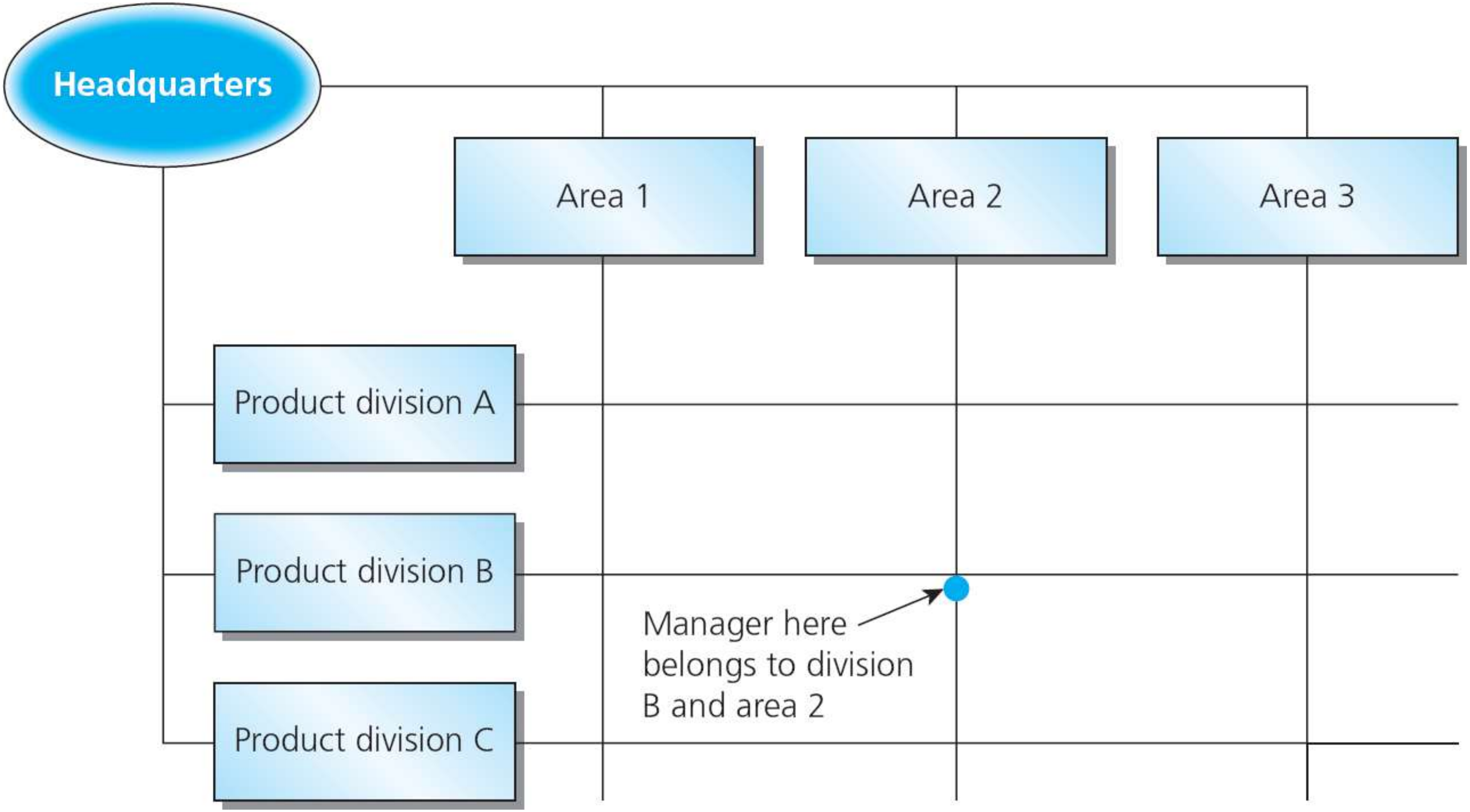


Figure 2-7

Global matrix structure



International matrix structure is difficult

Matrix is all but unmanageable because of:

1. Dual reporting, which leads to conflict and confusion.
2. The proliferation of communication channels which creates informational logjams.
3. Overlapping responsibilities, which produce turf battles and a loss of accountability.
4. The barriers of distance, language, time and culture, which often make it very difficult for managers to resolve conflicts and clarify confusion.

The multi-centered networked organization

Management involves less hierarchical structure and features 5 dimensions:

1. Delegation of decision-making authority to appropriate units and levels.
2. Geographical dispersal of key functions across units in different countries.
3. Delayering of organizational levels.
4. De-bureaucratization of formal procedures.
5. Differentiation of work, responsibility and authority across the networked subsidiaries.