



Plekhanov Russian University of Economics

Foreign economic activity

Lecture 4

INTERNATIONAL ORGANIZATION DESIGN

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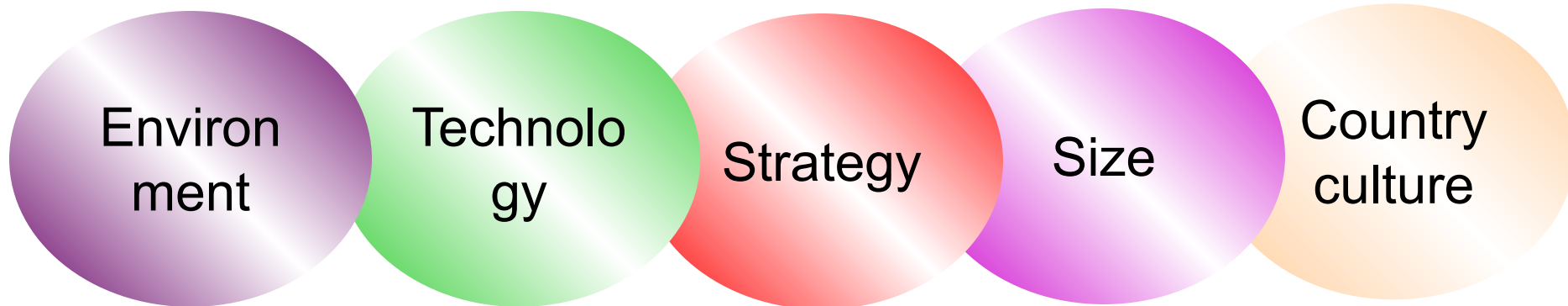
Objectives

- Define and discuss *the nature of international organization design* and identify and describe the *initial impacts of international business activity* on organization design
- Identify and describe *five advanced forms* of international organization design and discuss *hybrid global designs*
- Identify and describe *related issues* in global organization design

Organization Design

Organization design (or *organization structure*) is the overall pattern of structural components and configurations used to manage the total organization

Factors Affecting Design



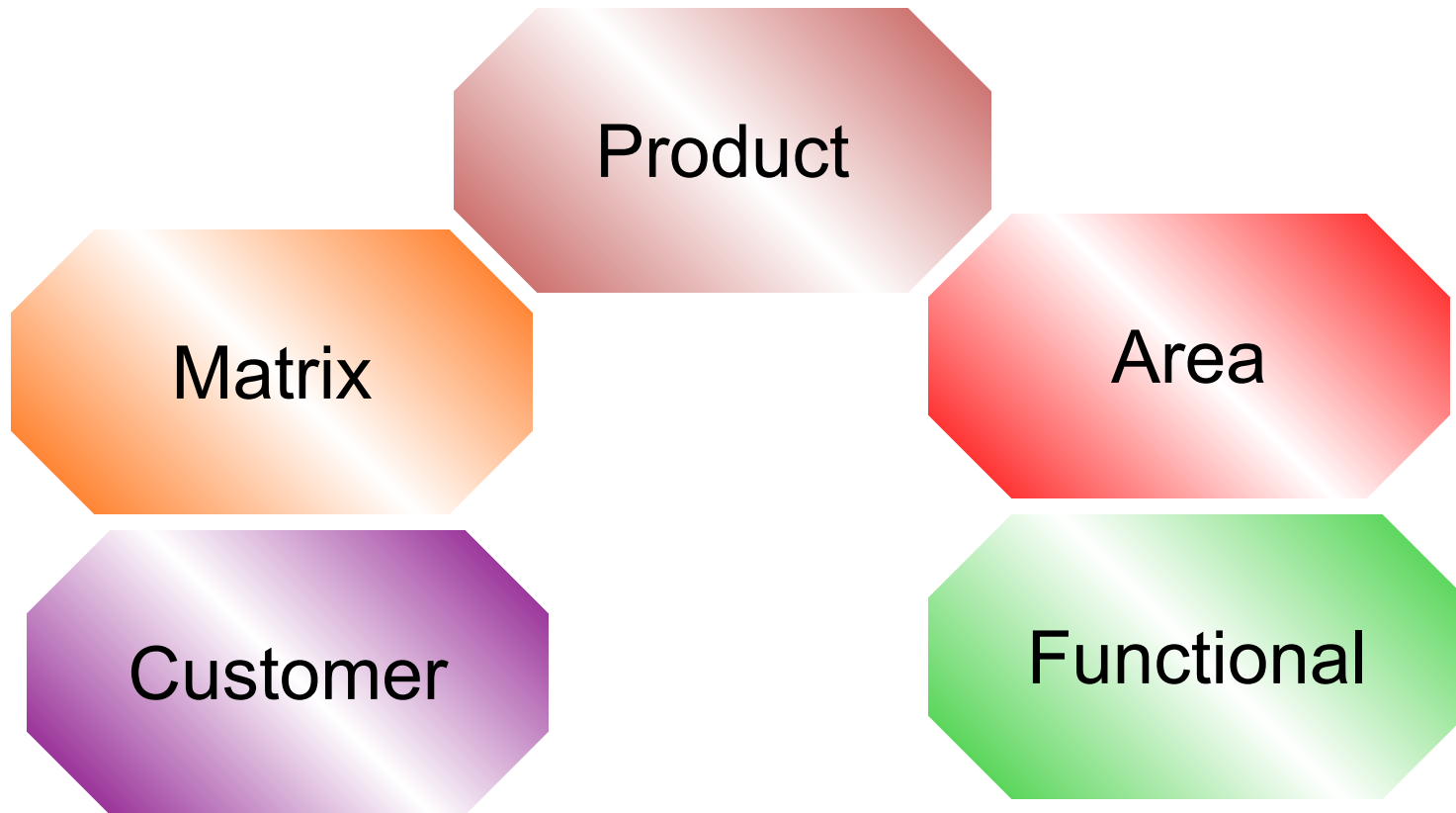
Functions of Firm Design

- Allocates organizational resources
- Assigns tasks to its employees
- Informs employees about firm's rules, procedures, and expectations
- Collects and transmits information

Types of Knowledge Affecting Design



FORMS of Global Organization Design



Managerial Philosophies Affecting Design

Ethnocentric

firms that operate internationally the same way they do domestically

Polycentric

firms that operate internationally the same way they do domestically

Geocentric

firms that analyze the needs of their customers worldwide and then adopt standardized operations for all markets they serve

Global Product Design

The **global product design** assigns worldwide responsibility for specific products or product groups to separate operating divisions within a firm

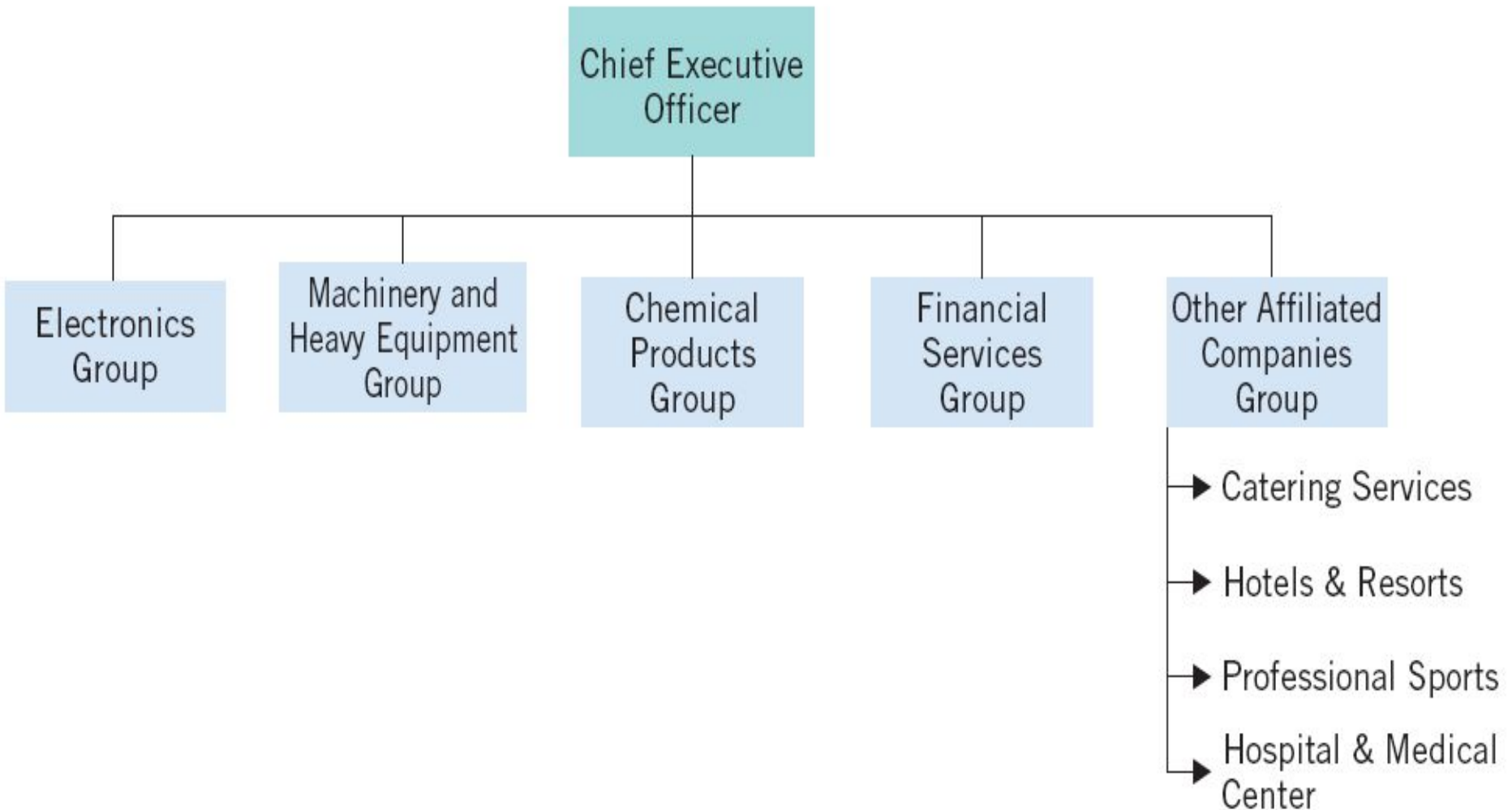
Advantages

- Managerial expertise
- Production efficiencies
- Production flexibilities
- Flexible response to change
- Marketing flexibility

Disadvantages

- Unnecessary duplication
- Coordination and cooperation difficult

Samsung's Global Product Design



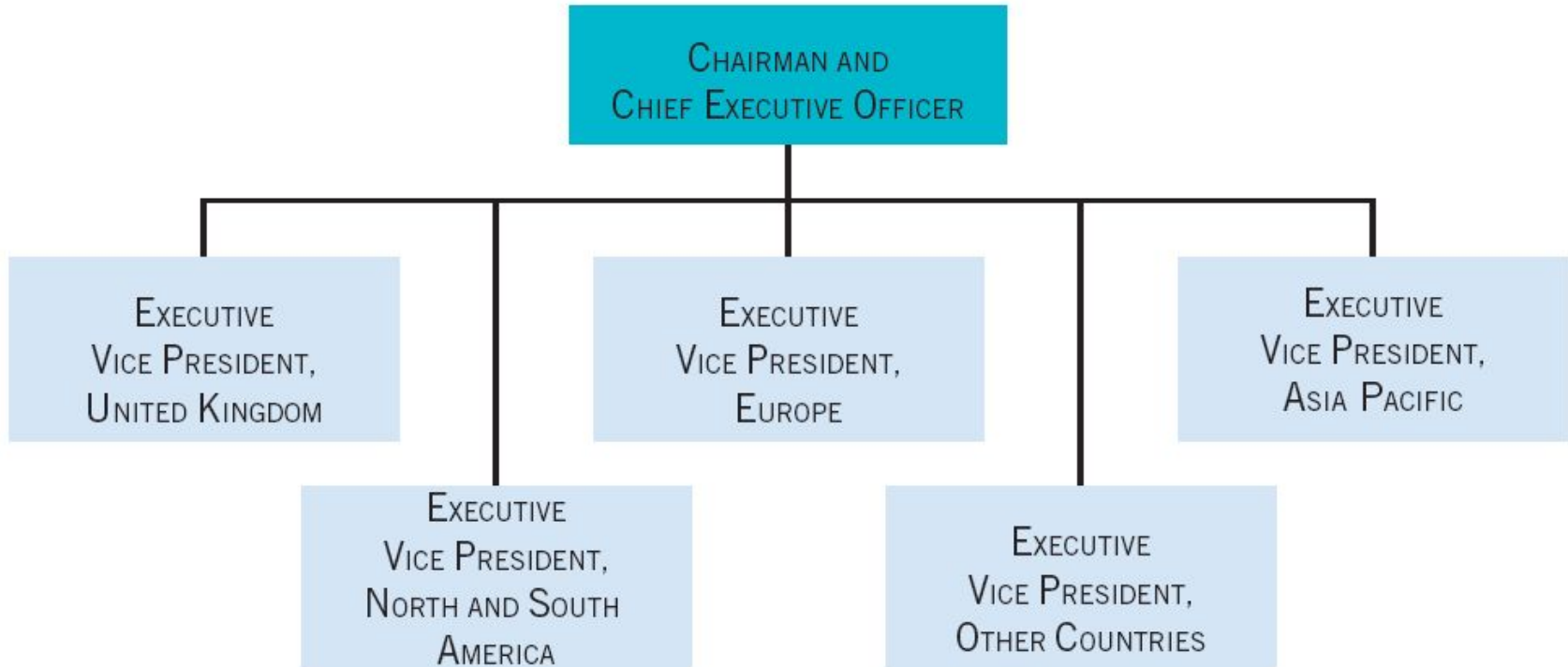
Global Area Design

The **global area design** organizes the firm's activities around specific areas or regions of the world.

Disadvantages of Global Area Design

- Firm may sacrifice cost efficiencies
- Diffusion of technology is slowed
- Design unsuitable for rapid technological change
- Duplication of resources
- Coordination across areas is expensive

Global Area Design



Global Functional Design

The **global functional design** calls for a firm to create departments or divisions that have worldwide responsibility for the common organizational functions—finance, operations, marketing, R&D, and human resources management.

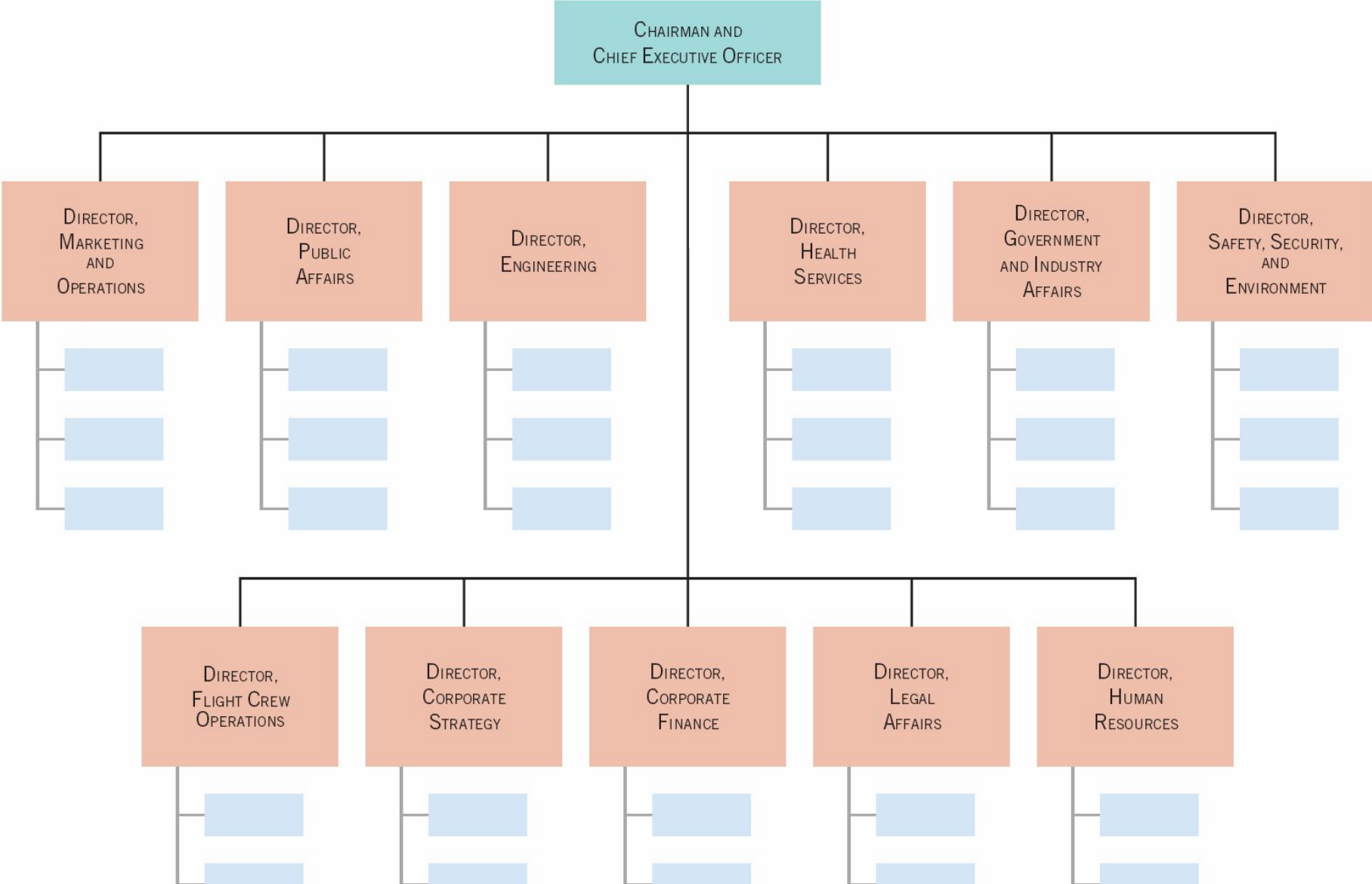
Advantages

- Transference of expertise
- Highly centralized control
- Focused attention of key functions

Disadvantages

- Practical only when firm has few products or customers
- Coordination difficult
- Duplication of resources

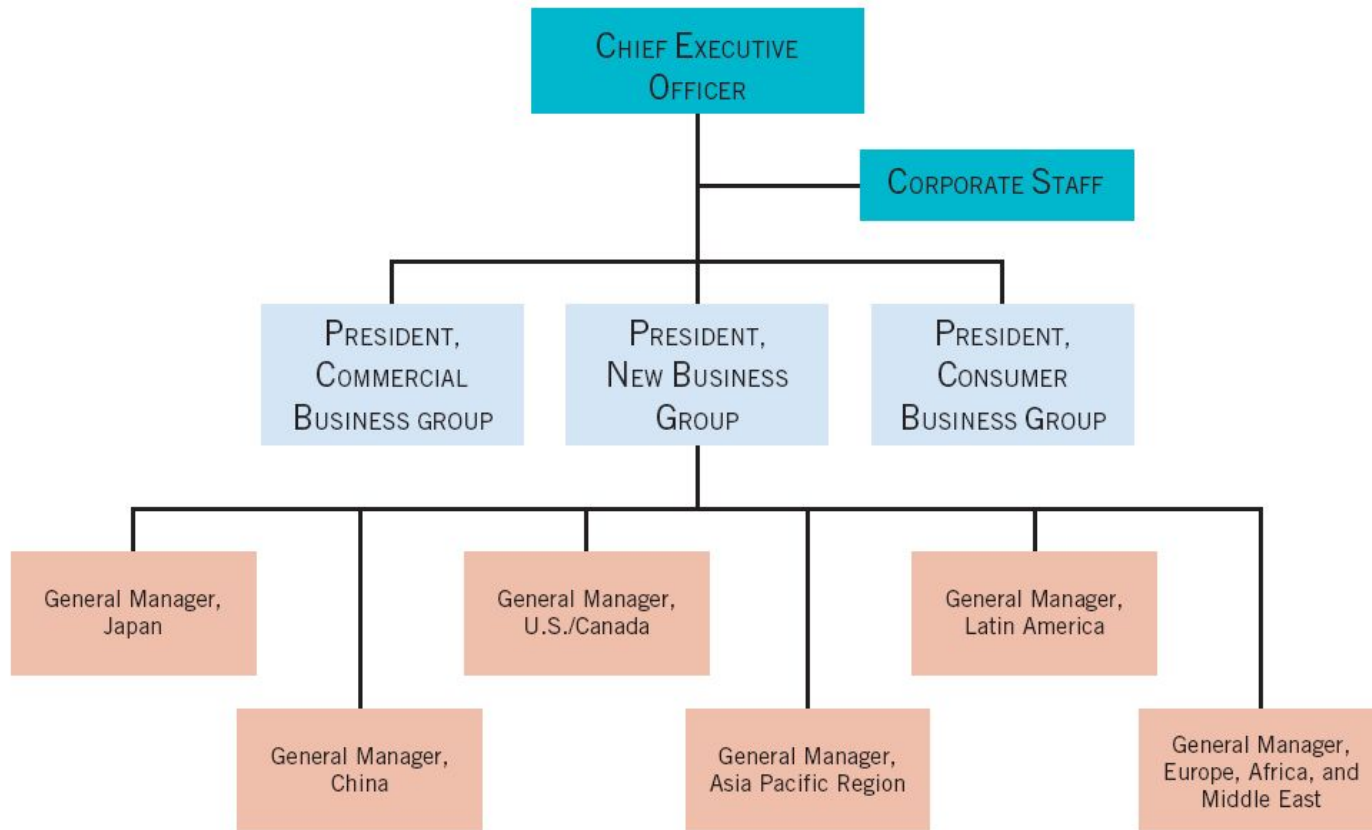
Global Functional Design



Global Customer Design

The **global customer design** is used when a firm serves different customers or customer groups, each with specific needs calling for special expertise or attention.

Eastman Kodak's Global Customer Design



Global Matrix Design

A **global matrix design**, the most complex of designs, is the result of superimposing one form of organization design on top of an existing, different form

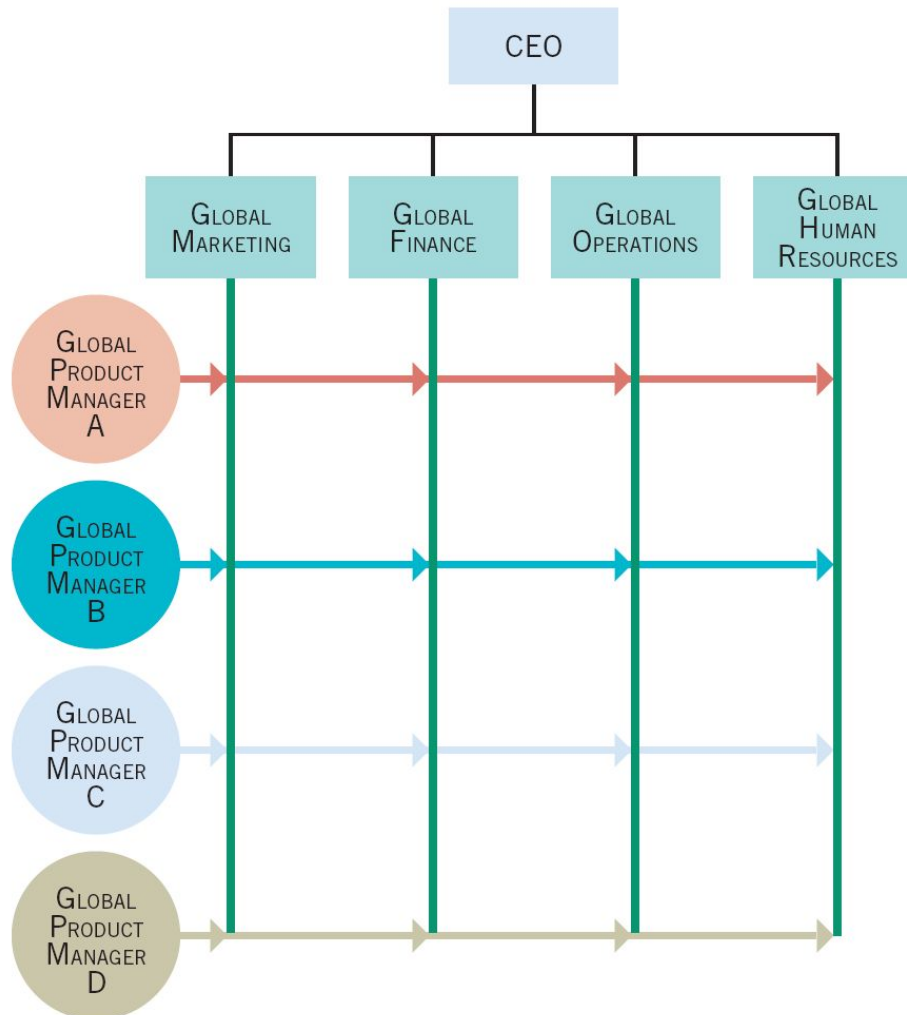
Advantages

- Brings together the functional area and product expertise
- Promotes organizational flexibility
- Provides access to all advantages of other designs

Disadvantages

- Appropriate for firms with many products and unstable environments
- Employees accountable to multiple supervisors
- Decisions may take longer

Global Matrix Design



Global Hybrid Design

Most firms create a **hybrid design**, rather than pure design, that best suits their purposes, given the firms' size, strategy, technology, environment, and culture, and blends elements of all the designs discussed.

Nissan's Hybrid Design

