Control in International Organizations

- Lectures in International Business
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Critical Issues in Organizing the Global Enterprise:

- What type of organization provides the best framework for strategic development and flexibility?
- What type and how much control from headquarters will maximize total effort

Organizational Structure

- The design of a structure will depend on:
  - the stage or degree or internationalization
  - the desired way to group people and resources... to achieve Organizational goals

Factors Affecting Structure and Decision Making

- The degree of involvement in international operations
- The business(es) in which the firm is engaged
- The size and importance of the markets
- The human resources capability of the firm

Organizational Design

- Little or no formal organizational recognition of international activities.
- The International Division
- The Global Organization

Little or No Formal Structure
Organizational Design

- The International Division

  - Central Staffs
  - Domestic Vice President(s)
  - International Division Vice President
  - Planning and Finance Staff
  - Foreign Subsidiary President 1
  - Foreign Subsidiary President 2
  - Foreign Subsidiary President n
  - Functions or Divisions

Organizational Design

- The Global Organization

  - Grouping People and Physical Resources to Achieve Organizational Goals
    - The Approaches:
      - Product
      - Geographic
      - Function
      - Customer
      - Mixed
      - Matrix

The Global Product Structure

- President
- Central Staffs
- President, Product Division 1
- President, Product Division 2
- Domestic President(s) or Sales & Production VP(s)
- Foreign Subsidiary President 1
- Foreign Subsidiary President 2
- Foreign Subsidiary President 3
- Brand A
- Brand B
- President, Product Division 2

Global Area Structure

- President
- Central Staffs
- Area President 1
  - Europe
  - Subsidiary President 1
  - Subsidiary President n
- Area President 2
  - Latin America
  - Subsidiary President 1
  - Subsidiary President n
- Area President n
The Global Function Structure

Locus of Decision Making

- Where the real decision making and control is within the organization.

Factors Affecting Structure and Decision Making

- Degree of involvement in international operations
- Products the firm markets
- Size and importance of the firm’s markets
- Human resource capability of the firm

Control System Design Considerations

- The cost of establishing and maintaining it.
- The cost trade off
- The business environment

Control

- “The instruments and processes needed to influence behavior and performance of members to meet goals.”

Locus of Decision Making

- Decentralization gives a high degree of autonomy to subsidiaries.
- Centralization has control and strategic decision making concentrated at headquarters.
Types of Controls

• Bureaucratic controls

• Cultural controls

Bureaucratic / Formalized Control

• An international budget and planning system

• A functional reporting system

• Policy manuals to direct functional performance

Purposes of the Budget System

• Allocation of funds among subsidiaries

• Planning and coordination of global production capacity and supplies

• It provides Short Term Control.

• Evaluation of subsidiary performance

• Communication and information exchange between subsidiaries, product organizations, and HQ

Cultural Control

“a socialization process to integrate the employee into the organization’s culture and embrace its ideals and values”

Exercising Control

• Develop the “right” control system to reflect the function and the corporate culture.
Plans are formalized long-range programs.

Plan the play
Play the Plan

And Remember….

• What Gets Measured Gets Done!