Transcription Theme 1 Overview: Organisational structures and strategies

Before you begin with Lesson 1, review the outline of the four types of organisation in this figure. The international organisation, which most entrepreneurial businesses start out as when first going global, competes in each country on a stand-alone basis. These international start-ups typically follow an export strategy to take advantage of international opportunities. It does not attempt to customise its products for international markets and it is not interested in either responding to unique conditions in other countries or in creating an integrated global strategy. It is often because of inexperience that the international organisation will “keep to what it knows.” You will learn in Lesson 1, however, how the experience and resources that come with internationalisation can lead the organisation into a new type of structure and strategy as more rapid expansion takes place.

The international organisation described in Lesson 1, is only ONE of FOUR organisations that operate across borders – each with its own characteristics and strategy(s). A reminder for you - “International” encompasses two or more countries whereas “global” has a much larger scope and includes the whole world. Lesson 2, from the perspective of the larger MNE with more resources, refers more to these global, transnational, and multinational organisations.

Looking at the global organisation in the top left quadrant, we see MNEs that prefer to centrally control all their subsidiaries in order to manage their global operations. Where a transnational organisation (in the the top right quadrant) has separate offices controlling decision making for production or markets – say, for example, an office for West Africa and one for Europe – and these foreign offices need to integrate back with the home, or parent, office, the global strategy has an overarching home office that makes all of the decisions. These decisions are then carried out across the markets and this results in global organisations being typically low on the local responsiveness scale. The transnational organisation, on the other hand, can be more locally responsive through their foreign offices. Transnationals try to have the best of both worlds.

Then you have the multinational organisation in the bottom right quadrant - they have foreign offices too, like the transnational, but these offices are viewed more as subsidiaries and have less power. Overall management is centralised in the home country, but country managers are given the freedom to make adaptations. This allows the multinational to increase their responsiveness to local conditions, but they will not be as efficient in their global operations as a global or transnational organisation. Multinational organisations benefit from the knowledge of their country managers, who understand local laws, customs, and tastes and can decide how to best meet them.

As you work through each of the lessons in MNB3702, come back to this figure and reflect on how the teachings in the lessons apply (or don’t apply) to each of the organisations and their strategies. It may help you to identify one of each of these organisations in the real world, learn about them, and apply what you learn as you work through the module lessons. We have given you a little activity to get you started.