Organizational Structure of the MNC

**Question 1:** Why are so many MNCs opting for joint ventures?

**Answer 1:**

Many MNCs are opting for joint ventures because of the frequent need for multiple locations, cultural considerations, and legal ramifications. These are often easily addressed by partnering with organizations that offer resources to meet these needs. MNCs are embarking more frequently on joint ventures because many businesses realize that their offerings can reach a larger market if they partner with certain organizations rather than trying to compete with them. The sharing of assets, talents, resources, and capabilities can in some cases work to mutual benefit. Lastly, joint ventures are very common in the present day because the development of international trade agreements make it easier than ever before for the ventures to take place. Simply put, from many points of view, joint ventures for MNCs often make good business sense. When a joint venture is successful, both companies can benefit from each other because they can take the strengths from each and learn from each other.

**Question 2:** Why is organizational structure important for an international expansion?

**Answer 2:**

Organizational structure is important for an international expansion because the company that is expanding must be able to grow in such a way that present market share does not erode as new market share is gained. Companies that do notconcertedly focus on growth get passed by companies that do. When a loosely structured organization, which is not the strongest of organizations domestically, attempts to go global, it often finds out too late that it lacks the organizational abilities and resources to effectively engage on a worldwide scale. This happens even in businesses that have little or no competition, but it is especially true in highly competitive businesses. Spread too thinly across the globe, organizations many times are soundly defeated by their competitors simply because they were not equipped to compete internationally. The sad reality is that this lesson is learned many times at huge cost, including the implosion of many companies that thought they were ready for global operations.

**Question 3:** Can a company use the same organizational structure for every new international entrant?
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Answer 3:

A company could theoretically use the same organizational structure for every new international entrant if certain conditions existed. First, these entrants would have to be similar in some respects for the company to be able to take advantage of economies of scale, allowing the firm to use its collective resources to their maximum usefulness. For example, equipment, personnel, accounting, and logistics systems could be used for multiple entrants given their similarities. This would also keep the mission and strategic objectives of the firm from being pulled in too many diverse directions. Likewise, it is unrealistic for a company to try to use the same organizational structure for widely different entrants. Essentially, it all comes down to a matter of knowing what is available, adaptable, and obtainable before entrants are introduced.

Question 4: How do formalization, specialization, and centralization impact MNC organization structure?

Answer 4:

Formalization has an impact on MNC organizational structures through keeping strategies and operations established. This better allows accurate forecasting of future performance.

Specialization gives many firms the ability to form a niche market, creating a competitive advantage over even larger competitors. Specialization can give smaller firms more agility than larger firms to provide a certain product.

Centralization can either strengthen or isolate companies. When centrally located in areas that provide strategic advantage, the company has the opportunity to be in the center of the activity for its given business, thereby allowing for better quality control, sales leads, networking, and so forth. However, being centralized in an area that holds back a firm from its full potential is unfavorable and foolish. It can backfire when employees who are making critical decisions are not familiar with the area in which they are making them, and in the end, make decisions strictly by the book.

Question 5: What are the most effective techniques in communicating internationally?

Answer 5:

Besides the business issues that a company faces in international endeavors,
communicating internationally is something that poses unique challenges in and of itself. Effective communication techniques are necessary and should encompass several key areas. Obviously, the ability to read, write, and speak in a common language is highly important for the smooth transaction of business. Beyond this, cultural communication techniques can be just as important. Individuals living in a given culture tend to assume that others around the world either live in the same cultural system or will adapt to their culture. Just as someone wishing to do business with someone in another part of the world would have to communicate in a common language, the customs, beliefs, and values of the potential business partner or customer must be at least respected if not observed for business to go smoothly and profitably.

**Question 6:** What are the most effective problem-solving skills on an international assignment?

**Answer 6:**

The most effective problem-solving skills that can be used when working on an international assignment incorporate the mission of the company, both short- and long-term strategic plans, and a full and complete understanding of the competition's mission and strategy. For example, a problem-solving approach must take into account a full consideration of how the company will be affected immediately and long term, how it will affect competitors, and how they will react. Their reaction in turn is very important because it will surely require responses and realignment.

Every member of an organization has an effect on the overall organization when solving organization-wide problems. Team understanding of problems and their solutions will provide effective and realistic methods in an international setting. Problem-solving ideas and solutions are somewhat universal worldwide. The most successful companies value each and every employee, and although they may not adopt everyone's ideas, they will at least ask for input and listen.

**Question 7:** Should a global strategic plan have short-term and long-term goals?

**Answer 7:**

Global strategic plans need to have not only long-term goals but also short-term goals because of the dynamic and ever changing international business environment. What was acceptable, profitable, and logical one day may be exactly the opposite on the next day; therefore, because of this, short- and long-
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term goals are necessary. Over the short term, measurable and achievable goals are essential to take advantage of present market conditions. Also, the limited scope of short-term goals will allow them to be modified or discontinued in the event of a sudden change in circumstances. Long-term goals require more extensive resources, planning, and execution time. The long viewpoint, by its very nature, gives sufficient time in most cases to realign should changes occur in the business environment. When the short- and long-term plans are combined, every contingency is planned for and can be addressed as needed.

**Question 8:** What conditions have allowed some firms to be born global?

**Answer 8:**

The ability of some firms to be born global hinges upon several conditions: adequate capital, qualified people, agile processes, and realigned priorities. Firms need to have sufficient financial resources for operations on a global scale. This represents more operational costs, even for global firms that are centrally located, than domestic firms face. Human resources are also vital. Whether the organization is globally positioned in a physical sense or not, qualified individuals in international operations must be in place, especially in other nations where one wishes to operate. In terms of process, firms must have the agility to provide goods and/or services on a global basis, and the priority to emphasize a global business model must exist. The bottom line is that many things must be properly positioned for global operations from the beginnings of a firm.

**Question 9:** Why should a company engage in market research before entering an international market?

**Answer 9:**

Answering this question properly first requires a discussion of what is entailed in entering an international market. For any type of company, the entrance into an international market demands a substantial financial investment, dedication of resources, development of a long-term and a short-term strategy, as well as a thorough understanding of the potential benefits and risks that are involved in international business (Johnson & Turner, 2003). All of this, naturally, is based on the assumption that what is being offered is valuable to the potential customers and will result in their investment in whatever the offering might be. However, assumptions in business simply are not good enough. Solid information must be obtained to validate the decision to embark on an international basis. The company must engage in market research. This research will show whether the present offering is marketable, whether it can be modified to meet market
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demands, or in the worst case is not desirable in any form. This will reduce the likelihood of failure on a global scale.

Question 10: How can a company improve communication when there are language barriers?

Answer 10:

Without a doubt, language barriers compromise the efficiency, safety, and overall productivity of organizations. In the worst case scenario, if people cannot communicate at all because of a total language barrier or find their communication level low due to a partial language barrier, something must be done to resolve the breakdown for the well-being and morale of the employees and the health of the company itself (Mourdoukoutas, 1999). Whatever the case, language training must take place. It is often impractical to spend a lot of time and money to try to make someone an expert in a given language because of time and cost constraints and comprehension levels of individuals from various levels of an organization. It is more realistic to train individuals to communicate at the level required by the interaction of the individuals. For example, executives receive higher levels of training than a rank and file person who communicates very little with coworkers.

References
