

Lesson 09

Control Strategies

The logo for Stamford Online features a stylized orange and blue graphic on the left, resembling a globe or a signal. To its right, the text "stamfordonline" is written in a sans-serif font, with "stamford" in blue and "online" in orange. Below this, the tagline "EDUCATION BEYOND BORDERS" is written in a smaller, grey, all-caps font.

Control

- Control is management's planning, implementation, evaluation, and correction of performance to ensure the organization meets its objectives
- Management must balance global needs while adapting to country-level differences
- Control keeps a company's direction or strategy on track

Control Difficulties in International Business

- Distance
- Diversity
 - Market size
 - Type of local competition
 - Nature of product
 - Labour cost
 - Currency
- Uncontrollables
- Degree of uncertainty



International Control Process

- Planning
- Organizational structure
- Location of decision making
- Control mechanisms
- Special situations



International Planning Process

- Set long-range strategic intent
- Analyze internal corporate resources
- Set international corporate objectives
- Analyze local conditions
- Implement strategy
- Select alternatives and priorities

Extent of Global, Transnational, or Multidomestic Strategy

- Location of value-added functions
- Location of sales targets
- Level of involvement
- Product/services strategy
- Marketing
- Competitive moves
- Factor movement and start-up strategy

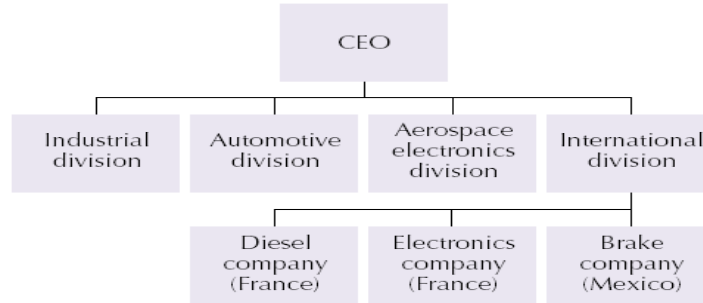


Appropriate International Business Structure

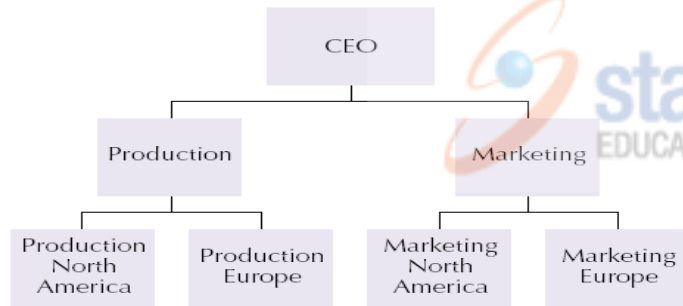
- Degree of multidomestic, global, and transnational politics employed
- Location and type of foreign facilities
- Impact of international operations on total corporate performance
- Structures are dynamic
- Structure affects:
 - Taxes
 - Expenses
 - Level of control

Structures for International Businesses

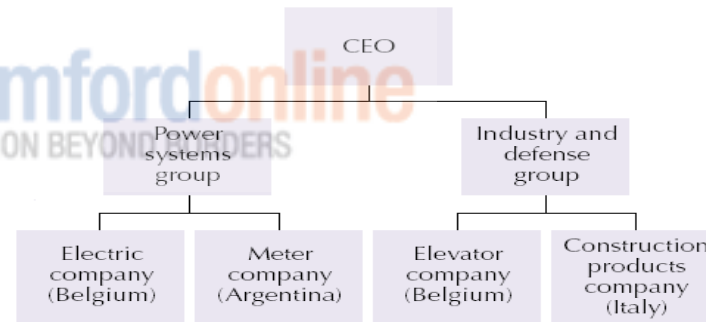
FIGURE 15.3 Placement of International Activities Within the Organizational Structures for International Businesses



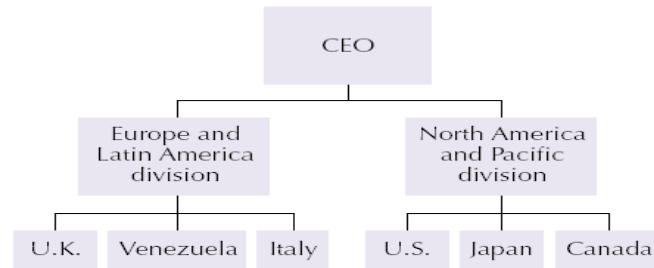
(a) International division structure



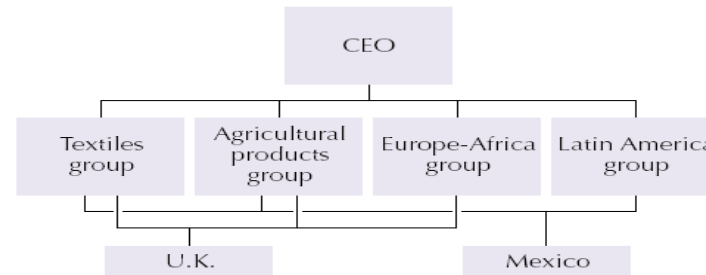
(b) Functional division structure



(c) Product division structure



(d) Geographic (area) division structure



(e) Matrix division structure

Factors Affecting the Location of Decision Making

- Balancing pressures for global integration versus pressures for local responsiveness
- Balancing the capabilities of headquarters versus subsidiary personnel
- Balancing the expediency versus quality of decisions
- Greater need for global integration, the greater the need to centralize decision making



Balancing Pressures

- Resource Transference
 - Capital
 - Personnel
 - technology
- Standardization and uniformity
 - Products
 - Purchases
 - Methods
 - Policies
- Systematic dealings with stakeholders
- Transnational strategies



Control in the Internationalization Process

- Level of importance
- Changes in competencies
- Changes in operating forms



Control Mechanisms

- Develop teams with members from different countries for planning
- Strengthening corporate staffs so that headquarters and subsidiary managers must listen to different viewpoints
- Rotate managers often between domestic and international positions
- Keep international and domestic personnel in close proximity to the product divisions

Control Mechanisms (cont.)

- Establish liaisons among subsidiaries with the same country so that different product groups have common actions
- Place foreign personnel on the board of directors and top-level committees
- Give divisions and subsidiaries credit for business resulting from cooperative efforts
- Base reward systems partially on global results so managers are committed to global as well as local performance
- Establish reporting procedures
- Routine visits to subsidiaries
- Establishment of information systems

Factors in Determining Legal Forms

- Ability of the parent to sell its ownership
- Number of stockholders required to establish the subsidiary
- Percentage of foreigners serving on the board of directors
- Amount of required public disclosure
- Whether equity may be acquired by noncapital contributions
- Types of business/products that are eligible
- Minimum capital required to establish the subsidiary