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Entry Strategies & Organ. Structures

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Entry strategies and ownership structures vary. Discuss.

1. **Export/Import:** *The choice of small businesses to begin their international expansion with a minimum investment.*
2. **Wholly Owned Subsidiaries:** *An overseas operation that is total owned and controlled by an MNC.*
 - a. Pros: *Full control;*
 - b. Cons: *Risky for large investments.*
3. **Mergers/Acquisitions:** *The cross-border purchase or exchange of equity involving two or more companies.*
 - a. Pros: *Quick expansion of resources and constructs high-profit products in a new market.*
4. **Alliances and Joint Ventures:** *Alliance – any type of cooperative relationship among different firms, JV – an agreement under which two or more partners own or control a business.*
 - a. Types:
 - i. Nonequity Venture: *The group providing the service typically is more active than the other.*
 - ii. Equity Venture: *Financial investment by the MNC in a business enterprise with a local partner.*
 - b. Pros: *Improvement of efficiency, access to knowledge, political factors, restriction in competition.*
5. **Licensing:** *An agreement that allows one party to use an industrial property right in exchange for payment to the other company.*
6. **Franchising:** *A business arrangement under which one party – franchisor – allows another – franchisee – to operate an enterprise using its trademark, logo, product line, and methods of operation in return for a fee. This method includes licensing.*

The basic organizational structures vary. Discuss.

1. **Initial Division Structure**
2. **International Division Structures:** *A structural arrangement that handles all international operations out of a division created for this purpose.*
3. **Global Structural Arrangement:**
 - a. Global Product Division: *A structural arrangement in which domestic divisions are given worldwide responsibility for the product groups.*
 - b. Global Area Division: *A structure under which global operations are organized on a geographic rather than a product basis.*
 - c. Global Functional Division: *A structure that organizes worldwide operations primarily based on function and secondarily on product.*
 - d. Mixed Organization Structure: *A structure that is a combination of a global product, area, or functional arrangement.*
4. **Transactional Network Structure:** *A multinational structural arrangement that combines elements of function, product, and geographic designs, while relying on a network arrangement to line worldwide subsidiaries.*



There is a variety of factors that help to explain the differences in the way that international firms operate. Discuss.

1. **Formalization:** *The use of defined structures and systems in decision making, communicating, and controlling.*
2. **Specialization:** *An organizational characteristic that assigns individuals to specific well-defined tasks.*
 - a. Horizontal Specialization: *The assignments of jobs so that individuals are given a particular function to perform and tend to stay within the confines of this area.*
 - b. Vertical Specialization: *The assignments of work to groups or departments where individuals are collectively responsible for performance.*
3. **Centralization:** *A management system in which important decisions are made at the top.*
 - a. Decentralization: *Pushing decision making down the line and getting the lower-level personnel involved.*