5. If a firm is changing its strategy from an international to a transnational strategy, what are the most important challenges it is likely to face in implementing this change? How can the firm overcome these challenges?
6. Reread the Management Focus on Walmart's international division and answer the following questions:
   a. Why did the centralization of decisions at the headquarters on Walmart's international division create problems for the company's different national operations? Has Walmart's response been appropriate?
   b. Do you think that having an international division is the best structure for managing Walmart's foreign operations? What problems might arise with this structure? What other structure might work?
7. Reread the Management Focus on the rise and fall of the matrix structure at Dow Chemical, then answer the following questions:
   a. Why did Dow first adopt a matrix structure? What were the problems with this structure? Do you think these problems are typical of matrix structures?
   b. What drove the shift away from the matrix structure in the late 1990s? Does Dow's structure now make sense given the nature of its businesses and the competitive environment it competes in?
8. Reread the Management Focus on Lincoln Electric, then answer the following questions:
   a. To what extent are the organization culture and incentive systems of Lincoln Electric aligned with the firm's strategy?
   b. How was the culture at Lincoln Electric created and nurtured over time?
   c. Why did the culture and incentive systems work well in the United States? Why did it not take in other nations?

Research Task globalEDGE globaledge.msu.edu

The Organization of International Business

Use the globalEDGE™ site to complete the following exercises:

Exercise 1

Fortune conducts an annual survey and publishes the rankings of its "Most Admired Companies" in the world. Locate the most recent ranking available and focus on the methodology used to determine which companies are most admired. Prepare an executive summary of the strategic and organizational success factors involved in this survey.

Exercise 2

Globalization can present many challenges and opportunities for companies, cultures, and countries. In fact, the globalEDGE website features a blog that includes current discussions on globalization. Locate the globalEDGE Blog and find a recent blog post that provides insights concerning the challenges and opportunities of globalization facing firms from an emerging or developing economy. Prepare a description of the issue and provide an examination of these challenges and opportunities on regional and global firm operations for firms from your chosen economy.

CLOSING CASE

A Decade of Organizational Change at Unilever

Unilever is one of the world's oldest multinational corporations with extensive product offerings in the food, detergent, and personal care businesses. It generates annual revenues in excess of $50 billion and a wide range of branded products in virtually every country. Detergents, which account for about 25 percent of corporate revenues, include well-known names such as Omo, which is sold in more than 50 countries. Personal care products, which account for about 15 percent of sales, include Calvin Klein Cosmetics, Pepsodent toothpaste brands, Faberge hair care products, and Vaseline skin lotions. Food products account for the remaining 60 percent of sales and include strong offerings in margarine (where Unilever's market share in most countries exceeds 70 percent), tea, ice cream, frozen foods, and bakery products.

Historically, Unilever was organized on a decentralized basis. Subsidiary companies in each major national market were responsible for the production, marketing, sales, and distribution of products in that market. In Western Europe, for example, the company had 17 subsidiaries in the early 1990s, each focused on a different national market. Each was a profit center and each was held accountable for its own performance. This decentralization was viewed as a source of strength. The structure allowed local managers to match product offerings and marketing strategy to local tastes and preferences and to alter sales and distribution strategies to fit the prevailing retail systems. To drive the localization, Unilever recruited local managers to run local organizations; the U.S. subsidiary (Lever Brothers) was run by Americans, the Indian subsidiary by Indians, and so on.

By the mid-1990s, this decentralized structure was increasingly out of step with a rapidly changing competitive environment. Unilever's global competitors, which include the Swiss firm Nestlé and Procter & Gamble from the United States, had been more successful than Unilever on several fronts—building global brands, reducing cost structure by consolidating manufacturing operations at a few choice locations, and executing simultaneous product launches in several national markets. Unilever's decentralized structure worked against efforts to build global or regional brands. It also meant lots of duplication, particularly in manufacturing; a lack of scale economies; and a high-cost structure. Unilever also found that it was falling behind rivals in the race to bring new products to market. In Europe, for example, while Nestlé and Procter & Gamble moved toward pan-European product launches, it could take Unilever four to five years to "persuade" its 17 European operations to adopt a new product.

Unilever began to change all this in the mid-1990s. In 1996, it introduced a new structure based on regional business groups. Within each business group were a number of divisions, each focusing on a specific category of products. Thus, in the European Business Group, a division focused on detergents, another on ice cream and frozen foods, and so on. These groups and divisions coordinated the activities of national subsidiaries within their region to drive down operating costs and speed up the process of developing and introducing new products.

For example, Lever Europe was established to consolidate the company's detergent operations. The 17 European companies reported directly to Lever Europe. Using its newfound organizational clout, Lever Europe consolidated the production of detergents in Europe in a few key locations to reduce costs and speed up new-product introduction. Implicit in this new approach was a bargain: the 17 companies relinquished autonomy in their traditional markets in exchange for opportunities to help develop and execute a unified pan-European strategy. The number of European plants manufacturing soap was cut from 10 to 2, and some new products were manufactured at only one site. Product sizing and packaging were harmonized to cut purchasing costs and to accommodate unified pan-European advertising. By taking these steps, Unilever estimated it saved as much as $400 million a year in its European detergent operations.

By 2000, however, Unilever found that it was still lagging its competitors, so the company embarked upon another reorganization. This time the goal was to cut the number of brands that Unilever sold from 1,600 to just 400 that could be marketed on a regional or global scale. To support this new focus, the company planned to reduce the number of manufacturing plants from 380 to about 280 by 2004. The company also established a new organization based on just two global product divisions—a food division and a home and personal care division. Within each division are a number of regional business groups that focus on developing, manufacturing, and marketing either food or personal care products within a given region. For example, Unilever Bestfoods Europe, which is headquartered in Rotterdam, focuses on selling food brands across Western and Eastern Europe, while Unilever Home and Personal Care Europe does the same for home and personal care products. A similar structure can be found in North America, Latin America, and Asia. Thus, Bestfoods North America, headquartered in New Jersey, has a similar charter to Bestfoods Europe, but in keeping with differences in local history, many of the food brands marketed by Unilever in North America are different from those marketed in Europe.[44]

Case Discussion Questions

1. Why did Unilever's decentralized structure make sense in the 1950s and 1970s? Why did this structure start to create problems for the company in the 1980s?
2. What was Unilever trying to do when it introduced a new structure based on business groups in the mid-1990s? Why do you think that this structure failed to cure Unilever's ills?
3. In the 2000s Unilever switched to a structure based on global product divisions? What do you think is the underlying logic for this shift? Does the structure make sense given the nature of competition in the detergents and food business?