

ORGANIZATION AND PLANNING OF GLOBAL MARKETING OPERATIONS

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Abstract

The capstone of a company's global marketing activities will be its strategic marketing plan. To implement the global plans effectively, a company needs to reflect on the best organizational setup that enables it to successfully meet the threats and opportunities posed by the global marketing arena. The vast majority of multinational companies prepare a global strategic marketing plan to guide and implement their strategic and tactical marketing decisions. Such plans are usually developed on an annual basis and look at policies over multiple years. Running a multinational organization is a tremendous challenge. Local managers need empowerment so that the local unit is able to respond rapidly and effectively to local market threats, grab opportunities, and stay in tune with local market developments.

Key words: *business asymmetry, communication flows, competitive climate, company heritage, planning, product diversity, global overview*

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The content of a global strategic marketing plan can be very broad in scope but usually covers four areas:

1. Market situation analysis. A situation analysis on a global basis of the company's customers (market segments, demand trends, etc.), the competition (SWOT analysis), the company itself, and the collaborators (e.g., suppliers, distribution channels, alliance partners).
2. Objectives. For each country, management states goals that are achievable and challenging at the same time.
3. Strategies. Once the objectives have been determined, management needs to formulate marketing strategies for each country to achieve the set goals, including resource allocation.
4. Action plans. Strategies need to be translated into concrete actions that will implement those strategies. Specific actions are to be spelled out for each marketing mix element. Although these are the core areas of a global strategic marketing plan, such a plan will also discuss anticipated results and include contingency plans.

International planning can be top-down (centralized) or bottom-up (decentralized). Obviously, hybrid forms that combine both options are also possible. With top-down planning, corporate headquarters guides the planning process. Bottom-up planning is the opposite. The bottom-up approach has the advantage of embracing local responsiveness. Top-down planning, on the other hand, facilitates performance monitoring. A centralized approach also makes it easier to market products with a global perspective.

External factors can interfere with the strategic planning process. Changes in the political and the economic environment can upset the finest strategic plans. Other external factors that can hamper strategic marketing planning include changes in the competitive climate (e.g.,

deregulation), technological developments (e.g., 3G wireless technology), and consumer-related factors.

Environmental factors in global organizational design

Competitive Environment. Global competitive pressures force the multinational companies (MNCs) to implement structures that facilitate quick decision-making and alertness. In industries where competition is highly localized, a decentralized structure where most of the decision making is made at the country-level is often appropriate. Nevertheless, even in such situations, MNCs can often benefit substantially from mechanisms that allow the company to leverage its global knowledge base.

Rate of Environmental Change. Drastic environmental change is a way of life in scores of industries. New competitors or substitutes for a product emerge. Existing competitors form or disband strategic alliances. Consumer needs worldwide constantly change. Businesses that are subject to rapid change require an organizational design that facilitates continuous scanning of the firm's global environment and swift alertness to opportunities or threats posed by that environment.

Regional Trading Blocs. Companies that operate within a regional trading bloc (e.g., the European Union, NAFTA, MERCOSUR) usually integrate their marketing efforts to some extent across the affiliates within the block area. A case in point is the European Union. In light of the European integration, numerous MNCs decided to streamline their organizational structure. Many of these companies still maintain their local subsidiaries, but the locus of most decision-making now lies with the pan-European headquarters. As other trading blocs such as Asia's APEC and South America's MERCOSUR evolve toward the European model, one can expect similar makeovers in other regions.

Nature of Customers. The company's customer base also has a great impact on the MNC's desired organizational setup. Companies such as DHL, IBM, and Citigroup, which have a "global" clientele, need to develop structures that permit a global reach and at the same time allow the company to stay "close" to their customers.

Strategic Importance of International Business. Typically, when overseas sales account for a very small fraction of the company's overall sales revenues, simple organizational structures (e.g., an export department) can easily handle the firm's global activities. As international sales grow, the organizational structure will evolve to mirror the growing importance of the firm's global activities. For instance, companies may start with an international division when they test the international waters. Once their overseas activities expand, they are likely to adopt an area-type (country- and/or region-based) structure.

Product Diversity. The diversity of the company's foreign product line is another key factor in shaping the company's organization. Companies with substantial product diversity tend to go for a global product division configuration.

Company Heritage. Differences in organizational structures within the same industry can also be explained via corporate culture. Nestle and Unilever, for example, have always been highly decentralized MNCs. A lot of the decision-making authority has always been made at the local level. When Unilever realized that its marketing efforts required a more pan-European approach to compete with the likes of Procter&Gamble, the company transformed its organization and revised its performance measures to provide incentives for a European focus. One of Unilever's senior executives, however, noted that the changeover "comes hard to people who for years have been in an environment where total business power was delegated to them." As long as a given formula works, there is little incentive for companies to tinker with it.

Revamping an organization to make the structure more responsive to new environmental realities can be a daunting challenge.

Quality of Local Managerial Skills. Decentralization could become a problem when local managerial talents are missing. Granted, companies can bring in expatriates, but this is typically an extremely expensive remedy that does not always work out. For instance, expatriate managers may find it hard to adjust to the local environment.

Most companies that engage in global marketing initially start by establishing an export department. Once international sales reach a threshold, the company might set up a full-blown international division. The charter of the international division is to develop and coordinate the firm's global operations. The unit also scans market opportunities in the global marketplace. In most cases, the division has equal standing with the other divisions within the company.

This option is most suitable for companies that have a product line that is not too diverse and does not require a large amount of adaptation to local country needs. It is also a viable alternative for companies whose business is still primarily focused on the domestic market. Over time, as international marketing efforts become more important to the firm, most companies tend to switch to a more globally oriented organizational structure.

Conclusion

Companies can pick from a variety of structures, ranging from a single international division to a global network operation. Formal and informal (culture, management development) control mechanisms are available to run global operations. The dynamics of the global marketing arena means that building a global organization is much more than just choosing the "right" organizational configuration and control systems. Global players constantly need to reflect on how to strike the balance between centralization and decentralization, local responsiveness and global integration, center and periphery. As with many other challenges in global marketing, there are no one-size-fits-all solutions. However, there are some strategic vectors which MNCs should take into consideration:

- **Recognize the need for business asymmetry.** Due to relentless environmental changes, power sharing between the centre and the periphery will vary over time, over business units and even across activities (product development, advertising, pricing) within business units. Different business units within the organization have different needs for responsiveness and global coordination. Especially widely diversified companies should recognize that each business unit needs a different format, depending on its particular circumstances and needs.
- **Adopt a bottom-up approach.** Getting the balance right also requires democracy. When building up a global organization, make sure that every country subsidiary has a "voice." Subsidiaries of small countries should not be concerned about getting pushed over by their bigger counterparts.
- **Importance of a shared vision.** Getting the organizational structure right—the "arrows" and "boxes" so to speak—is important. Far more critical though is the organizational "psychology." People are key in building an organization. Having a clear and consistent corporate vision is a major ingredient in getting people excited about the organization. To instill and communicate corporate values, companies should also have human resource development mechanisms in place that will facilitate the learning process.

- **Invest heavily in horizontal communication channels and information flows.** Very often multinational corporations focus primarily on vertical communication channels going from the country unit to corporate (or regional) headquarters but neglect horizontal information flows among the different country affiliates. As a result, country units become isolated and try to achieve their own profit goals instead of the overall company profit.
- **Ensure that somebody has a global overview of each product line or brand.** Global oversight of a product line or brand is needed to facilitate transfer of learning and knowledge among markets and to leverage new product and marketing mix programs. The central hub could be corporate or regional headquarters or the lead market with the category's most sophisticated customers and/or distributors and in which most product innovations debut. Lenovo's global marketing hub is located in Bangalore: Lenovo's India team develops global marketing campaigns targeted for dozens of countries, including the United States, France, and Brazil.
- **Need for a good mix of specialists of three types— country, functional, business.** There is no such a thing as a transnational manager. Companies should breed specialists of three different kinds: country, functional and global business (SBU). Country managers in particular - once feared to become part of the endangered species list - play a key role.
- **Moving unit headquarters abroad seldom solves the organization's problems.** In recent years, several companies (e.g., IBM, HP, and Siemens) have moved business unit headquarters abroad. Several of these moves were done for very sensible reasons: getting closer to the customer or supplier, being in the big guys' backyard, cutting costs. For instance, the Japanese company Hoya, one of the world's largest makers of spectacle lenses, moved the headquarters of its vision care business to the Netherlands. The move was prompted by Europe's technological prowess in this sector. Unfortunately, in many cases the relocation typically turns out to be mere window-dressing in a drive to become more global-oriented. Sometimes transfers can even be counterproductive, weakening the corporate identity or the "authenticity" of the brand when it is strongly linked to the firm's home country.

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