

Module: International Business Management
Class: 1st Year Master Business Management

LECTURE FIVE: ORGANIZING AND STRUCTURING INTERNATIONAL OPERATIONS CORPORATIONS

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Organizational structure and business strategy



Should be aligned and change to achieve business objectives



1- Introduction

International business is no longer a marginal activity—it is the backbone of global economic exchange. Companies that expand beyond their domestic borders face both immense opportunities and complex challenges.

To succeed, they must carefully organize and structure their operations in ways that balance efficiency, adaptability, and cultural sensitivity.

Organizing international business involves designing systems that coordinate activities across diverse markets, legal frameworks, and cultural environments. Structuring, in turn, refers to the formal arrangements—such as subsidiaries, joint ventures, or global divisions—that determine how resources, responsibilities, and decision-making power are distributed.

These processes shape how a multinational enterprise manages supply chains, communicates across time zones, and responds to dynamic global competition. Therefore, firms use different basic strategies to enter and compete in the international environment.

2- International Business Operations:

International operations refer to the activities that a company undertakes to produce and deliver its products or services to customers in different countries. This includes everything from sourcing raw materials and manufacturing the product to managing the supply chain and delivering the product to the end customer.

International operations also involve navigating the complexities of doing business in different countries. This can include dealing with different regulatory environments, managing a global supply chain, and ensuring the quality of the product remains consistent across all markets.

The operations manager is responsible for overseeing the day-to-day activities of the company in each market. This includes managing the supply chain, coordinating with suppliers and manufacturers, and ensuring the product is delivered to the customer in a timely and efficient manner.

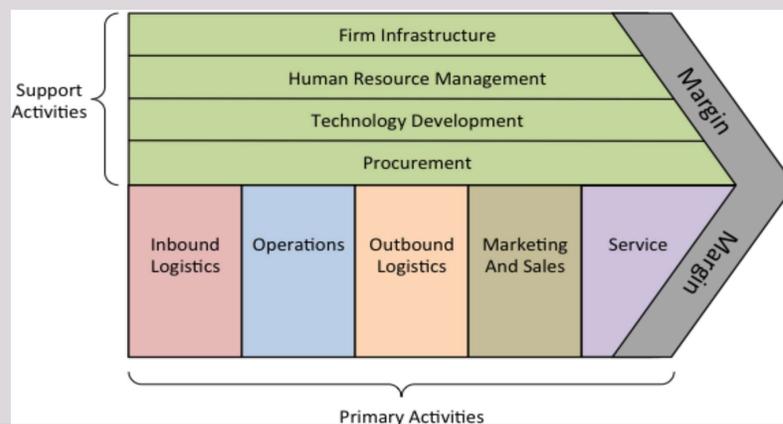
They also need to ensure that the company's operations are compliant with local regulations and standards. This can involve everything from ensuring the manufacturing process meets local environmental regulations to making sure the product meets local safety standards.

- **NB: imports, exports, and countertrade are all considered international business operations.** They represent different ways firms and nations engage in cross-border trade and economic exchange.
- Other forms of entry to international market, too, are considered such as licensing, franchising, alliances, ...
- Managing operations on an international scale can be a complex task and holds challenges like:
 - Coordinating activities across different time zones and cultural contexts. *For example*, a delay in the supply chain in one country can have a ripple effect on the entire operation, affecting product availability in other markets.
 - Ensuring compliance with local regulations and standards, as these can vary significantly from one country to another. Therefore, it's crucial for operations managers to have a strong understanding of the regulatory environment in each market they operate in.
- International Business Operations encompass the activities and systems that corporations implement to successfully manage their operations on a global scale.
- A key element of this process involves developing an international strategy, which can range from tailoring products to local preferences (multidomestic strategy) to standardizing offerings across markets (global strategy).

3. The strategy of international Business

A- Value chain? The fundamental purpose of any business is to make a profit. The firm is a value chain. A firm makes profit if the price it can charge for its output is greater than its cost of producing that output. To do this, a firm must produce a product that is valued by consumers. Thus, we say that business firms engage in the activity of value creation. There are two basic strategies for improving firm's profitability: a differentiation strategy and a low-cost strategy.

Fig.1 The firm as a value chain



B- the role of strategy:

A firm's strategy can be defined as the actions managers take to attain the goals of the firm; such as profitability.

Strategy is often concerned with identifying and taking actions that will lower the costs of value creation and/or will differentiate the firm's product offering through superior design, quality, service, functionality and the like.

Profiting from global expansion: firms that operate internationally are able to:

1. Earn greater return from their distinctive skills or core competencies.
2. Realize location economies by diffusing particular value-creation activities to those locations where they can be performed most efficiently.
3. Realize greater experience curve economies, which reduce the costs of value creation

B- The Global Value Chain?

- When firms outsource or relocate parts of their chain abroad, it becomes a *global value chain*.
- Companies used to make things primarily in one country. That has all changed. Today, a single finished product often results from manufacturing and assembly in multiple countries, with each step in the process adding value to the end product.
- Through GVCs, countries trade more than products; they trade know-how, and make things together. Imports of goods and services matter as much as exports to successful GVCs.
- GVCs integrate the know-how of lead firms and suppliers of key components along stages of production and in multiple offshore locations. The international, inter-firm flow of know-how is the key distinguishing feature of GVCs.
- How countries engage with GVCs determines how much they benefit from them.
- Thus, Understanding the role of GVCs in global trade networks and how to upgrade from low-value tasks (like raw material supply) to higher-value ones (like design or branding) is primordial.

C- The strategic choice:

- Firms have basically four strategies to enter and compete in the international environment:
 - International strategy**
 - Multidomestic strategy**
 - Global strategy**
 - Transnational strategy**

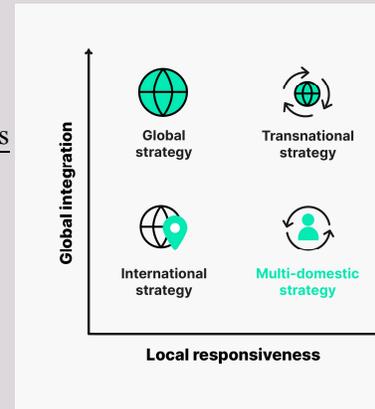
This matrix helps companies decide how to **structure** their operations and marketing across borders:

Global Strategy suits industries with universal demand and cost pressures (e.g., tech hardware).

Multi-domestic Strategy fits culturally diverse markets (e.g., food, fashion).

Transnational Strategy is ideal for firms balancing innovation, efficiency, and local relevance (e.g., pharmaceuticals).

International Strategy often applies to early-stage internationalization or niche exports.

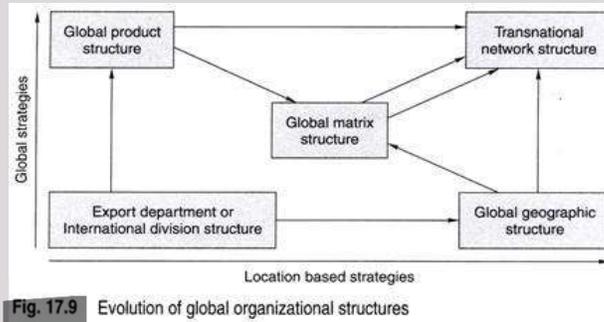


D- Comparative Overview of International Business strategies

Strategy Type	Global Integration	Local Responsiveness	Description
Global Strategy	High	Low	Centralized operations with standardized products; economies of scale dominate.
Transnational Strategy	High	High	Combines global efficiency with local adaptation; complex but dynamic.
International Strategy	Moderate	Low	Exports home-country products with minimal local customization.
Multi-domestic Strategy	Low	High	Decentralized operations tailored to each market; prioritizes cultural fit.

4. The organization and structure of International Business

Organizational structures tend to evolve over time in response to globalization strategies, as illustrated in the Figure.

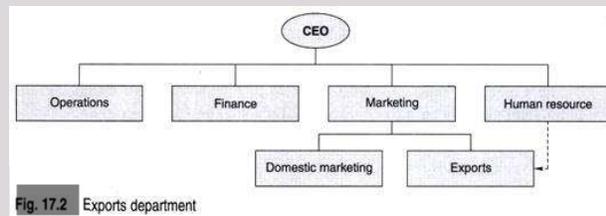


Historically, during the initial stages of international expansion, companies often establish distinct export departments apart from domestic marketing, or create dedicated international divisions to manage foreign operations.

A. Types of international organizational structures:

There are different types of international organizational structures:

1. **Global Product Division**
2. **Geographic Division**
3. **Functional Structure**
4. **Matrix Structure**
5. **Transnational Network**



A simple structure of an organization that exports goods:

In the early stages of internationalization, exports are managed within the marketing or sales department, but as export sales grow, firms typically establish a separate export division independent from domestic marketing.

Export operations are overseen by a company's home office through a designated export head, while HR mainly handles staffing, training, and compensation. In some cases, recruitment of foreign sales or agency personnel is managed directly by the export or marketing department, with or without HR involvement.

A. Types of international organizational structures:

1. Global Product Division

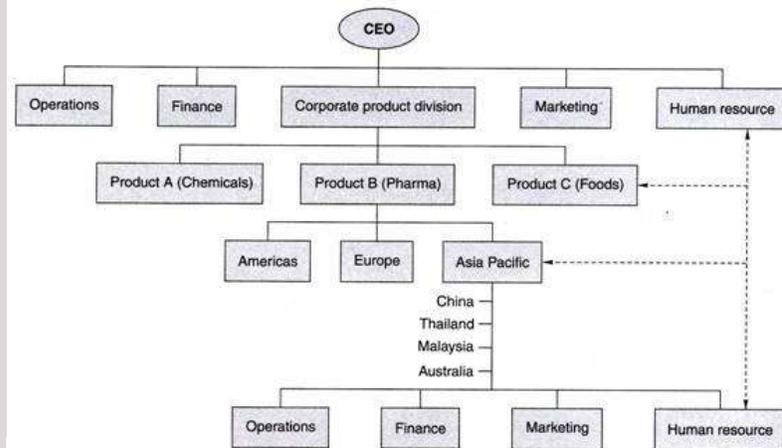


Fig. 17.5 Global product structure

A. Types of international organizational structures:

2. Geographic Division



Fig. 17.6 Global geographic structure

A. Types of international organizational structures:

3. Functional Structure

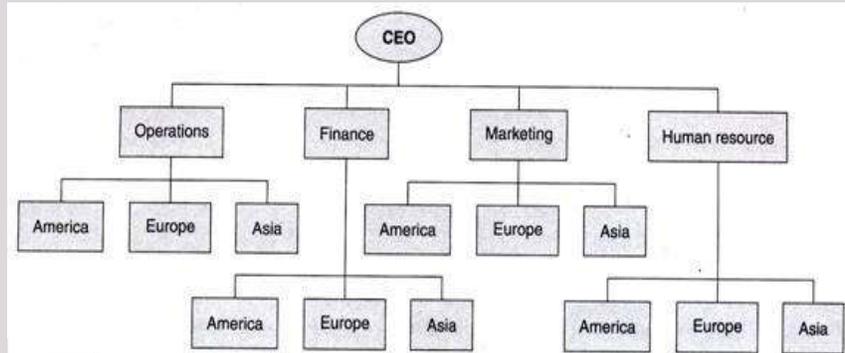


Fig. 17.4 Global functional division structure

A. Types of international organizational structures:

4. Matrix Structure

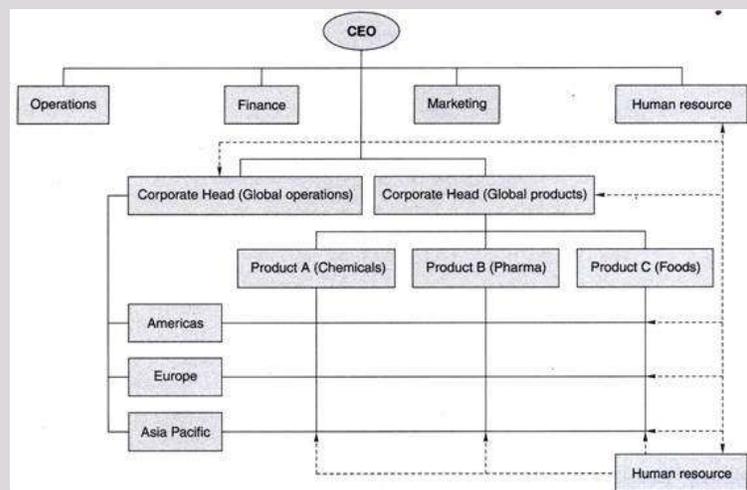


Fig. 17.7 Global matrix structure

A. Types of international organizational structures:

5. Transnational Network

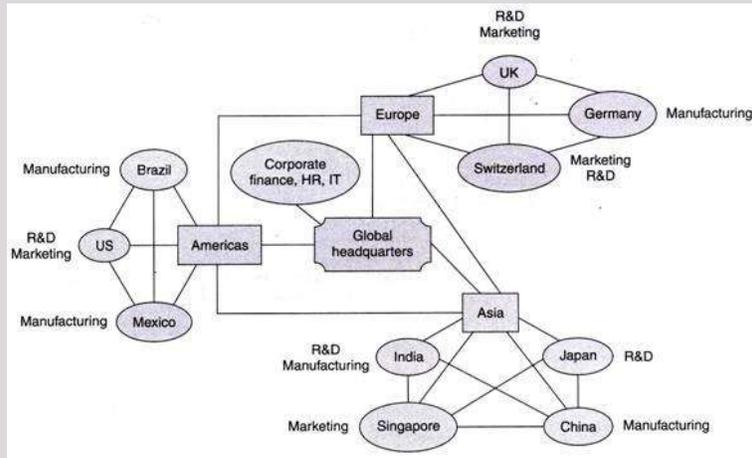


Fig. 17.8 Transnational network structure

B. Comparative Overview of International Business Structures

Structure	Key Features	Advantages	Drawbacks
Global Product Division	Organizes operations by product lines across all markets.	<ul style="list-style-type: none"> - Strong product expertise - Easier R&D coordination - Global brand consistency 	<ul style="list-style-type: none"> - Less sensitivity to local markets - Risk of ignoring cultural/regional needs
Geographic Division	Organizes operations by regions or countries.	<ul style="list-style-type: none"> - Local responsiveness - Better adaptation to cultural, legal, and market differences 	<ul style="list-style-type: none"> - Duplication of resources - Weaker global integration
Functional Structure	Organizes by business functions (marketing, finance, HR, etc.) across borders.	<ul style="list-style-type: none"> - Efficiency in specialized tasks - Clear accountability - Economies of scale 	<ul style="list-style-type: none"> - Poor coordination across functions - Slow response to local market changes
Matrix Structure	Combines product and geographic divisions; dual reporting lines.	<ul style="list-style-type: none"> - Balances global integration with local responsiveness - Encourages collaboration 	<ul style="list-style-type: none"> - Complex reporting relationships - Potential for conflict and confusion
Transnational Network	Flexible, decentralized network of subsidiaries with shared knowledge flows.	<ul style="list-style-type: none"> - High adaptability - Encourages innovation - Knowledge sharing across units 	<ul style="list-style-type: none"> - Difficult to manage - Requires strong communication and trust

5. Examples: IKea

- <https://business-essay.com/ikeas-internationalization-strategy-review-and-analysis/>
- Read the essay on the link and try to understand Ikea's internationalization strategy and company's organizational structure.

Conclusion

Organizing and structuring international operations is not a **one-size-fits-all process**; it evolves with a firm's stage of globalization and the complexity of its markets.

In the early phases, companies often rely on existing domestic structures to manage exports, but as international activities expand, specialized divisions or transnational frameworks become necessary.

Effective structures balance **global integration** with **local responsiveness**, enabling firms to achieve economies of scale while adapting to diverse customer needs.

Ultimately, the success of international organization lies in creating flexible systems that foster coordination between functions—such as marketing, technology, and human resources—while remaining agile enough to respond to shifting product life cycles and cultural differences across markets.

Organizational structures also **define the scope of leadership responsibilities**; the more globally integrated the structure; the more leaders must act as **strategic coordinators**.



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