

International business practices



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International Business Practices The organization of a business has huge implications on significant business decisions. When entering a new market, the organizational structure of a company matters in order to employ an appropriate market entry strategy. This paper will look at three different global companies and their respective international market entry strategy. To be able to prove the above statement, it will also be examined whether the chosen strategy is appropriate for the firm. This report will be specifically looking at Coca-Cola, Dell Computers, and McDonalds.

Coca-cola

Coca-cola is one of the most famous brands in the world. The penetration of the company into the global market is facilitated by its market entry strategy which is licensing. When deciding to expand its market, Coca-cola sells a domestic firm the right to use the company's manufacturing process, trademark patent, trade secret, and other item of value for a fee or royalty. The organizational structure of Coca-cola is highly decentralized. The company does this by "cutting half of the staff at its Atlanta headquarters and moving the regional chieftains closer to their local market" (Organizational Structure 2003). This management structure is observed throughout the firm's international operation. In India, the managers have been given the authority to implement decision within their scope of responsibility. This type of organizational structure supports the primary market entry strategy of Coca-cola as discussed above. Since licensing involves little contact and interference with the licensee, the decentralized organizational structure is very conducive to Coca-cola.

Dell Computers

Dell, Inc. is one of the largest personal computer manufacturers in the world.

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The company was able to establish in the global IT industry because of its very efficient market entry strategy. In capturing foreign markets, Dell directly invests in a country by developing foreign-based assembly or manufacturing facilities. Dell has manufacturing and assembly plants in countries like Brazil in order to take advantage of a low labor and material input.

The organizational structure of Dell is often referred to as Value Web Model (Kraemer & Dedrick n. d.). The company's organization is highly centralized as product development and other important decisions come from the company's headquarters. The company's manufacturing plants in other countries are located within the reach of suppliers and industry clusters to facilitate the fast movement of inputs and outputs. These establishments are considered functional structures as they carry out only one function—manufacturing.

McDonalds

The market entry strategy employed by McDonald is the same for each country it penetrates. McDonald essentially follows a franchising strategy which is a type of licensing. A domestic firm wanting to have a McDonald franchise pays a fee or royalty for the trademark, patent, and name of the company.

Similar to Coca-Cola, McDonald also has a highly decentralized organizational structure in order for each manager to decide about significant matters on the operation of the company. This highly decentralized structure treats each outlet as a division or profit center. Thus, McDonald is not directly involved with the decisions of each fast-food outlet but the headquarters has a key role in developing new products and implementing general marketing and corporate strategies.

References

Kraemer, K. & Dedrick, J. (n. d.) Dell Computer: Organization of a Global Production Network. Retrieved 11 June 2006, from <http://www.crito.uci.edu/GIT/publications/pdf/dell.pdf>

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