Global Marketing

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Leadership, Organization, and Corporate Social Responsibility
Chapter 17

Learning Objectives

- This chapter focuses on:
  - Identifying corporate executives
  - Describing organizational structures
  - Discussing lean production
  - Looking at lessons on CSR learned from Starbuck's experience with Global Exchange

Leadership

"Leadership is not about hierarchy or title or status: It is about having influence and mastering change. Leadership is not about bragging rights or battles or even the accumulation of wealth; it's about connecting and engaging at multiple levels … Leaders can no longer view strategy and execution as abstract concepts, but must realize that both elements are ultimately about people."

-Carly Fiorina, former CEO, HP

Leadership

- The leader's task is to articulate:
  - Intended geographical scope of activities
  - Beliefs
  - Values
  - Policies

Top Management Nationality

- "Companies are realizing that they have a portfolio of human resources worldwide, that their brightest technical person might come from Germany, or their best financial manager from England. They are starting to tap their worldwide human resources. And as they do, it will not be surprising to see non-Americans rise to the top."

- - Christopher Bartlett, Harvard Business School

Top Management Nationality, 2013

Company (Headquarters Country)	Executive/Nationality
3M (United States)	Inge G. Thulin (Sweden)
ABB (Switzerland)	Joe Hogan (United States)
Chrysler (United States)	Sergio Marchionne (Italy)
Dow Chemical (United States)	Andrew Liveris (Australia)
Eastman Kodak (United States)	Antonio Perez (Spain)
Electrolux (Sweden)	Keith McLoughlin (United States)
Molton Brown (Great Britain)	Amy Nelson-Bennett (United States)
Monsanto (United States)	Hugh Grant (United Kingdom–Scotland)
Nippon Sheet Glass (Japan)	Craig Naylor (United States)
Nissan Motor (Japan)	Carlos Ghosn (Brazil)
PepsiCo (United States)	Indra K. Nooyi (India)
Reckitt Benckiser (Great Britain)	Rakesh Kapoor (India)
Sony (Japan)	Howard Stringer (United Kingdom–Wales)
Wolters Kluwer NV (Netherlands)	Nancy McKinstry (United States)

Leadership and Core Competence

- Executives were judged on their ability to identify, nurture, and exploit the organization's core competencies in the 1990s as opposed to the focus on reorganization in the 1980s

- Core competencies must:
  - Provide potential access to a wide variety of markets
  - Make a significant contribution to the perceived customer benefits
  - Be difficult to imitate

Organization

- The goal is to find a structure that:
  - Enables the company to respond to relevant market environment differences
  - Ensures the diffusion of corporate knowledge and experience throughout the entire system
- Organizations must balance:
  - The value of centralized knowledge and control
  - The need for individualized response to local markets

Organization

- In global marketing there is not a single best structure

- Leading-edge global competitors share one key organizational design characteristic:
  - Structure is flat and simple

- In the 21st century corporations will have to find new, more creative ways to organize
  - Must be flexible, efficient, and responsive to meet the demands of globalizing markets
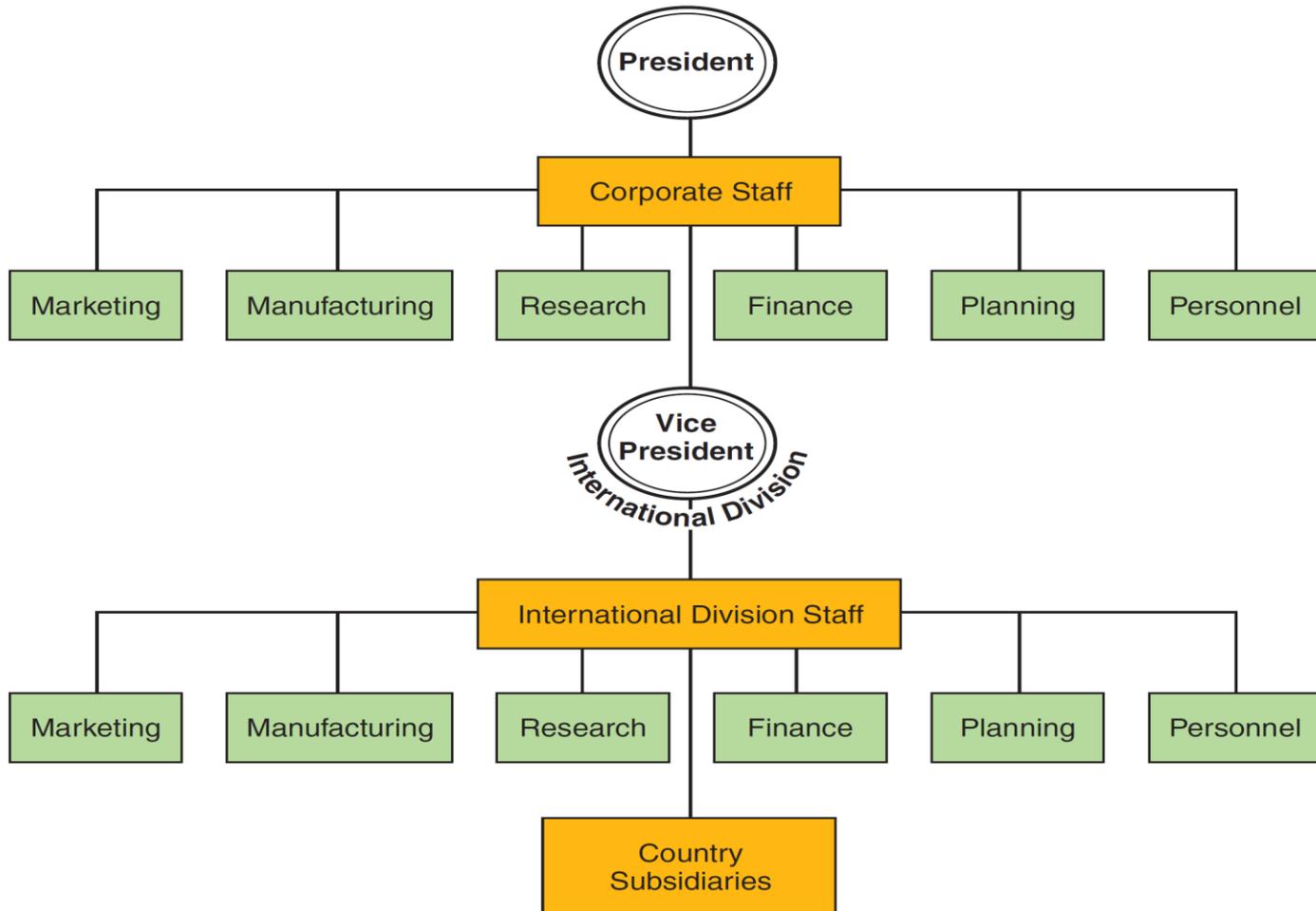
Patterns of International Organizational Development

- Organizations vary in:
  - Size
  - Potential of targeted global markets
  - Local management competence
- Conflicting pressures may arise
  - For product and technical knowledge
  - Functional area expertise
  - Area and country knowledge

International Division Structure

International Division Structure

- Four factors that lead to this structure
  - Top management's commitment to global operations has increased enough to justify the position
  - Complexity of international operations requires a single organizational unity
  - The firm has recognized the need for internal specialists to deal with the demands of global operations
  - Management recognizes the importance of proactively scanning the global horizon for opportunities and threats

Geographical and Product Division Structures
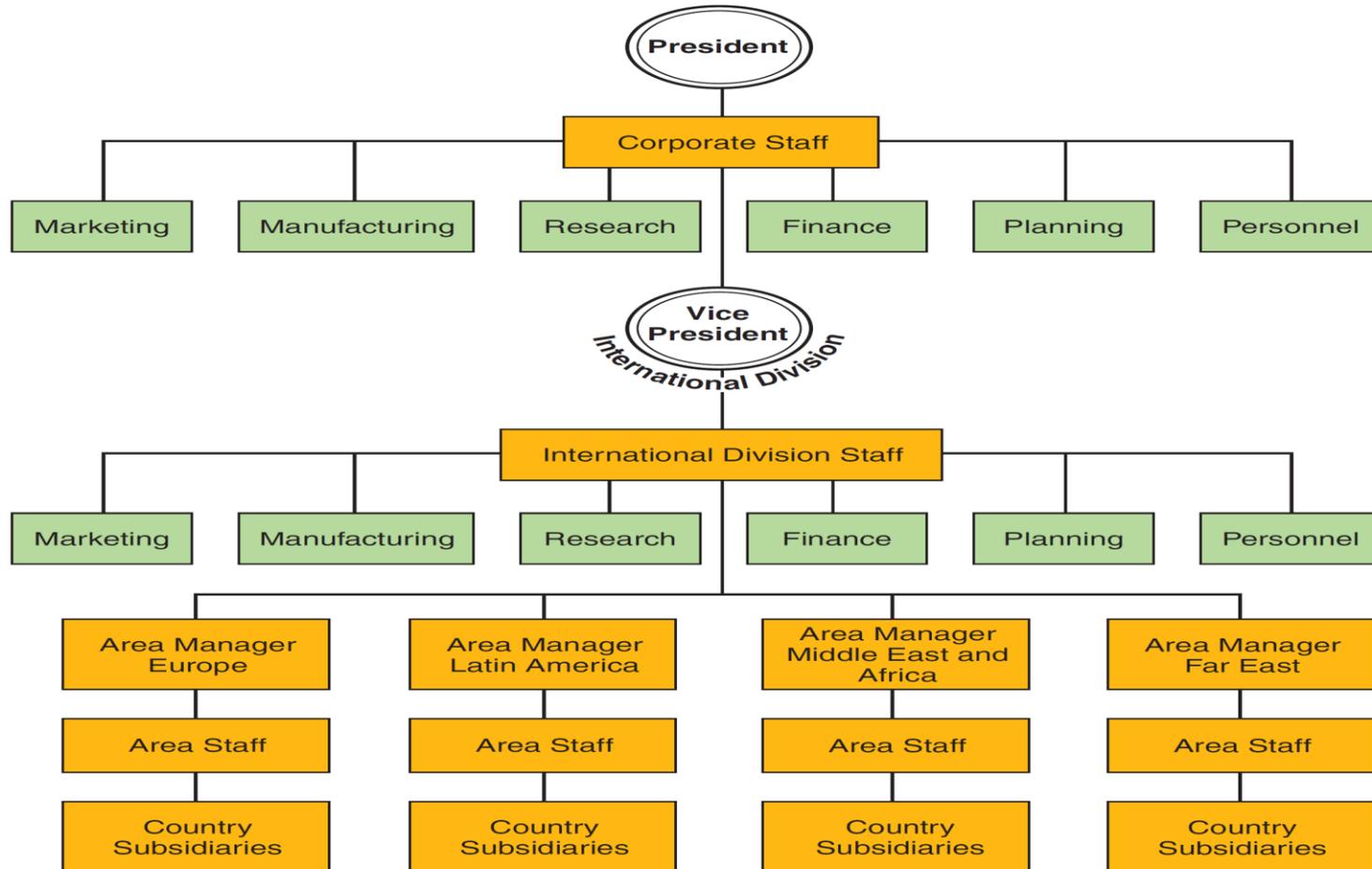
The Matrix Design

- Product or business, function, area, and customer know-how are simultaneously focused on the organization's worldwide marketing objectives

- Management must achieve organizational balance that brings together different perspectives and skills to accomplish organizational objectives
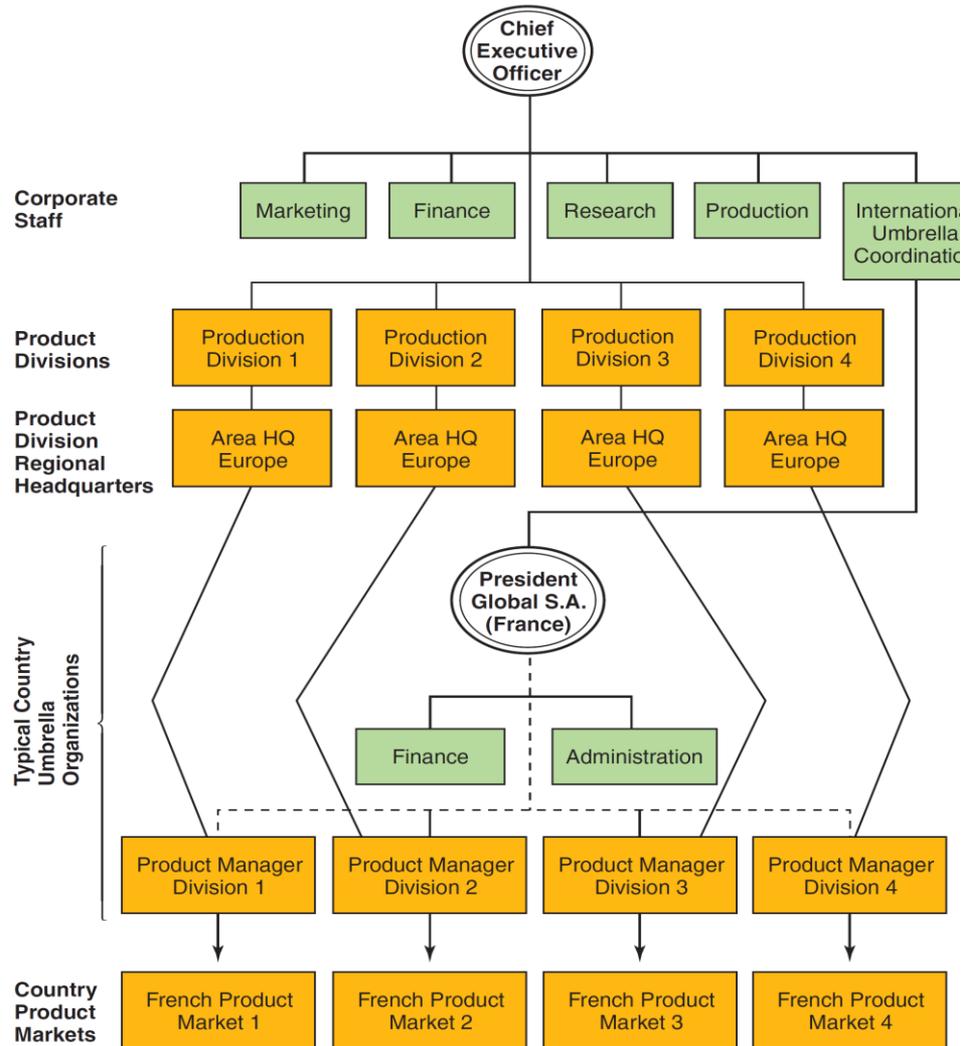
The Matrix Design

- Geographic knowledge—understanding of economic, social, political, and governmental market and competitive dimensions

- Product knowledge and know-how—product managers that have a worldwide responsibility can achieve new levels of product competency

- Functional competence in areas like finance, production, and marketing

- Customer, industry and needs

The Matrix Design

The Matrix Design

- Functional competence – corporate staff with worldwide responsibility contributes toward the development of functional competence on a global basis

- Knowledge of customer or industry and its needs – staff with responsibility for serving industries on a global basis assist organizations in their efforts to penetrate specific customer markets

Lean Production: Organizing the Japanese Way

- Compares craft production, mass production, and lean production
    - Craft production meant one worker created one product
    - Mass production gained advantages because one worker could do far more specialized work due to the moving assembly line
    - Lean production uses less factory space, smaller inventories, and quality control methods; increased efficiency by 50% over typical mass production

Lean Production

- **Assembler Value Chains**
  - Skilled employees, continuous improvement, Quality control, flexible mechanization

- **Downstream Value Chains**
  - Eliminates conflict between producer and intermediaries, spirit of cooperation

Ethics and Stewardship

- Today's CEO must be a proactive steward of the firm

- He or she must respond to:

  - Stakeholders—managers, employees, customers, stockholders, suppliers

  - Secondary stakeholders—general business community, local community groups, and nongovernmental organizations (NGOs)

Corporate Social Responsibility

- An obligation to pursue goals and practices that are in the best interest of society

- Many companies create a formal Code of Ethics that summarize core ideologies, corporate values, and expectations

Corporate Responsibility

"Consumers are demanding more than 'product' from their favorite brands. Employees are choosing to work for companies with strong values. Shareholders are more inclined to invest in businesses with outstanding corporate reputations. Quite simply, being socially responsible is not only the right thing to do; it can distinguish a company from its industry peers."

-Starbucks Web site

Corporate Social Responsibility

"Perhaps we have the opportunity to be a different type of global company, a global brand that can build a different model, a company that is a global business, that makes a profit, but at the same time demonstrates a social conscience and gives back to the local market."

-Howard Schultz, CEO, Starbucks, responding to a question about the likelihood of anti-globalization activists

Issues in CSR

- How do CEOs decide what is in the best interest of society?
  - Bangladeshi children lost garment industry jobs after the U.S. threatened trade sanctions and the children were worse off
  - Nike has been criticized for alleged poor working conditions in its factories
  - Wal-Mart has been under fire for a number of reasons including labor practices, resulting in social repercussions in communities it serves

Sources of Conflict in CSR
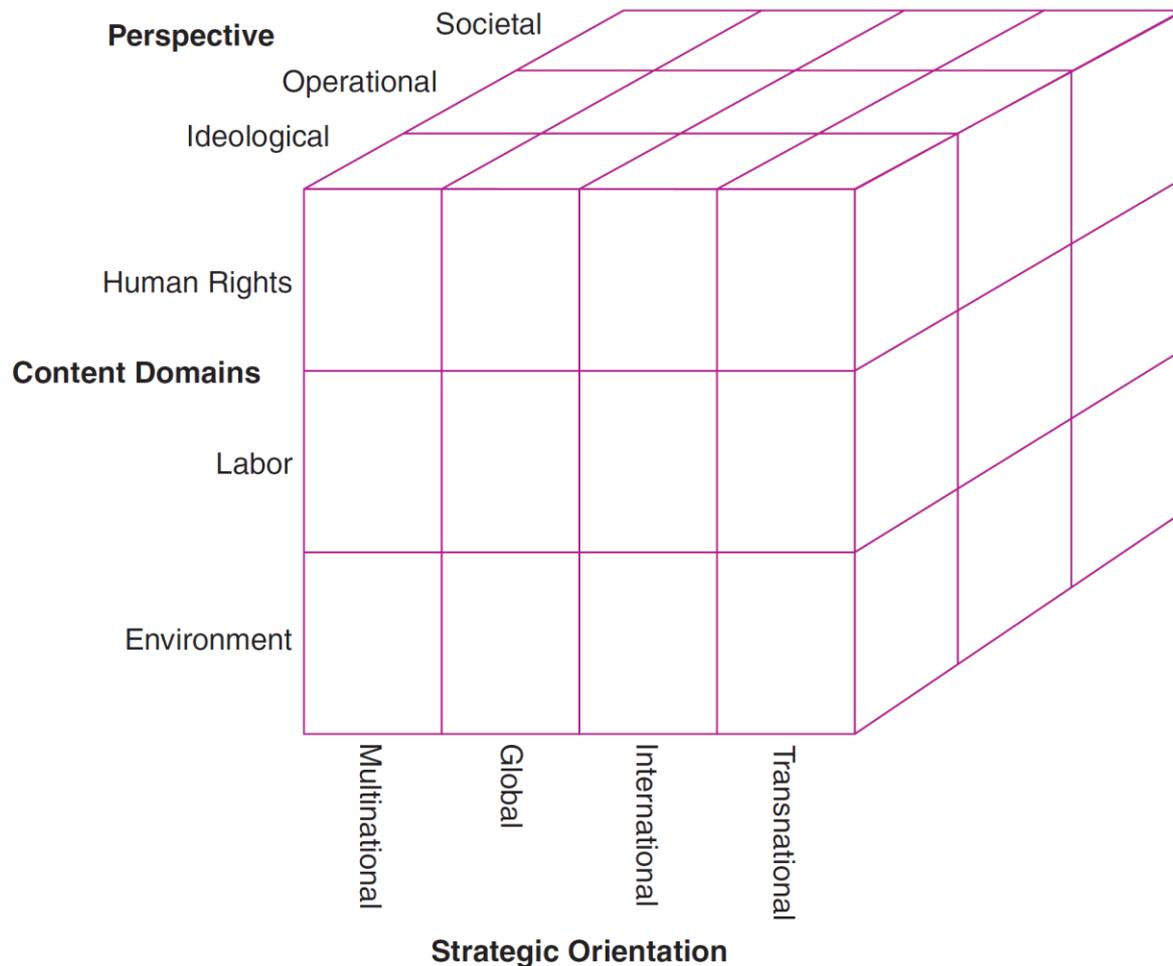
Three Dimensional Framework

- **Ideological Dimension**
  - What management thinks the firm should be doing

- **Societal Dimension**
  - What external stakeholders think the firm should be doing

- **Operational Dimension**
  - Actions and activities taken by the firm