# Global Marketing

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Chapter 15

Designing and Controlling Global Marketing Systems

Restructuring for internationalization

- **In the beginning**, international marketing may be a function of the **export department or**, in bigger organizations, of the **international division**.

- As companies and their **global marketing organizations (GMOs)** evolve and grow, however, it is important that executives take the time to formulate and establish **solid strategy, leadership, and cultural drivers**.

- Research confirms that having these three **building blocks not only leads to a more** natural and efficient organizational structure, but also positively influences **marketing and financial performance**.

- Traditionally, marketing organizations take one of the several established **organizational formats**: **regional**, **functional**, **product-centric**, **or matrix**.

- However, **new approaches to designing marketing organizations** have emerged that may completely change the way marketing is considered in an organization.

Product-based organizational format
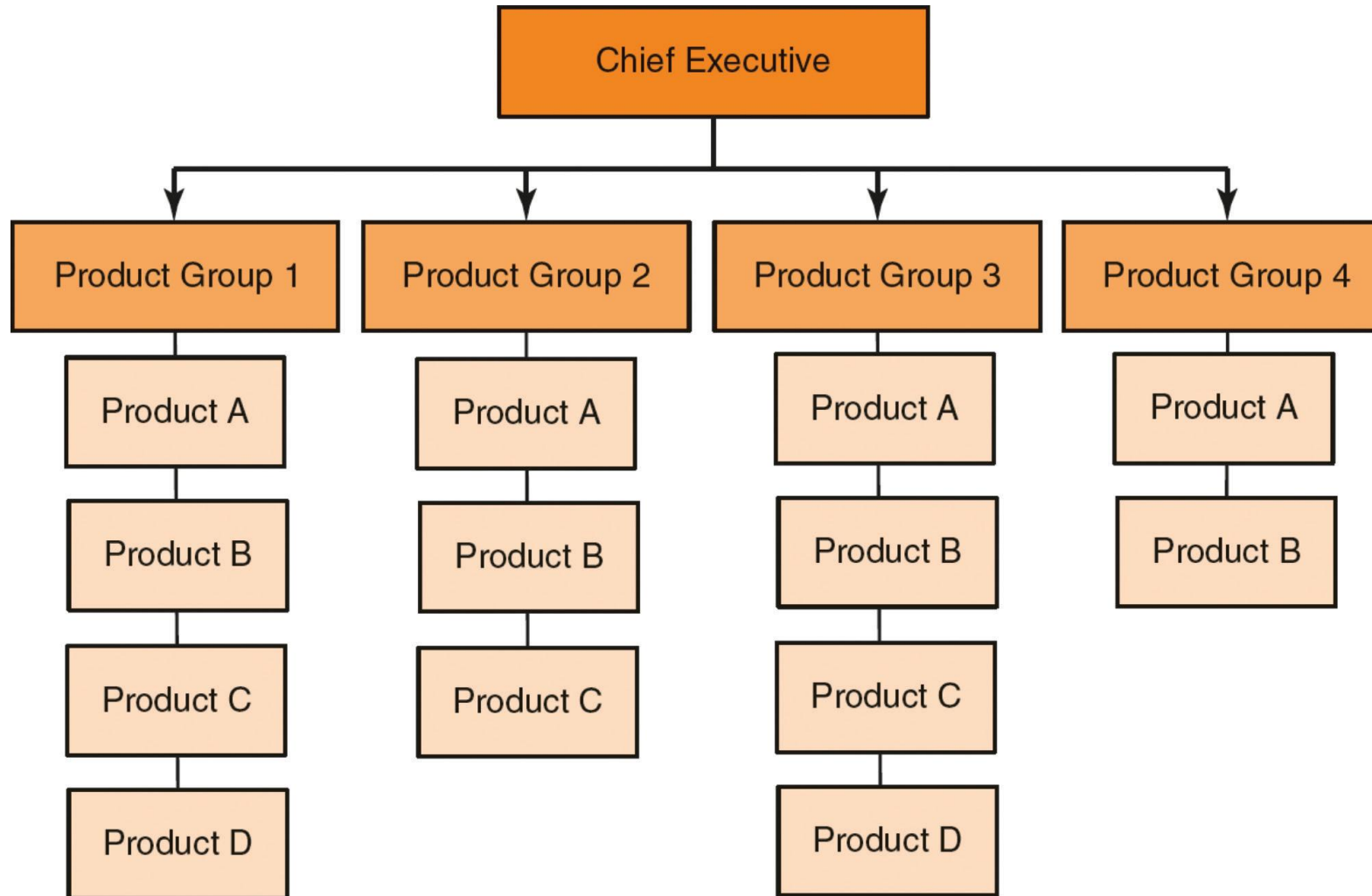
Global Product Lines Structure
Source: Compiled by authors.

Product-based organizational format: advantages and drawbacks

- **Flexibility to** quickly **respond to changing market needs and competitive pressures**

- **FOCUS**

- Risk of **duplication of resources and efforts among the different product teams**

- It may **prevent the organization from accumulating a common body of knowledge** about shared markets, product design issues, or other areas

Product-based organizational format: trends

- Many multinational firms have restructured their marketing organization on **central global headquarters** to guarantee better information transfer.

- Differently from a product based organization, a centralized structure allows:

  - **better alignment of marketing processes**

  - **increased competence level** of the marketing organization and gives a **better leverage of best practices**

  - **increased synergies** and a **better addressing of strategic issues**

  - **Reduce costs of common activities**

Regional organizational format
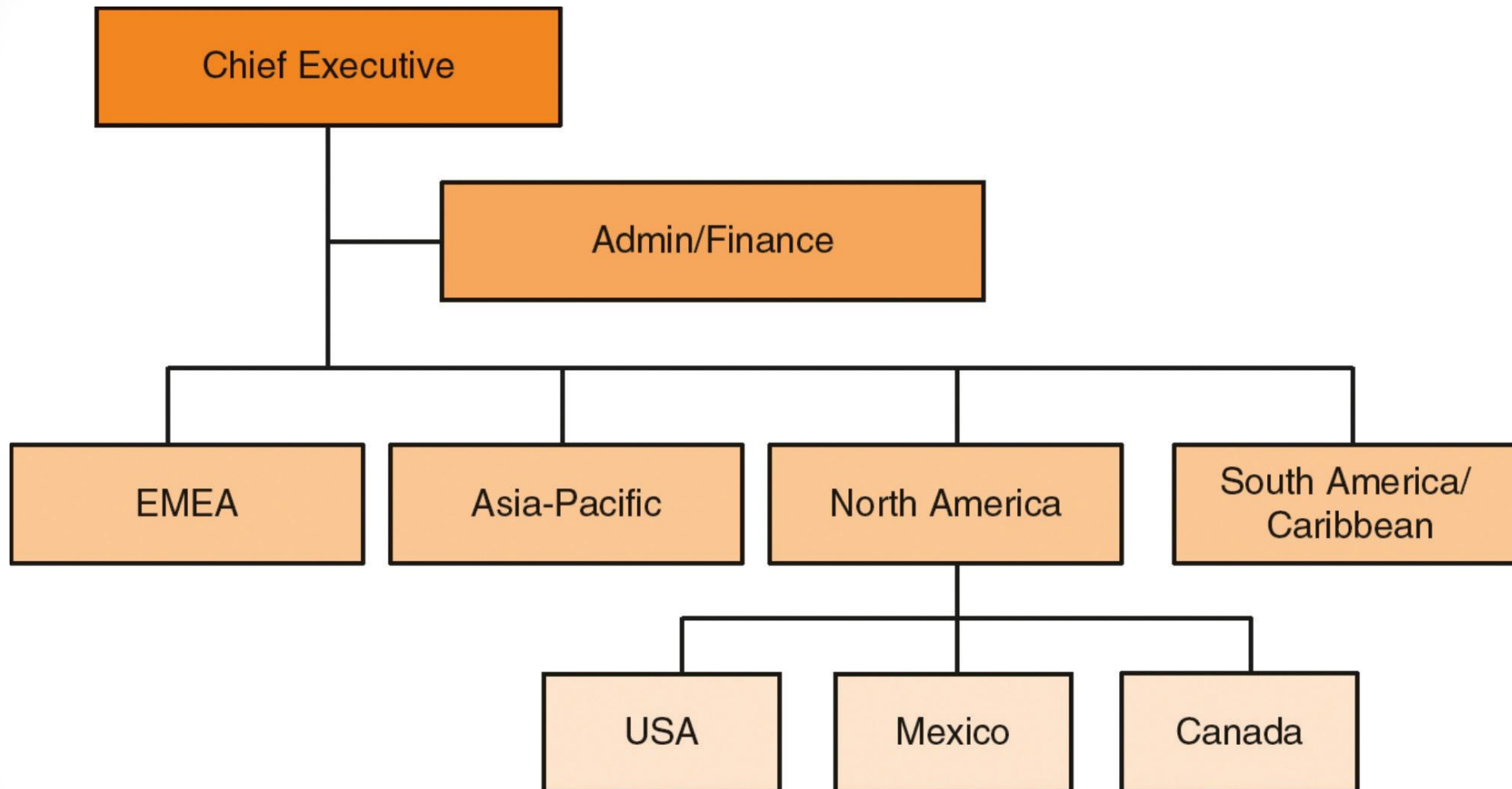
Global Regional Structure
Source: Compiled by authors.
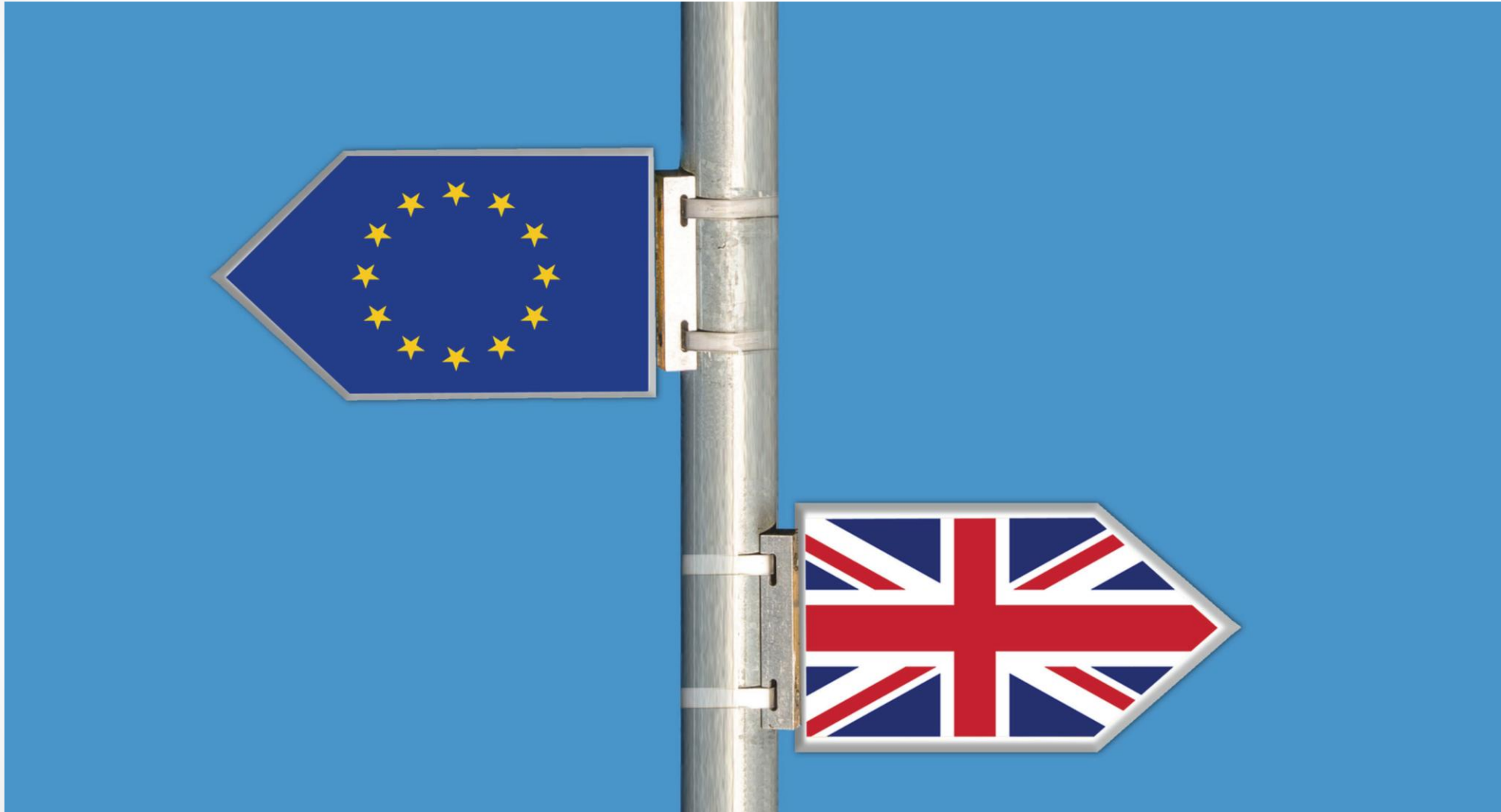
Regional organizational format: advantages

- It works to **marketing's advantage**: knowledge of regional market conditions and cultural preferences helps with uncovering potential standardization opportunities in product design and promotion and can lead to economies of scale.

- If **individual markets within the region experience changing conditions** or user needs, they can receive timely special attention.

- It **works best** for companies with a **limited number of products and similar market segments throughout the world**.

- Regional headquarters can take advantage of **cost efficiencies** and **more favorable labor supplies** to better meet larger corporate objectives.
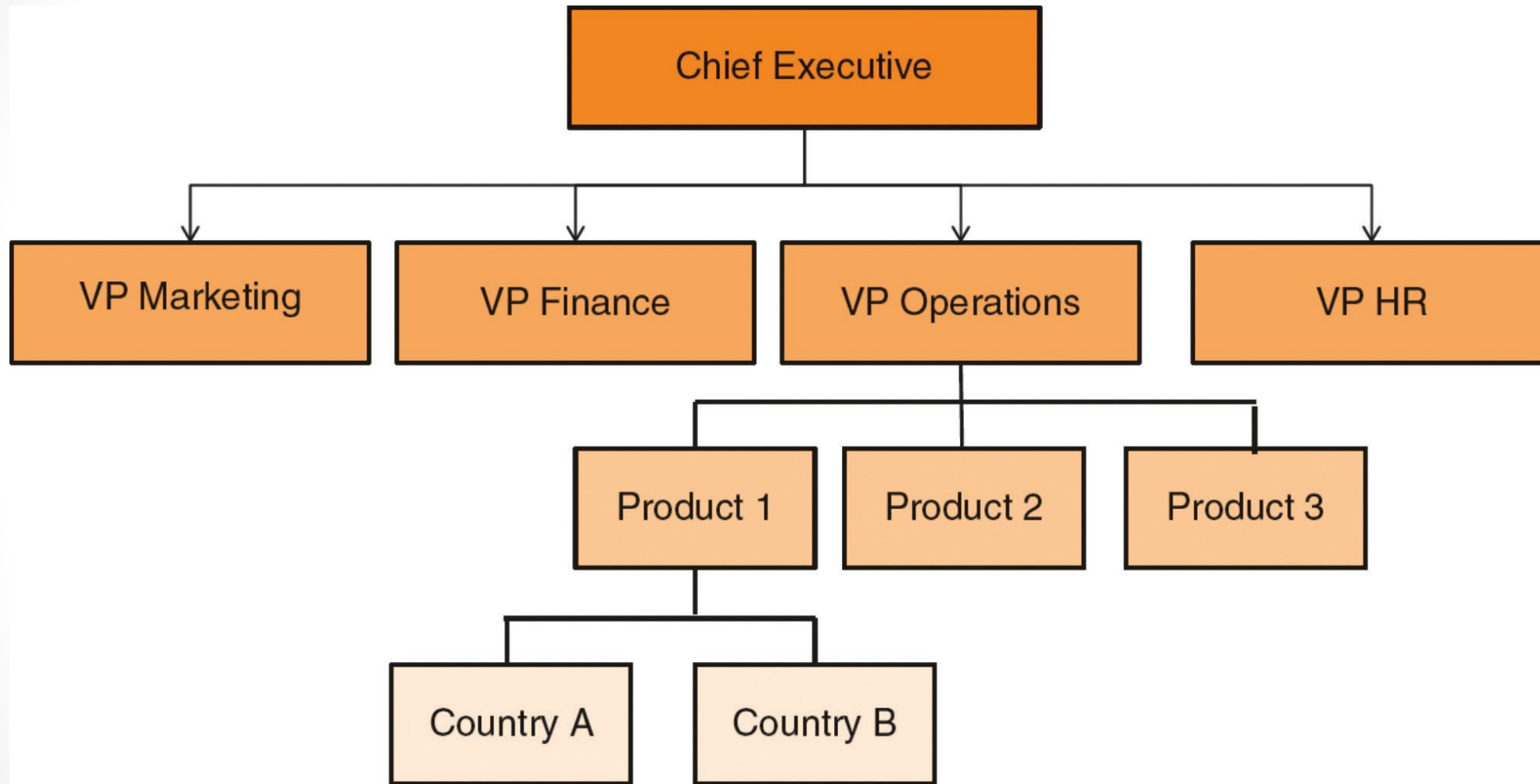
Regional organizational format: drawbacks

- It doesn't scale well: should the organization decide to expand and diversify its products, the coordination of its product lines and regional and country units may become cumbersome and expensive.

- Regional divisions often become too focused on their own operations, hindering inter-divisional cooperation and transfer of knowledge and spurring unnecessary rivalry and duplication of efforts.

- no contamination of best practises

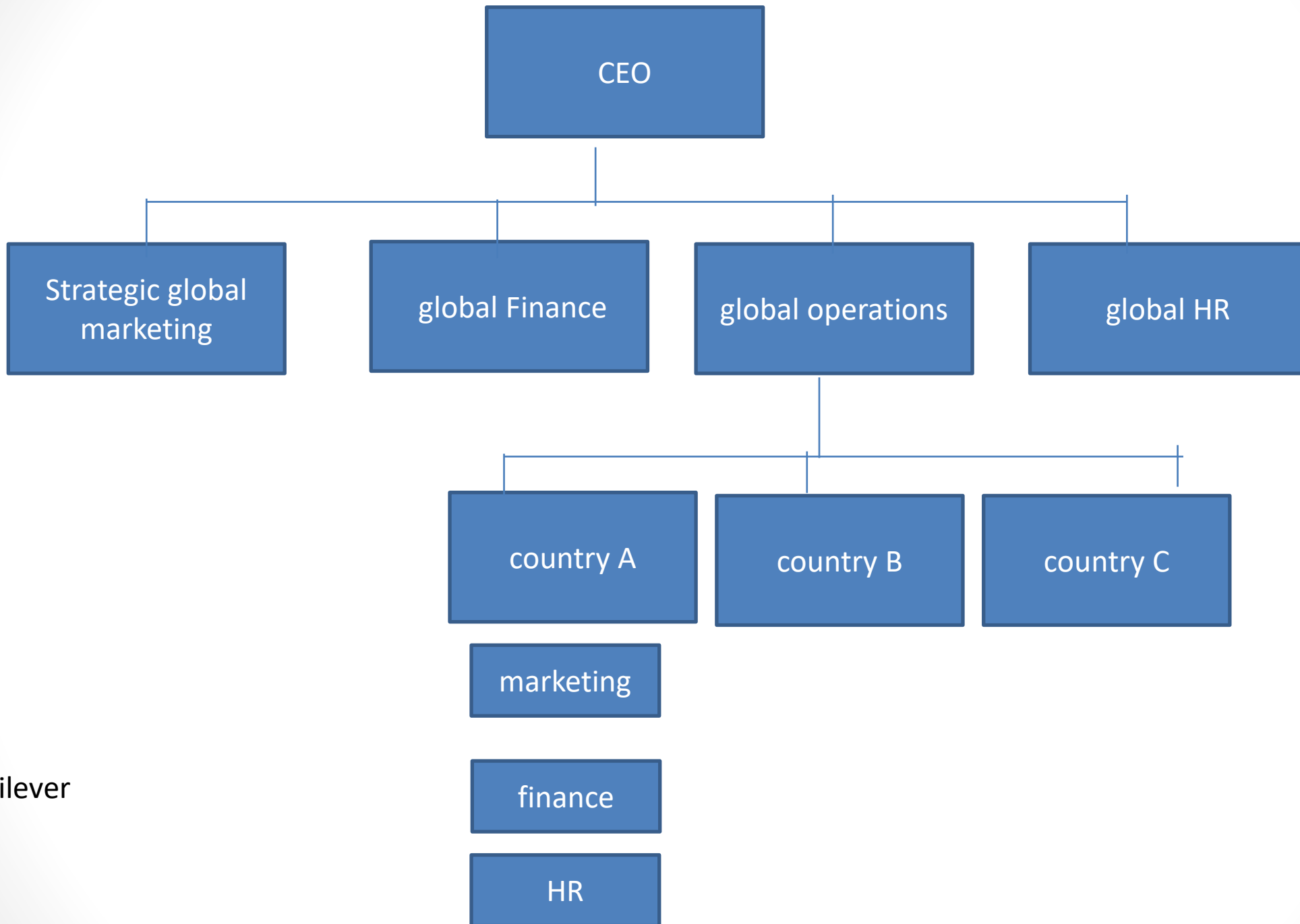# What does Brexit mean for European Headquarters?

Source: Pixabay (free) (2019).

Functional organizational format

Source: Compiled by authors

ex Unilever

Functional organizational format: advantages

- It provides **clear lines of communication and task management**, which facilitate project coordination within the divisions.

- Global functional structures are **suitable when product/service range offered by both the parent and the subsidiaries are few** resulting in **undifferentiated production and marketing** methods among them.

- **An example**: oil and mineral extraction companies, such as **Exxon** use this structure, which is ideal when products and production methods are basically undifferentiated among countries.
- global brands without any kind of adaptation

Functional organizational format: drawbacks

- **For diversified entities** offering different products/services this structure becomes **cumbersome or less suited**.

- **An example**: Westinghouse which produces more than 8,000 different products in such diverse areas as real estate, finance, nuclear fuel, television production, electronics systems, and soft drink bottling, it is difficult to imagine that the production head knows intricacies of production of all the products.

- Functional organizations are prone to develop **"divisional silos"** that interfere with cross-departmental communications and encourage an **"us vs. them" mentality within the departments**. Such developments can **slow down decision making** and impede problem solving in today's fast-paced, competitive environment, where cross-functional solutions are often needed.

- Because of its limitations, the functional organizational format is often **abandoned once companies reach a critical mass** of diverse products and customers.

Matrix organizational format
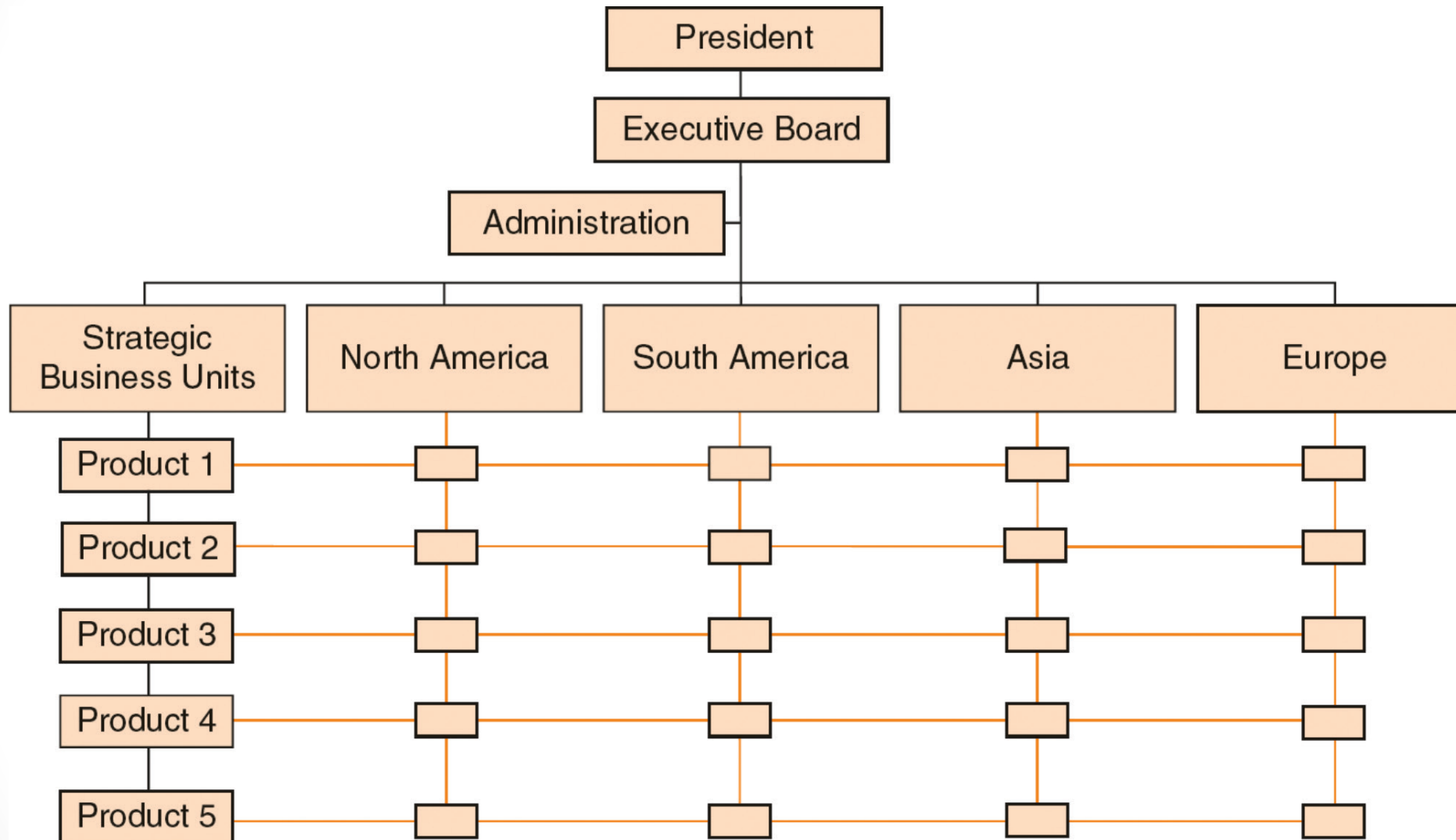
Matrix organizational format: advantages

- With a matrix structure it is possible to **avoid some of the drawbacks** of the formats described earlier. **Matrix organizations may include aspects of two or more of the product, geographic, or functional structures.** They combine a product-based structure with key geographic regions, for example, or functional and geographic divisions.

- **Improved communication and teamwork** and **better market coverage** where **both global and local perspectives are**, presumably, **integrated**.

- Matrix organizations attempt to **adapt to the multi-dimensional global business environment.**

- **An example**: a global consumer products company must respond to local market needs and capitalize on global economies of scale. It needs organizations at both levels, and it needs to manage across those across boundaries.

Matrix organizational format: drawbacks

- The inherent **duality of the structure** may cause problems

- Many managers find it difficult **reporting to two separate channels**, and **conflicts or confusion may become common**.

- **Decision making may become slower**, as disparate objectives and priorities compete for attention and divisional overlaps often turn into turf battles.

- It's a world of **multiple bosses**, **endless relationships**, and **murky accountabilities**.

- It's a world of **frustrated managers and employees**, people who feel that they can't take effective action or deal with a customer without running into a series of **organizational obstacles**.

Guidelines to make a matrix organization work

To make this multifaceted system work, a company needs to **focus on its decision-making processes**, not its organizational chart. The following few guidelines may be helpful:

- **Follow the money:** High-performing companies know how each side of the business creates value and which decisions are key to unlocking that value. That helps them locate critical decisions at the appropriate points in the organization.

- **Align people around key priorities and principles:** create a context enabling people anywhere in the organization to make appropriate tradeoffs.

- **Assign clear decision roles:** People can have more than one boss, but decisions can't. The most common problem we find in matrix organizations is confusion over who should play which role in key decisions.

- **Help leaders set the right tone:** If leaders don't make good decisions quickly, others are likely to dither. If leaders don't collaborate across boundaries, others won't either.

- **Foster a performance culture:** an environment in which people naturally take responsibility for cross-boundary cooperation.
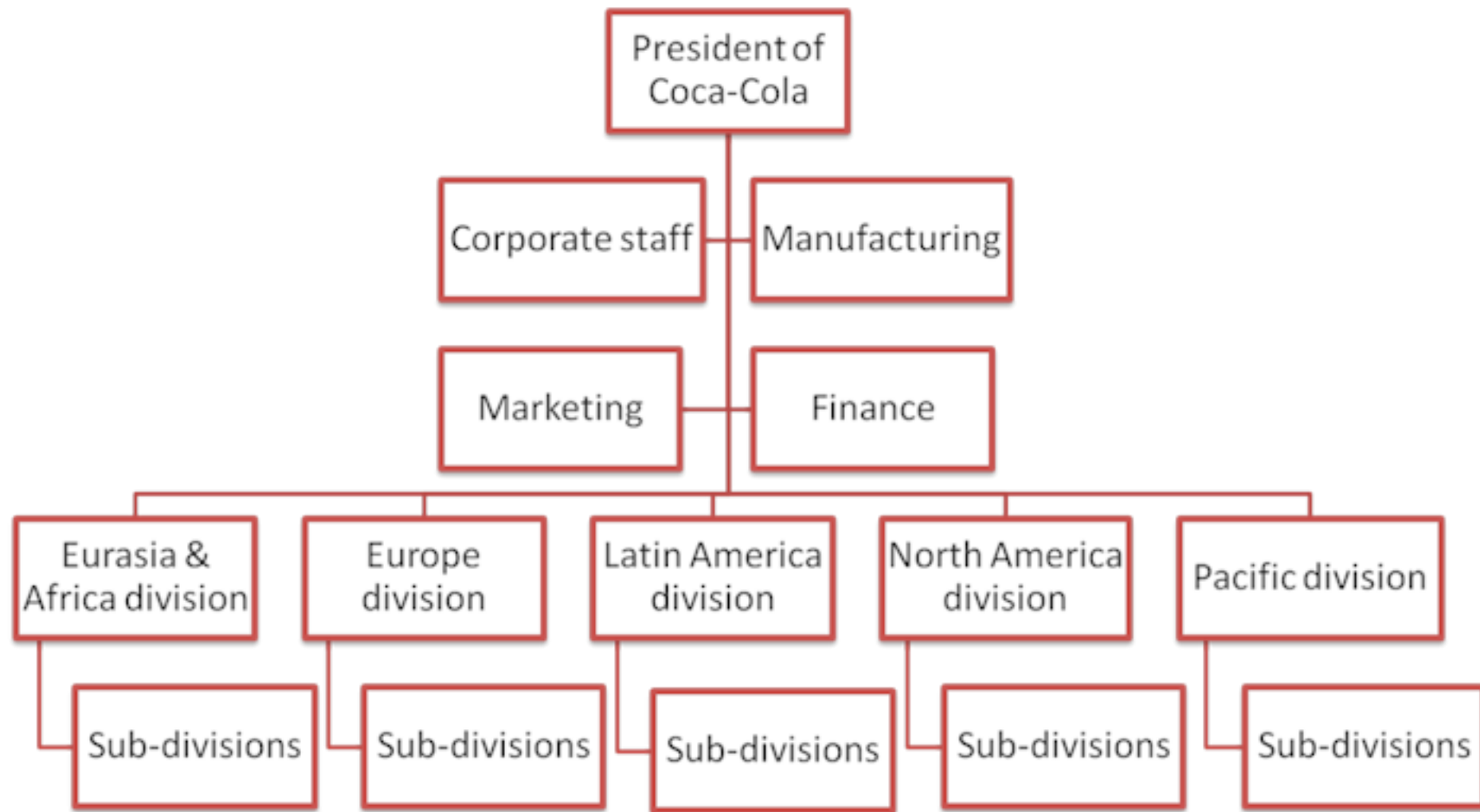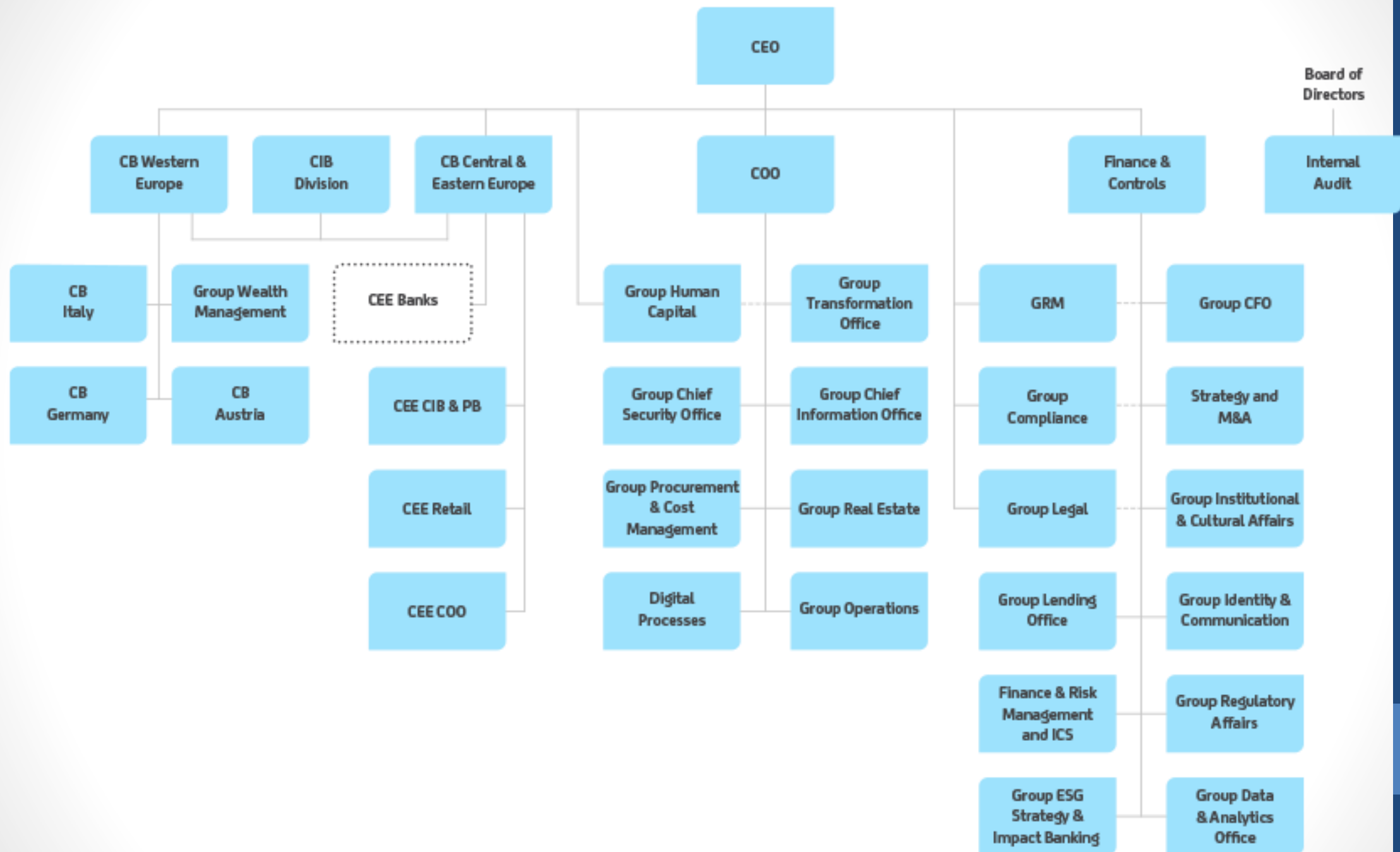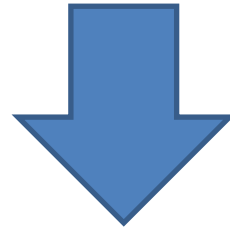
New marketing organization

- The **degrees of integration among the worldwide business units and headquarters** or **among various local and regional subsidiaries** play a critical role in the success or failure of global marketing campaigns.

- Marketing leaders are continuously challenged by the **evolving nature of the marketing organization** itself.

- With the increasing **power of the customer**, the relentlessly growing **global competition**, and the **uncertainty and unpredictability of the future**, marketers need to increase **flexibility**.

- The **digital economy and the rapid growth of emerging markets** are transforming the consumer products industry, and companies must make the best possible use of their limited resources to meet these new demands.

It's time to rethink the traditional organization model for marketing in order to meet today's strategic challenges and cost pressures more effectively.

New marketing structures

- **Customer-centered organizations**

- **Global Marketing Teams**

- **Agile marketing**

- **Control mechanisms**

- **Informal control mechanisms**

Customer-centered organizations

- Shift to a more **customer-centered organizational design**
- Marketing activities becoming more and more dispersed within the organization as it attempts to adapt itself to a **more cross-functional, customer-centric perspective**
- **Customers become a vital part of the firm's value creation process**. The overall approach of co-creation marks a shift whereby the customer is potentially involved in the creation and realization of collaborative innovation of several value chain functions.
  - **Customization**: adaptation of processes based on aggregated customer input
  - **Co-creation**: joint value generation based on specific customer input
  - **Co-formation**: large-scale customer participation in all or several strategic functions of the firm.

Global Marketing Teams

- **Multinational firms** increasingly form global task teams and, specifically, global marketing teams (GMTs)

- GMTs are acting as the **key decision makers** and are identifying and implementing the means to **build competitive advantage in multiple markets**

- Virtual teams have been linked with **significant savings**, due to reductions in travel expenses, meeting times, duplication costs, and other logistical expenditures.

- Virtual teams **make organizations more flexible**, allowing them to handle the pressures created by the increasing business globalization and competition, changing organizational structures, and growing customer demand for timely and efficient service.

- Very often, companies face these challenges in the form of **paradoxes or ambiguities**.

Complexity dimensions of Global Virtual Teams
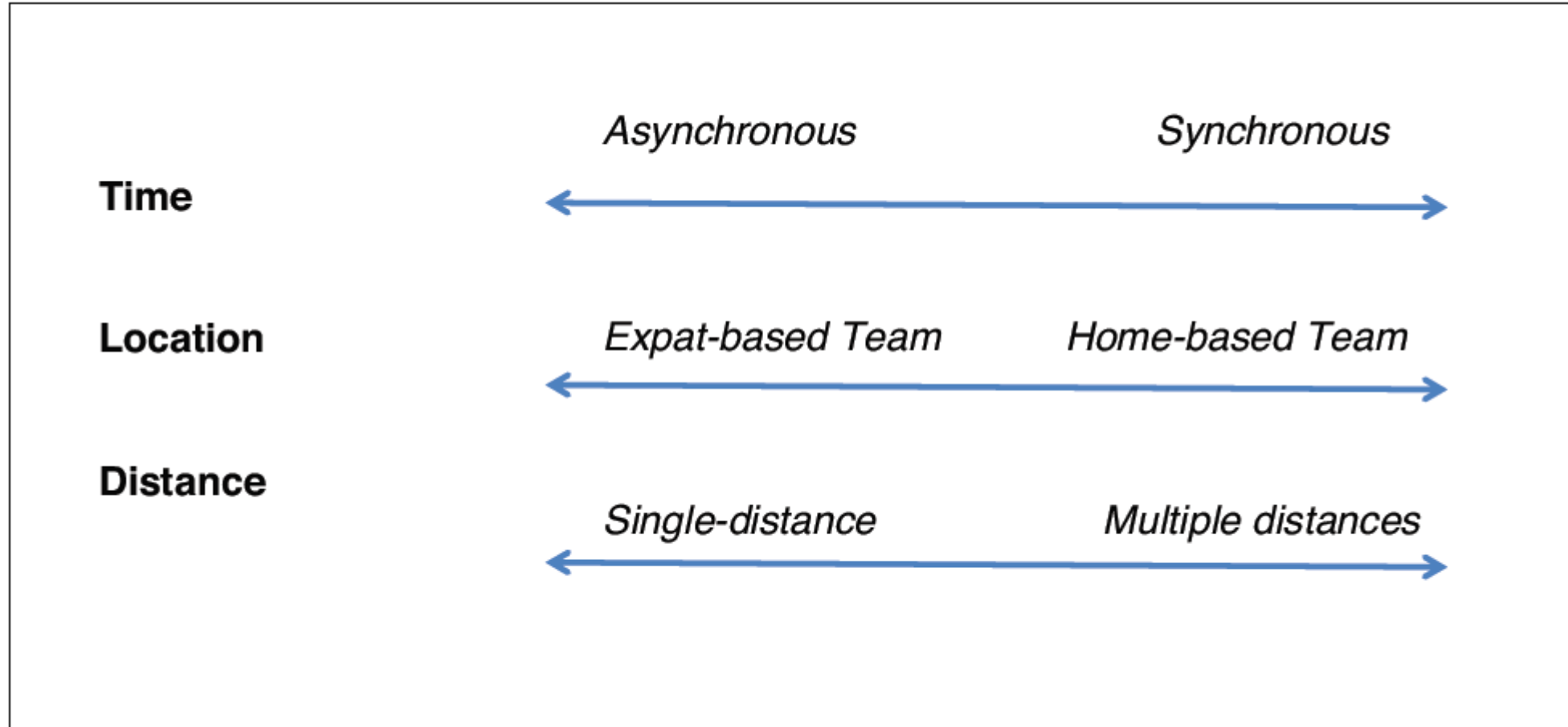
Source: Adapted from Jimenez, A., Boehe, D. M., Taras, V., and Caprar, D. V. (2017). "Working across boundaries: Current and future perspectives on global virtual teams." Journal of International Management, 23, pp. 341–349.

SMARTWORKING

- PROS

- CONS

Agile marketing

- The idea of agile organizations and methods dates back to 2001 and was **originally used in software development.**

- Agile" is a **set of values and principles**, guided by self-directed, low-risk, and adaptable step-by-step-development for the delivery of IT projects. Instead of suffering from time-consuming, inflexible, highly complex and inefficient procedures, **agile methods provide more flexibility to adapt to changes over time**.

- "Agile" is fundamentally about **learning, people, and change.**

- Most CMOs think of agile in terms of being nimble, being able to react quickly to the market. They understand that to achieve agility requires their organization to be **data-driven, customer-focused, constantly prioritizing, and quick decision-makers**. They also understand that this culture needs to be **supported with process**.

- Agile methods helps reinforce a **culture of flexibility by providing structure that drives marketers to be iterative, customer-centered, and focused on priorities of high-v**alue.

The original Agile manifesto

- Validated learning over opinions and conventions

- Customer focused collaboration over silos and hierarchy

- Adaptive and iterative campaigns over Big-Bang campaigns

- The process of customer discovery over static prediction

- Flexible vs. rigid planning

- Responding to change over following a plan

- Many small experiments over a few large bets

agile management
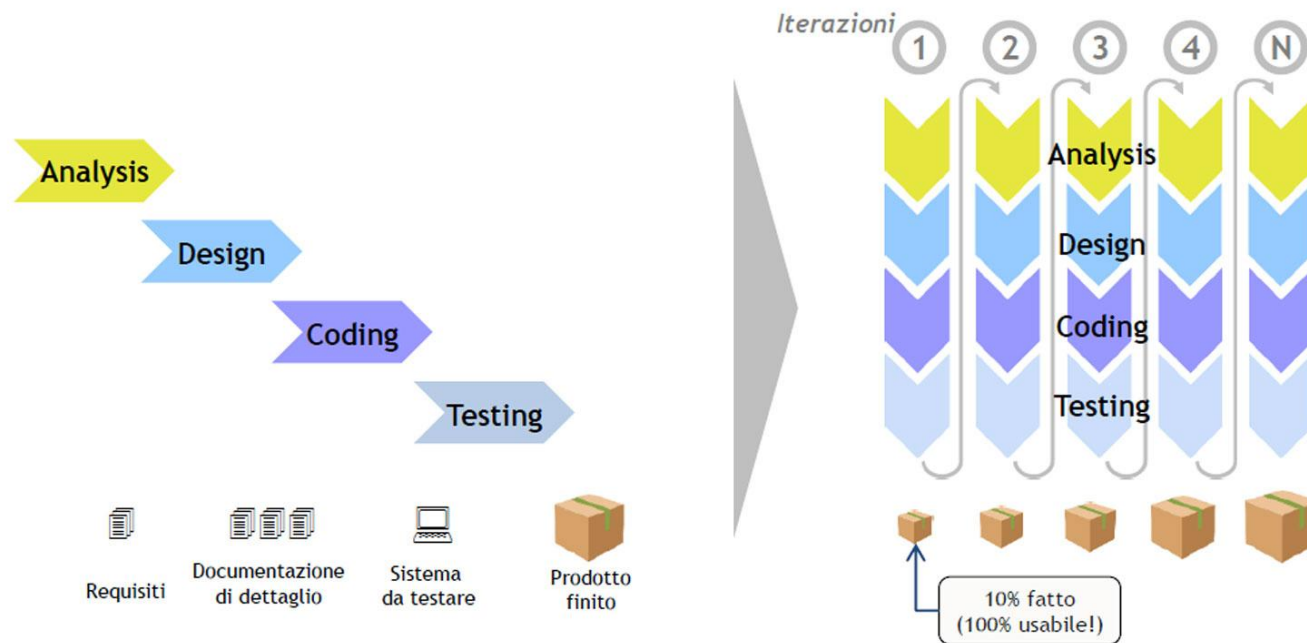
agile approach

War-Room approach to Agile Marketing
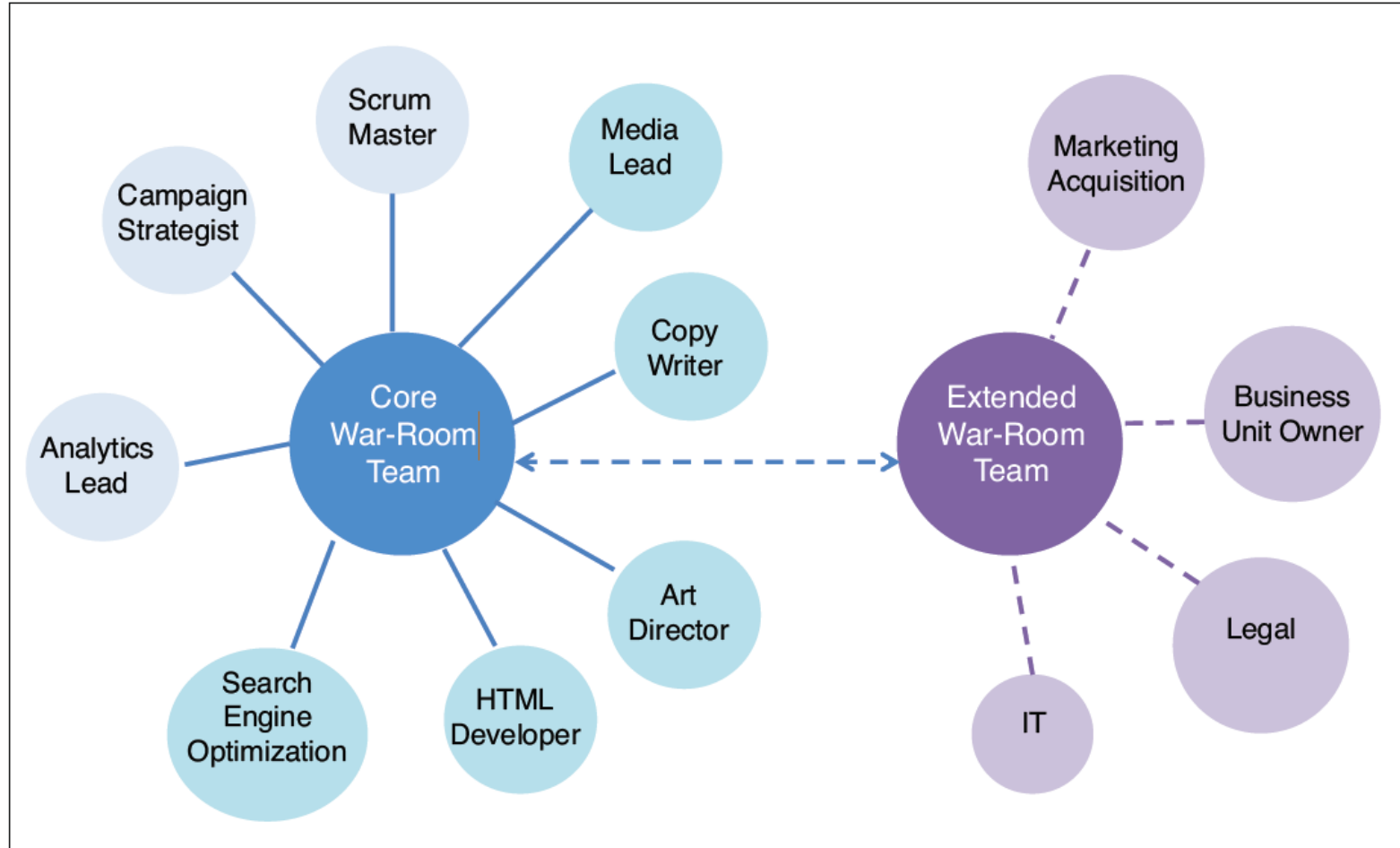
Source: © Adapted from McKinsey & Company

Global governance

- Companies today are **scrutinized and judged on many different levels** by shareholders, regulators, customers, analysts, suppliers and the general public.

- In response to the **need for increased transparency**, many companies have implemented **strong formal and informal control practices** for all of their business units and levels of management.

- In marketing, this trend has been met with even greater emphasis on **planning** and on **establishing specific objectives, processes, metrics and accountability measures** that can prove marketing's impact on the overall profitability of the firm.

- Marketing executives have to **delegate certain decisions to the local and regional levels of management**, while **retaining control over the consistency of the company brand across geographies, segments, and distribution channels**. Achieving this balance between central control and local initiative is one of the main challenges for any global marketing executive.

Control mechanism

- Establishing metrics that show **impact and performance of marketing activities**, has become one of the most critical issues for today's marketing leaders.

- It is important to **define how and what to measure** in order to quantify return on marketing investment (**ROMI**)

- As the ways of spending marketing budgets continue to increase (with the advent of Web 2.0, mobile marketing, etc.), **new marketing mix models and other analytical tools to measure performance** have emerged.

- Current marketing thought is focusing on the customer instead of on the brand— the **customer lifetime value (CLV) concept**, quantified in the customer equity measure, is what should drive marketing strategy and budgets

- CLV is a metric that allows marketers to measure the **overall effect of their marketing investment**

marketing kpi

- brand awareness
- n. of customers
- n. of quantities sold
- revenues
- market shares
- bradn value
- customer loyalty
- customer satisfaction
- Net promoter scores (promoters-detractors)
- budget
- convertion rates

Control mechanism

- Many **new tools** are addressing the issue by providing better and easier ways to analyze marketing program performance:

- Powerful **statistical software programs** have made it possible to create so-called "marketing dashboards" where data can be tracked in real time.

- **Importance of measuring the intangibles**:
  - Royalty rates and transfer prices can be set more accurately from knowing and understanding the value of brands and other intangible assets.
  - Knowing the value of a brand can help companies generate positive PR in financial markets which can, in turn, assist in boosting the share price.
  - It is a highly effective benchmark of ROI (return on investment).
  - The share price can recognize the true value of brands in acquisitions
  - The actual process involved in putting brands on a balance sheet can throw up some useful insights. Among other factors it analyses the brand relative to the competition; it identifies potential opportunities, strengths and weaknesses of the brand; and consumer and market perceptions .

Customer Lifetime Value as a measure for ROMI
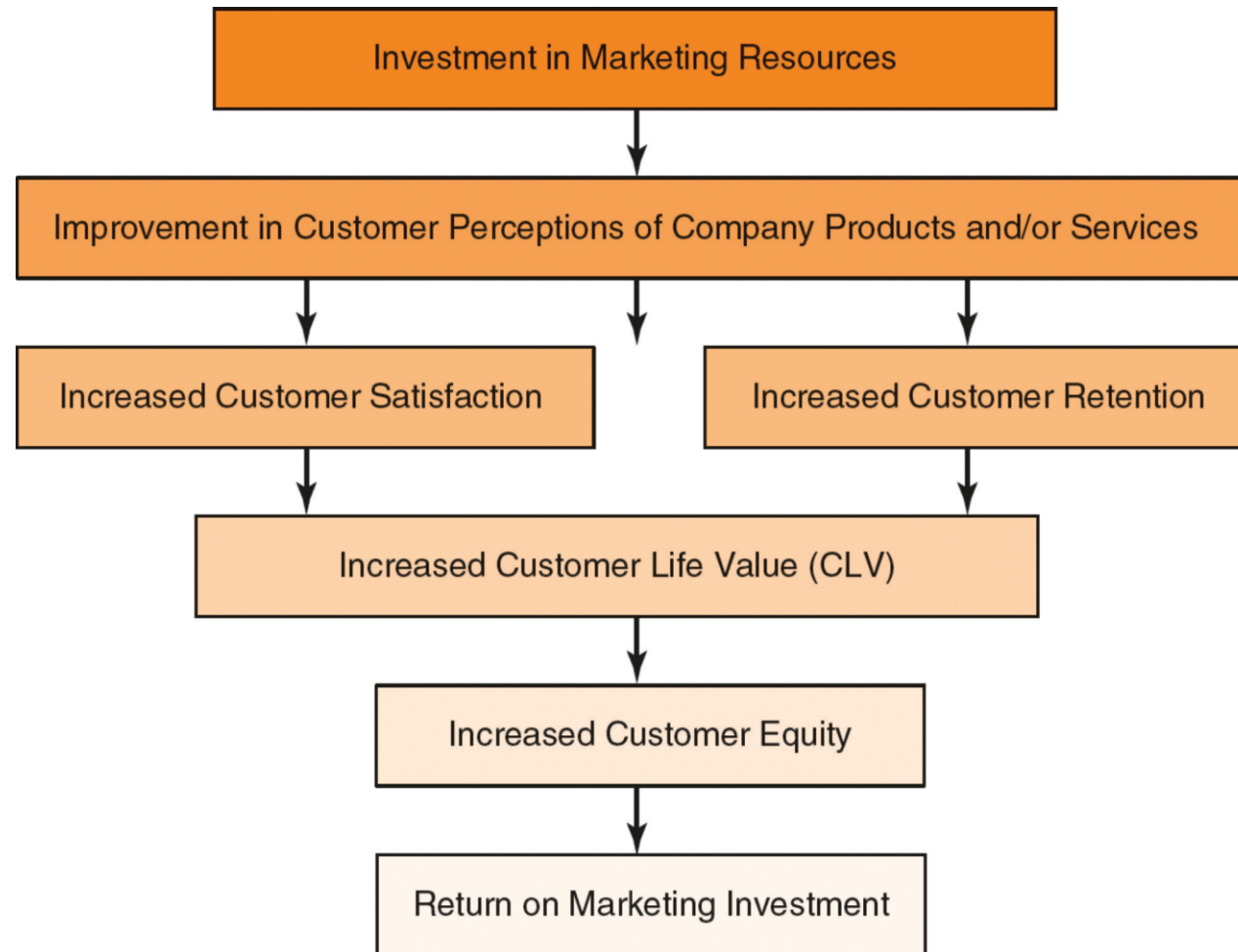
Source: Compiled by authors.

Cultural Coordination Mechanisms and Human Rights

- For global firms, **these types of "soft" controls are often more important than formal ones**, especially if they operate in many cultures where the data-driven management style favored in many Western cultures clashes with local social values that emphasize relationship-building, hierarchy, and social networks.

- Achieving profit from distributed value chains is also associated with **exploitation of partners at the poorer end, suffering from lower wages and irresponsible employment conditions.**

- **Types of informal control mechanisms:**
  - Corporate culture
  - Leadership
  - **ability to attract talents**

marketing culture

- share the same cultures , values and metodology across countries
  - selection process
  - trainings
  - hard skills
  - soft skills
  - exchange programs
  - multifuncional teams
  - transfer best practises
  - sense of belonging