

# DOWNLOAD PDF STRUCTURES OF INTERNATIONAL BUSINESS ORGANIZATIONS

## Chapter 1 : 5 Organizational Structure Examples | Which to use?

*This article throws light upon the four major types of international organizational structures. The types are: 1. Expo-documents against acceptancert Department 2. International division structure 3. Global Organizational Structures 4. Evolution of Global Organizational Structures. International.*

Five Major Types of Organizational Structures for a Business by Chrystal Doucette - Updated June 28, Some companies contract most work to outside parties, while others form teams, departments or divisions. Functional Structure Organizations that group positions by similar roles follow a functional structure. The structure follows a hierarchical model that includes clearly identified roles, authority and promotional pathways. Employees in each department fill duties not covered elsewhere in the company, minimizing an overlap of tasks. You may divide work units by expertise, resources, skills and activities. For instance, your organization may include production, finance, human resources and marketing groupings. Divisional Structure The divisional structure is defined by the grouping of departments and is particular to larger companies. The divisional structure follows a functional model within each division. Specialized departments help managers keep track of the products and activities the company develops. Your departments might distinguish between customer service, production and geographic location. Managers can focus resources and outcomes on their specific departments. The structure helps managers monitor performance more easily than some other models. Video of the Day Brought to you by Techwalla Brought to you by Techwalla Matrix Structure The matrix structure combines the specialization provided by a functional structure and the focus provided by a divisional structure. Your employees would be part of teams that connect functional roles with divisional roles. Each employee belongs to at least two formal groups; one is a functional group, and the other is a project, product or program team. Your employees also report to two bosses -- a functional group boss and a team boss. The structure increases your employee motivation and allows training across functional areas. Team Structure Team structures organize each function into an objective-based group. Members from each of your departments work together to solve problems and find opportunities. Your employees might be involved with product development teams or a diversity task force. The team structure can help remove barriers between departments and foster effective problem-solving relationships. It can also motivate employees and increase decision-making times. Network Structure In a network structure, your organization would rely on other organizations to perform important roles. For instance, you may employ an accountant, website administrator or security personnel on a contractual basis. But you also lack control in the outcome because you rely on contractual workers to complete critical work. Cite this Article A tool to create a citation to reference this article Cite this Article.

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## Chapter 2 : Organizational Structures

5 6 7 8 9 *Structures of International Business Organizations Importing, Exporting, and Trade Relations Foreign Exchange and International Finance Legal Agreements.*

By Larry Alton In: While you may find similar organizations within the same industry, there will always be nuances and differences between every brand. The importance of an organizational structure Businesses need structure in order to function and grow. But before you do so, you need to carefully analyze your business and consider where you stand. Depending on your goals, pay structure, and division of work, you may relate more to one structure than another. Here are a few of the most common structures in modern businesses: Functional Also commonly called a bureaucratic organizational structure, the functional structure divides the company based on specialty. This is your traditional business with a sales department, marketing department, customer service department, etc. The advantage of a functional structure is that individuals are dedicated to a single function. These clearly defined roles and expectations limit confusion. Divisional The divisional structure refers to companies that structure leadership according to different products or projects. While Gap is the company, there are three different retailers underneath the heading: Gap, Old Navy, and Banana Republic. Each operates as an individual company, but they are all ultimately underneath the Gap Inc. Another good example is GE, which owns dozens of different companies, brands, and assets across many industries. GE is the larger brand, but each division functions as its own company. Matrix The matrix structure is a bit more confusing, but pulls advantages from a couple of different formats. Under this structure, employees have multiple bosses and reporting lines. Not only do they report to a divisional manager, but they also typically have project managers for specific projects. While matrix structures come with a lot of flexibility and balanced decision-making, this model is also prone to confusion and complications when employees are asked to fulfill conflicting responsibilities. This flatarchy structure essentially removes unnecessary levels and spreads power across multiple positions. In other words, it comes with pros and cons just like the other structures. These charts are helpful for a number of reasons, including: The more organized your business is, the more efficiently it will function in the long run.

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## Chapter 3 : 4 Common Types of Organizational Structures | racedaydvl.com

*This structure is suited to larger corporations, but it is also effective for smaller companies that have an established home market and a rapidly growing international business.*

You should think of organizational structures as communication flowcharts. Poorly conceived organizational structures will result in sluggish, inefficient communication in which managers at various levels are required to deliver information to too many people for too many levels of approval. Well designed organizational structures will produce efficient communication channels and encourage fast, clean decisions. Functional The functional structure is the most commonly used by most businesses. These departments are managed separately from each other by the department heads, and they only answer to the top level manager. However, the weakness is glaring - if a weak, poorly organized executive is at the top, then cases where the right hand fails to talk to the left will occur, causing frustrating problems. Product A variant of the functional structure is the product structure, which is designed for larger companies. In this flowchart, a group of the highest executives sit at the top, while different products are separated into mini-companies. For example, a food products company might be split into beverages, snacks, dairy products, frozen dinners and condiments, with the managers of each segment reporting to the top. Customer If your company offers services, such as healthcare, you can use the customer-based organizational structure. This is simply a variation of the product structure, in which the different business segments at the bottom are each split into a specific customer group - for example, inpatients, outpatients and free clinic patients. The managers of each segment would then report directly to the hospital president at the top. This is also designed to avoid overlap, confusion and redundancies. Regional If your company gets really big and starts to go national or global, you need to split your company structure into regional segments. This is also a variant of the functional structure, with the top executives based in your home country at the top, with the reporting segments being comprised of regional managers. This insures that your demands in different markets are being met in a localized fashion. Localization is the goal here, in all aspects - pricing, real estate and product lines. Large companies which have tried to use a single pricing strategy on a static product line across multiple geographic markets have often failed miserably, being eaten alive by smaller regional competitors. Matrix The matrix structure is often used by video game and movie companies, with various departments, all equal, working in tandem to produce a single final product. In this case, a strong manager at the top - such as a video game publisher or movie director - acts as a team leader to insure that each segment receives the data they need to complete their separate task. For example, in the production of a movie, one department might work on the music, the other might work on special effects, while another one works on the recorded film. You can also mix and match the best parts of each to create a customized structure. Just remember, the reason for having an organizational structure is to maintain communication and to make sure that there are as few redundancies as possible. You Also Might Like

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## Chapter 4 : Five Major Types of Organizational Structures for a Business | Bizfluent

*T/F: Forming a business in partnership with another person has the advantage of sharing resources and skills but has the disadvantage of possible disagreements over different opinions on how to run the business.*

FAQs International Business Organizations And Resource List The exciting world of international business beckons the brightest minds and sharpest business performers to excel in relationships, governance, and financial acuity in order to create a better future for all people. World changers need spaces in which to gather to share ideas, spur one another on, create relational opportunism, mingle with industry and governmental leaders, and dream of advanced systems to enhance our daily lives. This article discusses key places for the entrepreneur to consider. A plethora of international business organizations exist to promote education and facilitate business transactions around the world. The following organizations are among the most active and well known. Whether you are a business person transacting international business or a student looking to learn and eventually get in on the action, these organizations will open the door to your forward-looking international worldview. Government officials meet together within the WTO context to negotiate trade agreements and negotiate the politics of international business. The WTO receives significant media attention while also proactively publishing data related to accessing international markets. Check out their annual World Trade Report for research, analysis, and featured member nation stories. The newly created Youth Ambassador Programme gives young leaders a voice at the international trade table to offer their unique opinions and perspectives. The internship program for post-graduate university students develops knowledge, understanding, and experience in global trade policy and compliance. Internships can last up to 24 weeks and take place exclusively in beautiful Geneva, Switzerland. Interns also receive a stipend. International Chamber of Commerce The International Chamber of Commerce ICC promotes world business by providing forums, leadership development, and advocacy for nations who desire for their citizens to enjoy a higher global standard of living while living in a world of peace. The ICC conducts training events, arbitration conferences, financial summits and numerous other programs to promote their agenda of building peace and prosperity on earth. ICC online training modules expose students and business professionals to certification level expertise developed as ICC constituents intermingle on the world stage at G20 Summits and United Nations forums. The ICC maintains policy commissions in the areas of the digital economy, competition, the environment and energy policy, intellectual property, and taxation, among other topics. Dispute resolution, antitrust compliance, international sales contracts, arbitration provision and anti-crime initiatives are just a sampling of the services proffered by the International Chamber of Commerce. YAF is a place for young professionals to learn from seasoned international practitioners about issues related to arbitration and arbitration career development. Events are held regularly all around the world. The IABC promotes professional development and communication standards worldwide. They tout a membership of 15, professionals in over 80 countries. International Business Organization The International Business Organization IBO is a group that serves the international community who wants to do business in or immigrate to the United States of America with a special purview related to the state of Florida. The IBO can assist with real estate information, immigration services, health insurance, and unique networking contacts. FITA is comprised of association members and , linked company members. FITA brings together trade agents, distributors, and service providers that contribute toward import and export activities. Their market research tools and leads increase the capacity of members to conduct international trade ethically and legally. Check out their Web site tools of the trade including customs and tariffs, intellectual property rights, trade barriers, logistics, and more. This fully-orbed research driven site will help you to determine, among other things, how to import horses into China, how to franchise overseas, how to fight against fraudulent individuals in Nigeria, and how to invest in Afghanistan. The IBO Web site provides country profiles for more than half of the nations of the world. Profiles contain demographics, country overview, currency and communications information, and basic economic data. The

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**World Technology Network** The World Technology Network WTN brings innovative individuals together from the science and technology communities to share ideas, discover synergies, and create momentum within the realm of emerging technologies. Add in financiers and futurists and the organization builds capacity for creating roadmaps into the rest of the 21st Century. The community also includes marketers, writers, entrepreneurs, government officials, and policy analysts – people who are bent on creating dynamic systems to enhance world productivity and efficiencies. Awards are presented in the following categories: Awards are presented in these categories to both individuals and corporations who best represent WTN goals and ideologies. They promote business educational standards and opportunities for students and the professional educational community. Members include colleges and universities who are committed to strengthening business educational capacities worldwide. The International Business Education Consortium enables members to share curriculum ideas, provide fresh experiences for business students, create international teaching opportunities for faculty, and establish new revenue tuition streams for member institutions.

**International Executives Association** The International Executives Association is an elite type networking group for companies and their respective top level employees. Their focus on inspiration and camaraderie refreshes business executives enabling them to prosper as they share business leads and referrals with one another. Most local chapters are located in Canada and the United States. The BCIU organizes trade mission tours for cross-fertilization of business opportunities both internationally and domestically-hosted, roundtables for senior executives and politicians, and private meetings for high level officials of influence. A commercial training program geared toward embassy personnel and diplomats-in-training shows the diplomatic community how to promote business interests wherever they serve in the world by understanding the local business conditions and applying international standards for success. BCIU provides fascinating internship opportunities for college juniors and seniors to obtain experience in both private sector and governmental contexts. Responsibilities include database management, research, writing, and communications. A key benefit is networking with interns from different cultural backgrounds.

**Coalition of Services Industries** The Coalition of Services Industries CSI represents the needs for the service industries in the United States, industries such as banking, hospitality, logistics, telecommunications, and insurance. They also promote international policies that will benefit these industries seeking to develop business worldwide. Special working groups have developed around the themes of financial services, insurance, telecommunications, media, and information technology. In addition, groups focus on the emerging economies of China and India. Determine what it is that you are looking for and then narrow down your search based upon geography, association fees, personal and professional goals, membership opportunities and requirements, and the capacity for association members to influence you to influence your sphere of the world.

## Chapter 5 : International Business System Hierarchy | Hierarchy Structure

*Forms of Business Ownership Ease of Starting Obtaining a business license and meeting other minor legal requirements are usually the only steps needed to start a sole proprietorship.*

This article throws light upon the four major types of international organizational structures. Expo-documents against acceptancert Department 2. International division structure 3. Global Organizational Structures 4. Evolution of Global Organizational Structures. Expo-documents against acceptancert Department: However, with increase in exports turnover, an independent exports department is often setup and separated from domestic marketing, as shown in Fig. Vice President, Director, or Manager Exports. The role of the HR department is primarily confined to planning and recruiting staff for exports, training and development, and compensation. Sometimes, some HR activities, such as recruiting foreign sales or agency personnel are carried out by the exports or marketing department with or without consultation with the HR department. The head of international division, who directly reports to the chief executive officer, coordinates and monitors all foreign activities. The in-charge of subsidiaries reports to the head of the international division. Some parallel but less formal reporting also takes place directly to various functional heads at the corporate headquarters. The corporate human resource department coordinates and implements staffing, expatriate management, and training and development at the corporate level for international assignments. Further, it also interacts with the HR divisions of individual subsidiaries. The international structure ensures the attention of the top management towards developing a holistic and unified approach to international operations. Such a structure facilitates cross-product and cross-geographic co-ordination, and reduces resource duplication. Although an international structure provides much greater autonomy in decision-making, it is often used during the early stages of internationalization with relatively low ratio of foreign to domestic sales, and limited foreign product and geographic diversity. While conceptualizing organizational structure, the internationalizing firm often has to resolve the following conflicting issues: Extent or type of control exerted by the parent company headquarters over subsidiaries ii. Extent of autonomy in making key decisions to be provided by the parent company headquarters to subsidiaries centralization vs. It leads to re-organization and amalgamation of hitherto fragmented organizational interests into a globally integrated organizational structure which may either be based on functional, geographic, or product divisions. Depending upon the firm strategy and demands of the external business environment, it may further be graduated to a global matrix or trans-national network structure. Global functional division structure: It aims to focus the attention of key functions of a firm, as shown in Fig. For instance, the operations department controls and monitors all production and operational activities; similarly, marketing, finance, and human resource divisions co-ordinate and control their respective activities across the world. MNEs with narrow and integrated product lines, such as Caterpillar, usually adopt the functional organizational structure. Such organizational structures were also adopted by automobile MNEs but have now been replaced by geographic and product structures during recent years due to their global expansion. The major advantages of global functional division structure include: Greater emphasis on functional expertise ii. Relatively lean managerial staff iii. High level of centralized control iv. Higher international orientation of all functional managers The disadvantages of such divisional structure include: Difficulty in cross-functional coordination ii. Challenge in managing multiple product lines due to separation of operations and marketing in different departments iii. Since only the chief executive officer is responsible for profits, such a structure is favoured only when centralized coordination and control of various activities is required. Under global product structure, the corporate product division, as depicted in Fig. The heads of product divisions do receive internal functional support associated with the product from all other divisions, such as operations, finance, marketing, and human resources. They also enjoy considerable autonomy with authority to take important decisions and operate as profit centres. The global product structure is effective in managing diversified product lines. Such a structure is extremely effective in carrying out

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product modifications so as to meet rapidly changing customer needs in diverse markets. It enables close coordination between the technological and marketing aspects of various markets in view of the differences in product life cycles in these markets, for instance, in case of consumer electronics, such as TV, music players, etc. However, creating exclusive product divisions tends to replicate various functional activities and multiplicity of staff. Besides, little attention is paid to worldwide market demand and strategy. Lack of cooperation among various product lines may also result into sales loss. Product managers often pursue currently attractive markets neglecting those with better long-term potential. It is generally used by companies with mature businesses and narrow product lines. It allows the independent heads of various geographical subsidiaries to focus on the local market requirements, monitor environmental changes, and respond quickly and effectively. The corporate headquarter is responsible for transferring excess resources from one country to another, as and when required. Such structure is effective when the product lines are not too diverse and resources can be shared. Under such organizational structure, subsidiaries in each country are deeply embedded with nationalistic biases that prohibit them from cooperating among each other. It is an integrated organizational structure, which super-imposes on each other more than one dimension. The global matrix structure might consist of product divisions intersecting with various geographical areas or functional divisions Fig. Such an integrated organizational structure facilitates greater interaction and flow of information throughout the organization. It facilitates ease of technology transfer to foreign operations and of new products to different markets leading to higher economies of scale and better foreign sales performance. In an effort to bring together divergent perspectives within the organization, the matrix structure may also lead to conflicting situations. Such a globally integrated structure represents the ultimate form of an earth-spanning organization, which eliminates the meaning of two or three matrix dimensions. It encompasses elements of function, product, and geographic designs while relying upon a network arrangement to link worldwide subsidiaries Fig. This form of organization is not defined by its formal structure but by how its processes are linked with each other, which may be characterized by an overall integrated system of various inter-related sub-systems. The conceptual framework of a trans-national network structure primarily consists of three components: These are subsidiaries located anywhere in the world where they can benefit the organization either to take advantage of low-factor costs or provide information on new technologies or market trends Specialized operations: It is used to share information and resources throughout the dispersed and specialized subsidiaries. Organizational structure of N. Philips which operates in more than 50 countries with diverse range of product lines provides a good illustration of a trans-national network structure. Evolution of Global Organizational Structures: Organizational structures often exhibit evolutionary patterns, as shown in Fig. The historical evolution of organizational patterns indicates that in the early phase of internationalization, most firms separate their exports departments from domestic marketing or have separate international divisions. Companies with emphasis on global business strategies move towards global product structures whereas those with emphasis on location base strategies move towards global geographic structures. Subsequently, a large number of companies graduate to a matrix or trans-national network structure due to dual demands of local adaptations pressures and globalization. In practice, most companies hardly adopt either pure matrix or trans-national structures; rather they opt for hybrid structures incorporating both.

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## Chapter 6 : Organizational Structure | International Organization for Migration

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Home Business Hierarchy International Business Hierarchy International Business Hierarchy International Business Hierarchy will be the appropriate classification of all the employees of an international level business. A business at international level will be quite hugely defined in terms of manpower, authorities, financial prospective etc and many more. The business is developed by its professionals who handles and manages the work performance of entire organization. Higher level professionals have the authority to use all of the organizational resources in order to make vital decisions for the organization. Well in organizations normally the entire hierarchy is a three level system but in case of International Business system Hierarchy , it is a four level system. These four main levels efficiently form a hierarchy in which every professional is ranked in order of power, authority and importance in the organization. These appropriately form a pyramid where the higher level professionals reside at the top of the pyramid while the lower level makes the base of the pyramid. This hierarchical arrangement is described as below

- Top level
- Middle level
- Lower level
- First level

Well this is the lowest level in the International business hierarchy. These professionals take care of the daily basis management of the ground level works of the organization. These are also termed as first line professionals. They work for the goals on ground basis that higher level professionals set for them. Though they are at the bottom of the hierarchy yet they have an important place in the organization. These professionals if perform poorly get fired directly by the senior level professionals. Further the levels are divided on the basis of different roles one performs. These four roles are as described below

- Decisional Roles
- Managerial Roles
- Interpersonal Roles
- Informational Roles

International Business Hierarchy was last modified:

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## Chapter 7 : Which Organizational Structure is Right for Your Business? - racedaydvl.com

*Organization Structure in International Business PRESENTED BY: JATIN VAID 2. Organization Structure Organization is defined by the formal structure, coordination and control systems, and the organization culture. It's the formal arrangement of roles, responsibilities and relationships within an organization. It's a powerful tool with which.*

Next Page Every international business firm has to face various issues related to organizational policies. These organizational issues are to be addressed carefully in order to keep the business healthy and profitable. Although there are numerous issues, both small and big, we will primarily concentrate only on the major issues that need to be addressed.

**Decentralization** Centralization is the systematic and consistent reservation of authority at central points in the organization. In centralization, the decision-making capability lies with a few selected employees. The implications of centralization are Decision making power is reserved at the top level. Operating authority lies with the mid-level managers. Operation at lower level is directed by the top level. Almost every important decision and operational activities at the lower level are taken by the top management.

**Decentralization** is a systematic distribution of authority at all levels of management. In a decentralized entity, major decisions are taken by the top management to build the policies concerning the entire organization. Remaining authority is delegated to the mid- and lower-level managers. Use of **Subsidiary Board of Directors** International firms, especially the fully-owned ones, usually have a board of directors to oversee and direct the top-level management. Help the management unit in providing response to local conditions. Assist the top management in strategic planning.

**Organizational Structures** Any international business organization, depending on its requirements and operations, would have an organization structure to streamline all its processes. In this section, we will try to understand some of the major types of organizational structures.

**Initial Division Structures** Initial division structures are common in subsidiaries, export firms, and on-site manufacturers. Subsidiaries that follow this kind of organization structure include firms where the main export is expertise, for example, consultants and financial firms. Export firms include those having technologically advanced products and manufacturing units. Companies having on-site manufacturing operations follow this structure to cut down their costs.

**International Division Structure** This structure is built to handle all international operations by a division created for control. It is often adopted by firms that are still in the development stages of international business operations.

**Advantages** International attitude gets the attention of top management United approach to international operations

**Disadvantages** Separates domestic managers from their international counterparts Difficulty in ideating and acting strategically and in allocating resources globally

**Global Product Division** Global product divisions include domestic divisions that are allowed to take global responsibility for product groups. These divisions operate as profit centers.

**Advantages** Helps manage product, technology, customer diversity Ability to cater to local needs Marketing, production, and finance gets a coordinated approach on a product-by-product, global basis

**Disadvantages** Duplication of facilities and staff personnel within divisions Division manager gets attracted to geographic prospects and neglects long-term goals Division managers spending huge to tap local, not international markets

**Global Area Division** Global area division structure is used for operations that are controlled on a geographic rather than a product basis. Firms in mature businesses with select product lines use it.

**Advantages** International operations and domestic operations remain at the same level Global division managers manage business operations in selected geographic area Ability to reduce cost per unit and price competitively

**Disadvantages** Difficult to align product emphasis in a geographically oriented manner.

**Global Functional Division** This structure is to primarily organize global operations based on function; product orientation is secondary for firms using global function division structure.

**Advantages** It emphasizes on functional leadership, centralized-control, and leaner managerial staff Favorable for firms that require a tight, centralized coordination and control over integrated production mechanisms Helps those firms that need to transport products and raw materials between geographic areas

**Disadvantages** Not suitable for all types of businesses. Applicable to only oil and mining

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firms Difficult to coordinate manufacturing and marketing processes Managing multiple product lines can be challenging, as production and marketing are not integrated. Mixed Matrix This structure combines global product, area, and functional arrangements and it has a cross-cutting committee structure. Advantages Can be designed to meet individual needs Promotes an integrated strategic approach tailored to local needs and priorities Disadvantages Complex structure, coordinating and getting everyone to work toward common goals becomes difficult. Too many independent groups in the structure.

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## Chapter 8 : International Organizational Structures (With Diagram)

*Larry Alton is an independent business consultant specializing in social media trends, business, and entrepreneurship. In addition to writing, he's also active in his community and spends weekends volunteering with a local nonprofit literacy organization and rock climbing.*

These 10 animal facts will amaze you The different types of international organizational structure generally fall into five categories. Multinational companies may be organized into divisions, or by geographical location of operations. Manufacturers operating globally often use an international organization structure focused around product lines. Other global organizations choose to pursue a functional structure. An internal collaborative approach may also be used, and this is often referred to as matrix structuring. International organizational structure is sometimes based on divisional structuring. Companies may choose this option because expansion is relatively simple. A new division is created, and nested within the existing management structure. This is comparable to adding a room onto an existing building, as the other aspects of the operation are left mostly unaffected. Structuring by geographical area is another form of a compartmentalized international organizational structure. In this case, management usually appoints regional directors, with each one having responsibility over operational decisions within a geographical area. This strategy is often employed when a business first makes the leap from domestic to international operations. Another advantage often cited is that indigenous leadership can be put in place within a geographical area, thus tapping the cultural acumen of the manager. Ad Organizing operations around product lines may be another choice for manufacturing firms that possess facilities in multiple international locations. Just as in the case of a geographical corporate management structure, this form allows for easier expansion. Automotive companies are one example of an industry that often uses this form of international organizational structure. One automotive line making cars that appeal to North Americans may be located in the U. Even though such operations are under one company, managers of a product line may operate in a highly autonomous fashion, allowing rapid response to changing market conditions. Sorting operations by functionality is yet another type of international organizational structure, and one that is very common. It is also known as departmental organization. In this case, an international company or organization may have a marketing department, an accounting department, and so on. Sometimes, if this is used on a large scale and spans multiple countries, bureaucratic behaviors may eventually impede productivity. An international organization using a matrix structure usually aims to combine the strengths of both product and functional structures. This system is more supportive of cross functionality, and offers large international organizations a more collaborative approach. In a matrix structure, management tries to discourage silos, while still retaining a departmental structure. This form of organizational structure is often used to stem the growth of internal bureaucracy, while still allowing departmentalization.

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## Chapter 9 : Types of Global Organizational Structure | Bizfluent

*The Organization of International Business. Organizational Structure Just starting out in international business.*

There are four main types of business structures in the U. Each structure has different tax, income and liability implications for businesses owners and their companies. Sole Proprietorship Sole proprietorship is the simplest organizational structure available for businesses. Businesses structured as a sole proprietorship allows the owner s to have total control over company operations. Businesses that typically form sole proprietorships are home-based businesses, shop or retail businesses and one-person consulting firms. Owners of sole proprietor businesses are responsible for their own record keeping and paying the IRS in the form of self-employment taxes. Partnership A partnership is formed when two or more people join, or partner, together to run a business. Each partner has equal share in the net profits and losses of their business. Like a sole proprietor, each partner reports their income on their personal tax return and pays self-employment taxes to the IRS. They are also personally liable for financial debt and obligations of their company and also the actions of other partners. Although partnerships can be formed through oral agreements and handshakes, written agreements can be the best option in the event of disputes or lawsuits between partners. Limited Liability Company One of the newest organizational structures for businesses is limited liability company LLC. The limited liability structure is considered a hybrid as limited liability companies can be formed as corporations or partnerships. LLCs can provide owners, who are commonly referred to members under this structure, the protection from liability and other obligations similar to a corporation. Limited liability companies can also be set up and managed like partnerships. The taxation of LLCs also depends on its structure. Due to its limited protection, some companies such as banks and insurance companies are restricted from being LLCs. Corporations The most complex organizational structure for businesses is the corporation. This type of business structure separates the liabilities and obligations incurred by company operations from being the responsibility of the owners. Corporations are regulated by the laws of the state they are set up in. Unlike sole proprietor and partnership businesses, corporations are taxed as separate entities at corporate tax rates. The IRS taxes corporation owners at individual tax rates. There are two common types of corporation structures: Subchapter C and S. The different between the two subchapters stem from different tax rules. Ordinary corporations are considered Subchapter C corporations. Subchapter S corporations, unlike Subchapter C companies, can pass income and losses onto their shareholders to avoid paying federal income taxes. This prevents double taxation of corporation profits.