

Corporations and structural settings in the world economy

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Lecture objectives

- Understand the major structural changes in the world economy
- Discuss the changing configuration of modes of international business
- Knowledge of organization structure of multinational corporations

Structural changes in the world economy

- Multinational corporations are the major change agents in the world economy
- Changes in the patterns of ownership, foreign exchange, competition, and information and communication
- The change addresses:
 - Overall trends to the world economy (production-consumption-disposition patterns)
 - Specific market changes (actors in the demand and supply parts)
 - Competencies of the firm (how the firm be able to compete in the global competition)
 - Changes in the optimal boundaries of the firm (areas and levels of change in the firm)
 - Changes in the organization structure and networks of the firms (changes in organization structure and authority, supply chain and logistics, technology and resources, sources and uses of funds, etc.)

The issues

Empirical issues impacting change

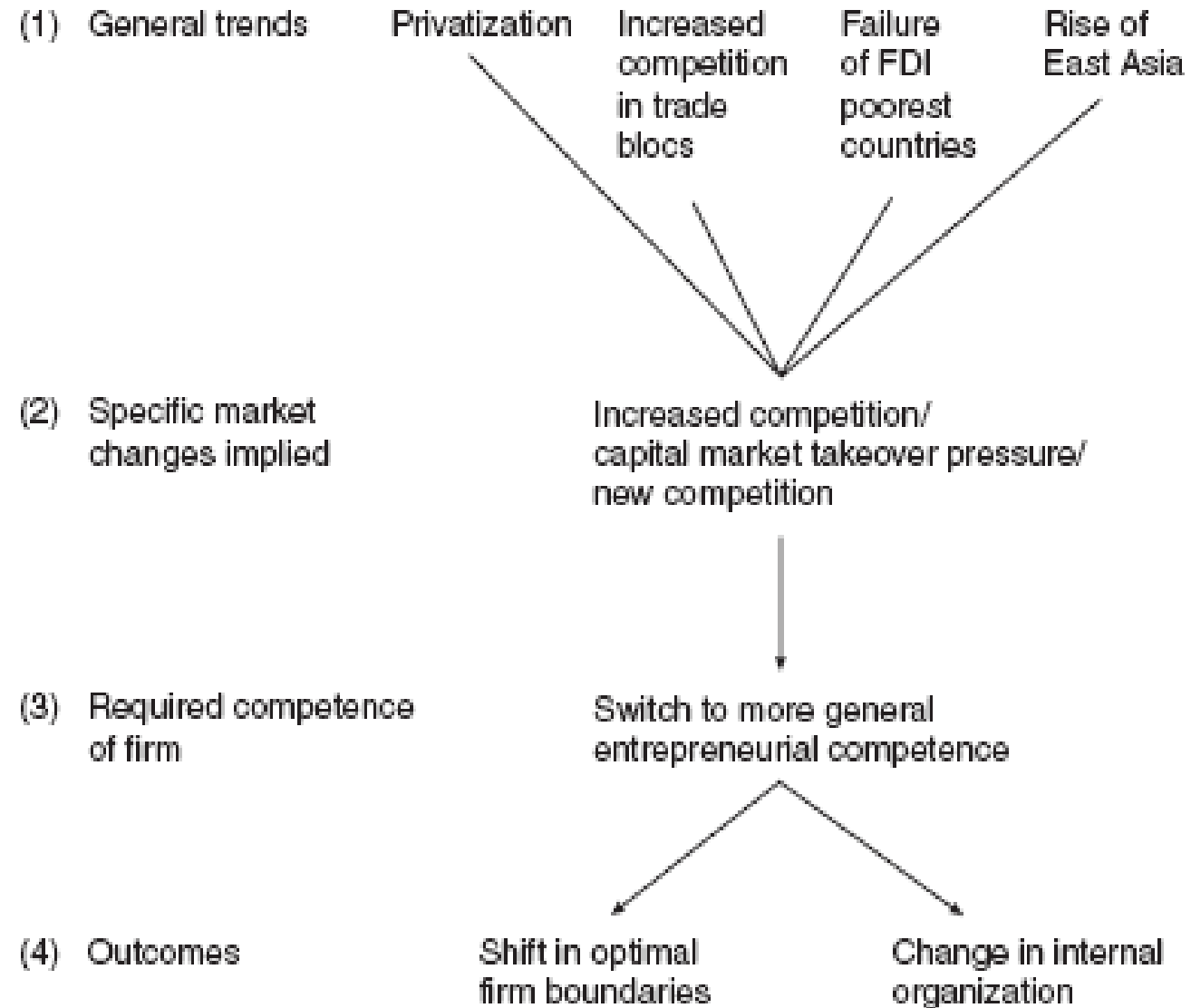
- The rise and fall of national, regional and world economy;
- The pace of development in the poorest countries;
- The change in the balance between private and public sectors; and
- The dominance of trade blocs in the world economy: the integration of markets internationally and the trend towards 'globalization'.

The issues contd.

Conceptual issues impacting change:

- The conceptualization of competitiveness (firm's and nation's competitiveness)
- The integration of culture into (economic) models;
- Ethics and social welfare; and
- Ownership patterns and management processes

Modelling trends in the international economy



(Adopted from Buckley, P. J.)

The changing configuration of modes of IB activities

- Non-contractual modes:
 - Imitation
 - Educational transfers
 - Piracy/counterfeiting
- Contractual modes:
 - Licensing and franchising
 - Networking and outsourcing
- Control modes- *FDI*
 - *Joint ventures*
 - *Greenfield ventures*
 - *Acquisition*

Organizational structure of multinational corporations

- Functional structure
- Divisional (international) structure
- Matrix structure
- Geographic structure
- Multidivisional structure
- Holding company structure
- Networked/virtual structure

Assignment and exercise

- Review the major structural changes in the world economy
- Examine the changing configuration of modes of international business
- Compare and contrast the usefulness of organization structure of multinational corporations

Selected readings

Buckley, P. J. (2003). *The Changing Global Context of International Business*. New York: Palgrave Macmillan.