## *Viewpoint*

# International, Multinational, and/or Global?

*Alfred Zeien*

How do large, worldwide businesses evolve from international to multinational and then to global structures?

First, let me define these three terms. *International* is usually the first step. An international company transports its business outside its own country. Normally, each of its operations is a replication of the company's domestic experience. Generally, an international company is structured geographically and involves subsidiary general managers.

A *multinational* company, in contrast, grows and defines its business on a worldwide basis, but continues to allocate its resources among national or regional areas so as to maximize the total. Companies with multiple product lines often find it very difficult to stay geographic for a variety of reasons, such as the need to have a common accounting system, common control functions, and interrelated marketing programs. Such companies evolve into multinational structures, with combinations of product-line and solid-line responsibilities.

Finally, the so-called *global* organization treats the entire world as though it were one big country. The global organization may be the entire company or one or more of its major product lines.

Some businesses operate on a mixture of two or three of these models at a time. At the Gillette Company, we are currently operating on a mixture of the latter two.

Despite the hundreds of treatises by experts in this field who preach one way or the other, there is no one optimal organizational structure. And that is because – obviously – companies vary. They vary as to how well a particular product or service „travels" – in the sense in which a good Bordeaux wine travels. A product or service that doesn't travel well requires tailoring to the individual marketplace. In companies with a single product line that travels well, it is relatively easy to move toward the global form of organization. Businesses that don't travel well – that is, where the marketplace or the desire for the products varies by national or other characteristics – are hampered in their ability to achieve the global organization.

Companies with multiple product lines tend to be forced into some form of a matrix function, which makes it very difficult to achieve globalization. The matrix form of organization is generally a choice of two of three alternative organizations: geographical, by product lines, or by functional area.

Sometimes, the matrix can be three-way. This is the structure adopted by two of Gillette's principal product lines, our North Atlantic blade and razor business and our Braun appliance business.

Most large corporations tend to have multiple product lines and some businesses that don't travel well. Such organizations are constantly searching for some common ground between multinationalization and globalization. This will continue to be the case for several years. It is my belief that the pendulum will swing back and forth in four- to five-year intervals between multinationalization and globalization as management searches to improve the effectiveness of the organization. For most students of business and industry – and I consider myself a perpetual student thereof – this is a good sign. It underscores the need for leadership qualities, because, in essence, management is management of change.

Application of the global model has become increasingly difficult. Trying to manage a business in a central way only emphasizes the great differences in market development between – say – Sweden and Indonesia. That is, the state of development of the economic infrastructure tends to support the multinational form of corporate structure because it allows delegation of the planning function to the central group and of the implementation function to the use that is best adapted to local geography and infrastructure.

Companies such as Gillette, with long experience in both the developed and the developing world, have maverick organizations. For example, Gillette recently had to devise strategies for the Eastern European markets as they opened up to the possibility of something more than exports. In the initial period – and we hope that history will support this decision – we adopted a geographic organization, principally because the several countries adjoining Western Europe require a planning approach that's built up from grass roots, based on the national marketplace rather than the extension of our global strategy. This approach is totally different from the approach we choose to use in the Soviet Union.

A second example: Several years ago, our appliance business in the United States was sourced in Western Europe and managed essentially on a geographic basis. As we gained experience, we realized the tremendous difficulty in strategically managing the cost structure with constantly changing exchange rates between the European currencies – the franc, the deutsche mark, the peseta – and the U.S. dollar. To overcome this issue, our business has essentially taken on a global framework. We greatly expanded our production base in Mexico, which is now supplying a combination of the Mexican, U.S., and Canadian markets.

My colleagues and I keep hearing the same question: Why are we unable to determine what's the best structure for the company? Why aren't we consistent? Isn't there a master plan? Well, my reply is simple: Flexibility demands a certain level of inconsistency, and flexibility is absolutely essential to a worldwide enterprise.

Effective companies and organizations can and will redefine themselves quickly. In fact, organizational structures will probably change twice every decade. Successful leaders will alter the structures of their organizations not only to adapt to the changing extemal environment, but also to facilitate those hard-to-bring-about internal changes.

The key word is „change." It is essential not only to be receptive to change, but to actively encourage it, and, finally, to demand it.

*Alfred Zeien is chairman of the board and chief executive officer of The Gillette Company. This article is based on remarks by Mr. Zeien at the July 1991 commencement exercises of the Arthur D. Little Management Education Institute, an accredited school of management that offers a Master of Science in Management degree, as well as short professional programs emphasizing management for international development.*