Chapter II

Multinational Companies

Learning Outcomes

- Understand different organization structure of multinational corporations
- Apply the organization structure models to analyze the global organization structure of Robert Bosch GmbH
- Analyze the regional organization structure for Robert Bosch US
- Obtain an overview of the theoretical models of business strategies used by multinational firms

History

The concept of multinational sales was not a viable option until modern transportation and communication systems were developed to a level that made dealing with large distances possible. Although in many parts of Europe companies were able to sell goods and services in their neighboring countries, this was only because the size of the countries was small enough for this to occur. In reality, it was not until the advent of transport trucks, container ships, cargo planes, and/or railway networks that the movement of products over large distances became feasible. The trend towards the internationalization of produc-
tion in its broadest sense can be roughly divided into three stages; The first of these, during which direct foreign investment occurred on a considerable scale, began approximately in the middle of the 19th century and ended with the outbreak of World War I. The second stage, marked initially by a recovery of foreign activities by private enterprises but followed by stagnation and then an absolute decline in these activities, comprised the inter-war period. The third stage in this development started at the end of World War II and has been marked by an almost steady, large-scale growth of global business dealings, foreign direct investment in other countries, and direct cooperation among countries (European Union, 2005; OECD, 1977). The European Union now consists of 25 countries and covers a large part of the continent of Europe. Though richly diverse, the 25 countries that make up the EU are all committed to the same fundamental values: peace, democracy, the rule of law and respect for human rights. Trade between EU countries has become much easier and cheaper thanks to the removal of tariff barriers and custom duties. In such an environment, large corporations spread around the world have to continually recalculate where it is cheapest to produce quality products while simultaneously ensuring that the products are available for sale in the countries where their customers are located and when the products are needed and at appropriate prices so as to ensure profits.

**What Multinational Companies Do**

The goal of a company is to increase the wealth of its shareholders and benefit its employees and a primary method of doing this is by maintaining and/or increasing its ability to grow. Once a company has operated in a specific region or country for a long period of time, it can start to face problems with meeting its growth targets. One way to continue to grow is to expand into new and emerging markets, which entails branching out into the international marketplace. Consider, for example, a multinational manufacturing company that does business in a number of countries: it has a substantial commitment of its resources in international business, it engages in international production in a number of countries, and it has a worldwide perspective in its management. By branching out into multiple countries, the company continues to grow and reduces the risks it faces if conditions in one country changes drastically.
IT/IS Readiness Maturity Model
Mustafa Alshawi and Hafez Salleh (2012). Teaching Cases Collection (pp. 1-14).
www.igi-global.com/chapter/readiness-maturity-model/61094?camid=4v1a