Case 1

Forms, Inc.

Forms, Inc. (FI) is a globally-owned company with shares sold on all of the major stock markets of the world. FI was founded in 1926 by a wealthy European family, which retains control of the company with the largest holding (10 percent). Almost all subsidiaries are wholly owned, and FI prefers 100 percent ownership in foreign operations. Joint ventures have been established, where required locally, when the location has been seen as strategically important to FI. In these situations, FI prefers local partners who do not want to be actively involved in decision making. FI produces and markets business forms and computer software worldwide. Business forms represent 78 percent of sales; software, 20 percent; and the final 2 percent is provided by a variety of related mechanical products (e.g., storage racks and other forms-related equipment). FI headquarters are in Belgium, although only 3 percent of sales are generated there. The company has sales offices in over 100 countries and production operations in fifteen.

Sales. Approximately US$2 billion in 1998: 40 percent of sales are in Europe, 10 percent in Africa, 15 percent in the Middle East, 5 percent in the former Communist bloc, 10 percent in Japan and the Pacific Rim, 10 percent in Latin America and the Caribbean, and 10 percent in Canada and the United States.

Size. Approximately 25,000 employees worldwide; over 600 sales offices.

Structure. The company is organized around two mainstreams of activity: (1) production and customer service, and (2) marketing and sales. These are seen by top management as equally important aspects of the organization. Both production and sales are organized regionally; however, the regions are not necessarily contiguous. Each center is operated as a profit center with regional coordinating committees serving as liaisons between them.

Regional Production Centers. Regional production centers have been identified on the basis of efficiency and integration of operations. Five production center regions have been established: (1) the United States and South and Central America, (2) Western Europe, (3) Southern Europe, (4) the Middle East and Africa, and (5) the Far East.

Production facilities are located in the following countries:

Area 1: United States, Mexico, Barbados, Brazil
Area 2: Belgium, France, Switzerland
Area 3: Greece, Italy, Spain
Area 4: Nigeria, Zambia, Saudi Arabia
Area 5: Australia, Malaysia

Regional Sales Centers. Regional sales centers have been identified on the basis of local variation in customer needs and buying habits. Eight sales center regions have been established: (1) the United States and Canada, (2) South America, (3) Central America and the Caribbean, (4) the European Union, (5) former Communist bloc countries, (6) Japan, (7) South Africa, and (8) Africa (except South Africa).

Sales facilities are located in the following countries:

Area 1: three in Canada and five in the United States
Area 2: one in each—Argentina, Brazil, Chile
Area 3: one in each—Barbados, Costa Rica
Area 4: one in each—Belgium, France, the UK
Area 5: one in Russia
Area 6: two in Japan
Area 7: one in South Africa
Area 8: one in each—Kenya, Nigeria, the United Arab Emirates

Coordinating Committees. Coordinating committees have been established to overcome some of the difficulties presented by the different makeup of the two types of regional centers; coordinating committees are located in the following regions: (1) the Americas, (2) Europe, (3) the Middle East and Africa, and (4) the Far East.

Management. All of the top managers are European, and most of the salespeople are also European. Production management and personnel are mostly local residents once operations are established, but there is always one "home office" representative. This representative is expected to oversee operations and quality control and provide a communication link between the subsidiary and the home office. These home office representatives have extensive international experience as they generally do not spend more than three years in one location.

Training. Salespeople receive extensive training not only technically, but also culturally. Cultural training includes films and lectures on the host culture, intensive language instruction, and interaction with host nationals and foreigners who have lived in the host country. Salespeople generally stay in one region for several years and work with their replacements for several months before leaving. Management receives similar training for overseas posts.

Communications and Control. Top managers believe in personal communications and visit subsidiaries regularly. Their philosophy is that you have to know your people personally if you expect them to work hard. In addition, regional meetings are held regularly, and subsidiary managers visit the home office once a year. Social functions are also held regularly to celebrate local achievements. Personal interaction and supervision constitutes a large part of the control system—ensuring that things are done the FI way. There is also a formal system of written reports, which are sent to the home office by the subsidiary management on a weekly, biweekly, and monthly basis.

Company Strengths. The company has been very successful; this can be attributed to its product innovation, as well as to efficient manufacturing. Efficiency has been achieved through standardized production processes. Manufacturing operations are identical wherever they are located. The buildings are built to the same specifications; the layout and the machinery are the same. Thus, an operator from Spain could be flown to Barbados and immediately find his or her way around the factory.

Product innovation has been achieved through localization, that is, through responsiveness to local needs, customs, and so on. Sales and marketing personnel provide customized approaches for their customers; they monitor changing needs in different locations and respond to them. However, they also are trained to look for similarities in various locations and to capitalize on them to increase the use of standard forms.

Company Concerns. "Trade-offs" best summarize the company's concerns. The two arms of the company—production and sales—are in conflict regarding short-term objectives. In addition, local management is in conflict with headquarters over objectives, reports, and evaluations. Communication throughout the organization is difficult, and overseas personnel feel out of touch with the organization as a whole. The organizational structure is complex and results in delays as coordinating committees travel from one location to another, attempting to integrate production and sales. These delays have resulted in directives from top management in Belgium, which add to intra-company conflicts.

Corporate Strategy. Rapid expansion is planned for the next five years. Top management believes it can increase sales dramatically in the Pacific Rim, Latin America, and North America. This will require an expanded sales force in these locations, as well as increased production facilities. Top management is currently examining the operating and profit potential in the former Communist countries.

Competition. Globally there are two other firms that produce and sell business forms, computer software, and related items throughout the world: one is Canadian; the other, British. At the local level, there are small printing companies in virtually every country offering some products similar to FI's.