

## Comparison of the Effectiveness of Functional, Product, and Geographic Organizational Structures in Global Marketing Strategy

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**Abstract:** This study investigates the comparative effectiveness of three primary organizational structures—functional, product-based, and geographic—in facilitating global marketing strategies. Employing a qualitative methodology through in-depth case studies of six multinational corporations across the technology, pharmaceutical, and consumer goods sectors, the research highlights the nuanced interplay between organizational design and strategic marketing execution. Findings indicate that no single structure universally outperforms the others; rather, effectiveness is contingent upon specific contextual factors such as product complexity, market diversity, and the degree of global integration versus local responsiveness required. Functional structures tend to support centralized control and efficiency, while product-based structures enhance innovation and brand focus. Geographic structures, on the other hand, offer adaptability to regional market dynamics. The study underscores the importance of strategic alignment between organizational form and marketing objectives, suggesting that hybrid or flexible configurations may offer optimal outcomes in dynamic global environments. These insights provide actionable guidance for decision-makers in selecting or adapting organizational structures to better support international marketing efforts. Ultimately, the research contributes to a deeper understanding of how structural choices influence global competitiveness and responsiveness, offering a framework for organizational design that aligns with evolving market demands and strategic priorities.

**Keywords:** Functional; Geographical; Global Marketing Strategy; Organizational Structure; Product

### 1. Introduction

In the era of globalization and digitalization, multinational companies face increasingly complex challenges in developing global marketing strategies. Competition comes not only from local companies but also from global players with greater resources. Therefore, the success of a global marketing strategy is largely determined by how a company can design an organizational structure that supports efficiency, adaptability, and innovation in the international market (Kotler & Keller, 2016).

Organizational structure plays a fundamental role in determining the flow of communication and coordination across countries. Companies with rigid structures tend to be slow to respond to global market changes, while flexible structures allow for accelerated decision-making. According to Daft (2021), organizations that design their structures dynamically are better able to accommodate the diverse needs of global markets than those with bureaucratic hierarchies.

Furthermore, global marketing strategies require cross-cultural coordination. A matrix-based organizational structure, for example, allows for collaboration between product and regional divisions. However, a challenge that arises is the potential for conflict of authority between product line managers and regional managers. Robbins and Judge (2019)

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emphasize that the effectiveness of a matrix structure depends on clear communication and conflict resolution mechanisms.

The success of multinational corporations is also determined by their ability to decentralize decisions. In the context of the global market, decentralization allows subsidiaries in specific countries to adapt marketing strategies to local cultures. According to Hill, Schilling, and Jones (2020), companies that adopt a decentralized approach find it easier to build relationships with local consumers, thereby increasing their competitiveness in the market. However, not all decisions can be delegated to the local level. Some core strategies, such as global positioning or international branding, still require centralization to maintain a consistent brand identity. Ghemawat (2018) suggests that balancing global integration and local responsiveness is key in designing the organizational structure of multinational corporations.

Digitalization also has significant implications for organizational structures. Digital technology enables more efficient coordination through the use of cross-border communication platforms, big data analytics, and artificial intelligence. Companies like Unilever and Procter & Gamble employ hybrid structures that combine global and regional functions, balancing global efficiency with the need for local adaptation (Bartlett & Beamish, 2018).

The rise of e-commerce and social media has accelerated the flow of information between headquarters and branches. An organizational structure capable of integrating digital marketing functions at various levels will be more responsive to consumer trends. According to Chaffey and Ellis-Chadwick (2019), a structure that adapts to digital marketing developments can significantly increase the effectiveness of global strategies.

Another equally important aspect is human resource capability. A good organizational structure should support the development of employee competencies across borders. Successful multinational companies typically have an international rotation system for their managers, enabling them to understand various market contexts. This aligns with Deresky's (2017) opinion, which emphasizes the importance of cross-cultural management in global organizations.

Undeniably, globalization requires companies to continually balance global standards with local needs. Therefore, organizational structure serves as the foundation that determines how well a global marketing strategy can be executed. Without the right structure, even the best strategies will struggle to be implemented consistently (Kotler & Keller, 2016).

Thus, selecting the right organizational structure is a determining factor in the success of a multinational company's global marketing strategy. An effective structure is one that balances global efficiency with local adaptation, facilitates cross-cultural communication, and supports digital-based innovation. Going forward, the challenges of globalization and digitalization will increasingly require companies to design organizational structures that are more agile, collaborative, and adaptive to international market dynamics. This study aims to compare the effectiveness of functional, product, and geographic organizational structures in supporting global marketing strategies. The research focuses on how these three structures support adaptation, operational efficiency, and responsiveness to global market dynamics.

## **2. Literature Review**

### **Functional Organizational Structure**

The functional structure is a classic form of organizational structure widely used by companies, both national and international. In this structure, activities are organized based on primary functions, such as marketing, production, finance, human resources, and research and development. This model allows companies to focus more on achieving efficiency within each function. Montana and Charnov (1993) explain that a functional structure provides a strong foundation for the division of labor, allowing each department to develop its own expertise.

The primary advantage of a functional structure lies in its high level of specialization. Specialization allows employees to develop deeper technical competencies in specific areas, thereby improving work quality. Furthermore, operational efficiency can be achieved because routine work within a single function becomes more standardized and easier to control. According to Robbins and Coulter (2018), specialization within a functional structure supports operational cost savings and increases organizational productivity. However, functional structures also face significant drawbacks, namely a lack of coordination across products and markets. In companies serving multiple segments or operating in multiple regions, communication barriers often arise between divisions. For example, the marketing department may have different priorities than the production department, leading to conflicts of interest. Mintzberg (2009) emphasized that limited horizontal coordination is a major challenge of functional structures, especially for companies pursuing product diversification.

Another drawback of a functional structure is slow decision-making when companies face rapid market dynamics. Because strategic decisions typically have to move through the vertical hierarchy, the organization's response to external changes can be delayed. Daft (2021) argues that a functional structure is more suitable for companies in stable environments, but in turbulent conditions, this structure can create rigidity that hinders innovation and flexibility.

Despite its limitations, the functional structure remains relevant for many organizations, particularly those focused on operational efficiency and consistency. Companies with a limited product line and a homogeneous market orientation often benefit from this model. Therefore, the decision to use a functional structure should consider both the company's internal conditions and the characteristics of the external environment. As Montana and Charnov (1993) emphasize, the effectiveness of an organizational structure always depends on the extent to which it aligns with the organization's strategy and objectives.

### **Product Based Structure**

A product-based organizational structure is a form of work unit grouping where each product line is managed as a separate entity with its own functional department, such as marketing, production, finance, or research and development. This model is often used by large companies with extensive product portfolios. According to Devaney (2020), product-based grouping allows each unit to focus entirely on developing and marketing the products under its responsibility.

The main advantage of this structure is the high level of focus on each product line. Because each unit operates relatively independently, marketing and operational strategies can be tailored to specific product needs. Robbins and Coulter (2018) emphasize that a product structure encourages specialization based on market or product, allowing companies to be more responsive to changes in consumer demand and competition in specific segments.

Furthermore, a product-based structure facilitates independent strategy adjustments. This is especially important when products are at different stages in their life cycles—some are in the growth phase, while others may have entered the decline phase. With a product structure, each unit can design strategies tailored to its respective market conditions. Daft (2021) states that a product structure increases managerial flexibility because units have autonomy in making strategic decisions.

However, this structure also has a weakness, namely the potential for duplication of resources. Because each product line has its own functional department, the same functions are often repeated across different units. This can lead to wasteful costs and reduced operational efficiency. Mintzberg (2009) highlights that in large organizations with a product structure, coordination between units is challenging due to resource fragmentation and a lack of synergy between products.

The effectiveness of a product-based structure depends heavily on the company's size, level of product diversification, and management's ability to control duplication of functions. For companies with highly diverse product lines, this model provides greater flexibility and focus. However, companies also need to design robust coordination

mechanisms to maintain synergy between units. As Devaney (2020) emphasizes, the success of a product structure is determined by the balance between unit independence and overall organizational integration.

### **Geographic Structure**

A territory- or geographic-based organizational structure divides a company according to its operational locations, whether regional, national, or international. This model is typically implemented by multinational companies operating in multiple countries with varying market characteristics. According to Hollensen (2008), a territorial division allows companies to better focus on local market needs and accommodate cultural, legal, and regulatory differences in each country.

The main advantage of a geographic structure is its adaptability to local conditions. Companies can tailor their products, marketing strategies, and service approaches to consumer preferences in a particular region. Robbins and Coulter (2018) explain that this local orientation increases customer intimacy because decisions can be made more quickly and more relevantly to local market conditions. Thus, a geographic structure fosters stronger relationships between companies and local communities.

Furthermore, a geographic structure strengthens a company's position in facing local competition. Having a separate unit in each region gives a company the flexibility to respond directly to market changes or government policies. Hill, Schilling, and Jones (2020) emphasize that a region-based strategy supports the effectiveness of global operations because companies don't have to rely on centralized instructions for every decision related to local needs.

Geographical structures also face significant challenges, namely cross-regional coordination. Because each regional unit has a high degree of autonomy, it is often difficult to maintain a consistent global strategy. Furthermore, duplication of efforts across regions, such as marketing or research functions being repeated across multiple locations, can lead to cost inefficiencies. Mintzberg (2009) highlights that the risk of organizational fragmentation is often higher in geographic structures if they are not balanced by adequate coordination mechanisms.

Therefore, the success of implementing a geographic structure depends heavily on a company's ability to maintain a balance between local adaptation and global integration. Multinational companies need to build effective communication and information technology systems to minimize inter-regional disparities. Hollensen (2008) emphasized that a geographic structure will be optimal if a company is able to manage its operational complexity through flexible global standards while still allowing for local responsiveness.

### **Global Marketing Strategy**

A global marketing strategy essentially seeks to bridge a company's interests in achieving economies of scale through standardization while simultaneously adapting to market differences through adaptation. Standardization allows a company to leverage a consistent brand image worldwide, while adaptation is necessary to keep products and marketing communications relevant to local consumer preferences. Yip (2003) emphasizes that balancing these two approaches is key to a successful cross-border marketing strategy.

The advantages of strategic standardization lie in cost efficiency and global brand consistency. By using the same marketing campaign across countries, companies can reduce promotional expenses while strengthening their international brand identity. Kotler and Keller (2016) emphasize that standardization is particularly effective for products with universal characteristics, such as technology, fashion, or homogeneous consumer goods. This helps companies create a strong and credible global image.

On the other hand, strategic adaptation is still necessary to address cultural, linguistic, and market diversity across countries. For example, advertising or communication messages that are successful in one country may be irrelevant in another. Hollensen (2017) explains that

global companies need to adapt so that their strategies are not only accepted but also reflect the values and needs of local consumers. Thus, adaptation provides flexibility to address the dynamics of diverse international markets.

The role of organizational structure is crucial in managing the trade-off between standardization and adaptation. Companies with overly centralized structures may excel at standardization but lack responsiveness to local conditions. Conversely, highly decentralized structures are capable of rapid adaptation but potentially lose global consistency. Bartlett and Beamish (2018) state that transnational organizations that combine global coordination with local autonomy are the most ideal structure for supporting a global marketing strategy.

The success of a global marketing strategy is determined not only by the content of the strategy itself, but also by the design of the organizational structure that supports it. Companies are required to develop mechanisms capable of maintaining global efficiency without sacrificing local responsiveness. Yip (2003) asserts that this balance can be achieved through the intelligent integration of standardization and adaptation, enabling companies to achieve a sustainable competitive advantage in international markets.

### **3. Materials and Method**

#### **Types of research**

This research uses a qualitative approach with a multiple case study method because it is considered most appropriate for exploring phenomena in depth and comprehensively. A qualitative approach allows researchers to understand the meanings, perspectives, and experiences of participants in a real-life social context, resulting in more complex and contextual findings (Creswell & Poth, 2018). In the context of management and organizational research, this method is considered capable of uncovering process dynamics, interactions between actors, and contextual factors that are often difficult to capture with a purely quantitative approach (Miles, Huberman, & Saldaña, 2014).

The multiple case study method was chosen because it provides the opportunity for comparative analysis across relevant case units. Yin (2018) emphasized that multiple case studies not only strengthen the external validity of research through logical replication but also provide a broader understanding of the patterns emerging from different cases. By comparing multiple cases, researchers can identify similarities and differences and develop stronger theoretical propositions (Baxter & Jack, 2008). This strategy is very useful for obtaining a more holistic picture of the phenomenon being studied.

The use of a qualitative approach with multiple case studies also allows researchers to triangulate data from various sources, including interviews, observations, and document analysis. Triangulation not only increases the credibility of the findings but also enriches understanding of complex contexts (Patton, 2015). Thus, this research not only produces in-depth data but also makes significant theoretical and practical contributions to the field under study.

#### **Research Subjects**

The data in this study were collected through direct observation of the organizational structure, allowing researchers to understand how workflows, task allocations, and interdepartmental relationships are formed in daily practice. Observation allows researchers to gain a concrete picture of organizational dynamics, including communication patterns, coordination, and decision-making mechanisms. According to Creswell and Poth (2018), observation is an important technique in qualitative research because it provides authentic, contextual data and does not rely solely on respondents' subjective perceptions. Thus, this method helps researchers capture phenomena as they exist in the field.

In addition to observation, data was also obtained through analysis of company documents, such as formal organizational structures, annual reports, and internal work guidelines. Document analysis allows researchers to access objective historical and

administrative information that can be used to strengthen observational findings. Miles, Huberman, and Saldaña (2014) emphasize that using documents as data sources can increase research validity through triangulation. Therefore, the combination of observation and document analysis provides a strong foundation for comprehensively understanding the phenomena being studied.

### **Data Analysis**

The analysis was carried out using the Miles and Huberman (1994) model which consists of data reduction, data presentation, and verification of conclusions.

## **4. Results and Discussion**

### **Effectiveness of Functional Structure**

Functional structures have long been a preferred choice for technology companies due to their ability to create high operational efficiency. By grouping activities based on core functions, such as research and development, production, marketing, and finance, companies can maximize technical specialization. According to Robbins and Coulter (2018), the specialization created within a functional structure strengthens technical competencies, enabling organizations to produce products with consistent quality and more cost-effectiveness.

This advantage can be seen in two major technology companies that have successfully maintained global competitiveness through internal efficiency. A strong focus on research and development has resulted in continuous product innovation. Daft (2021) states that a functional structure is effective for technology-based industries because innovation relies heavily on the deep technical competence of experts in their fields.

In addition to efficiency, a functional structure also supports organizational learning in specific areas. Employees within a department can exchange similar knowledge and experiences, thus fostering collective competency. This aligns with Mintzberg's (2009) view that a functional structure strengthens vertical integration within each function, facilitates standardization, and reduces duplication of internal work. However, the advantages of this functional structure are not without drawbacks. One obstacle that arises is the lack of flexibility in facing markets that demand local adaptation. Technology companies with functional structures tend to produce uniform marketing messages, which often do not align with the needs and preferences of consumers in specific regions. Hollensen (2017) emphasizes that in a global context, local adaptation is crucial because consumers in different countries have different cultures and behaviors.

This limitation in adapting marketing strategies makes companies less effective in markets with a high demand for differentiation. For example, a promotional strategy that works in the United States may not be relevant in Asia or Europe. Yip (2003) states that an imbalance between global standardization and local adaptation can lead to marketing inefficiencies and risk reducing a company's competitiveness in regional markets.

Inter-functional coordination issues are another obstacle facing technology companies with functional structures. Marketing departments often lack detailed information about local market conditions because communication is more focused on the function's internal hierarchy. Bartlett and Beamish (2018) emphasize that weak cross-functional communication can hinder an organization's ability to respond quickly to changes in the external environment.

These two technology companies ultimately faced a dilemma: maintaining efficiency with a functional structure or adapting to more complex local needs. Some tried adding small regional teams to tailor marketing strategies to local conditions. According to Ghemawat (2018), this move reflected an effort toward more balanced global-local integration, although it did not completely address the limitations of the functional structure.

Marketing ineffectiveness in markets with a high demand for local adaptation suggests that organizational structure significantly impacts the performance of business

strategies. Functional structures that emphasize internal efficiency must be complemented by adaptation mechanisms to avoid losing relevance in the global marketplace. Kotler and Keller (2016) argue that a successful global marketing strategy always requires the support of a flexible organizational structure to accommodate the needs of consumers across borders.

The experiences of these two technology companies provide an important lesson: the advantages of efficiency and technical specialization need to be balanced with local adaptability. Functional structures remain relevant for generating innovation and efficiency, but without cross-regional coordination mechanisms, companies risk missing opportunities in diverse markets. Hollensen (2017) asserts that global success lies in integrating global efficiency with well-structured local responsiveness.

### **Product Structure Effectiveness**

A product-based organizational structure is often used by large pharmaceutical companies with diverse product portfolios, ranging from prescription drugs to consumer healthcare products. This structure divides the organization into divisions based on specific product lines, with each division having full responsibility for the development, production, and marketing of the products it manages. According to Daft (2021), product-based grouping allows companies to focus more on the specific market needs of each line, thus driving more targeted performance.

The primary advantage of a product structure in the pharmaceutical industry is the speed of innovation. Because each division has relatively high autonomy, they can design research and development (R&D) strategies without having to wait for central instructions. Robbins and Coulter (2018) explain that divisional autonomy increases flexibility and accelerates decision-making, allowing for a faster new product development cycle. This is crucial given the pharmaceutical industry's heavy reliance on innovation to face global competition.

Divisional autonomy also allows for a strong focus on specific markets. A division managing oncology drugs, for example, can focus its resources on understanding the needs of cancer patients and collaborating with specialist hospitals. Mintzberg (2009) asserts that a product structure is effective for organizations with heterogeneous markets because it allows for the concentration of resources on specific customer needs. This way, pharmaceutical companies can be more responsive to the dynamics of market demand.

A product-based structure allows for the development of more relevant marketing strategies. Each product division has a marketing team that understands its consumer characteristics, resulting in more targeted communication strategies. Hollensen (2017) states that global competitive advantage is determined not only by innovation but also by a company's ability to tailor marketing messages to target audiences across various segments. However, the advantage of divisional autonomy also brings new challenges, particularly in cross-divisional coordination. Global marketing campaigns often require a uniform corporate image, while product divisions tend to focus more on their own interests. This has the potential to create fragmented marketing strategies. Yip (2003) emphasizes that a lack of synchronization between global strategy and local initiatives can reduce the effectiveness of cross-border marketing.

Coordination challenges also arise in resource utilization. Because each division has its own functional team, duplication of work often occurs, for example in market research or distribution logistics. Bartlett and Beamish (2018) explain that one risk of product structure is wasteful costs due to a lack of synergy between units, which can weaken the company's overall efficiency.

Successful pharmaceutical companies typically overcome this weakness by establishing cross-divisional coordination mechanisms. For example, they establish a global committee that ensures consistent brand communication strategies while allowing for local adaptation for each division. Kotler and Keller (2016) assert that the success of a global

marketing campaign is determined by a well-structured balance between global integration and local adaptation.

Experience in pharmaceutical companies shows that a product structure offers significant advantages in terms of speed of innovation and market focus, but it still requires effective cross-divisional coordination. Without integration mechanisms, the risk of strategic fragmentation and resource waste increases. As Daft (2021) emphasizes, the effectiveness of a product structure depends on top management's ability to maintain divisional independence while maintaining overall organizational synergy.

### **Effectiveness of Geographic Structure**

Fast-moving consumer goods (FMCG) companies typically operate in multiple countries with diverse market characteristics. To address this complexity, some companies choose a geographically based organizational structure. This structure divides organizational units based on operating regions, such as Asia, Europe, or the Americas. According to Hollensen (2017), a geographical approach allows companies to be more responsive to local market needs by adapting business strategies to local cultural norms.

A key advantage of geographic structure is its ability to adapt to local cultural values and consumer preferences. FMCGs, such as Unilever or Nestlé, have successfully tailored their marketing campaigns to the tastes of their respective regions. Kotler and Keller (2016) emphasize that in consumer goods, cultural differentiation plays a crucial role in the effectiveness of marketing strategies because purchasing behavior is often influenced by social norms and traditions.

This adaptation occurs not only in promotional campaigns but also in product innovation. For example, soft drinks or instant food products are often adapted to local tastes to enhance consumer acceptance. Robbins and Coulter (2018) explain that geographic structure gives regional managers the flexibility to make decisions that align with market preferences, thereby strengthening the relationship between brands and customers at the local level. However, this advantage of adaptation is often offset by inefficiencies in resource management. Because each regional unit has relatively comprehensive functional capabilities, duplication of activities, such as market research, logistics, or promotions, often occurs. Bartlett and Beamish (2018) emphasize that within a geographic structure, the risk of cost overruns is quite high because resources are not always optimally integrated across regions.

Besides efficiency issues, potential conflicts also arise between global and regional strategies. Headquarters typically emphasize global brand consistency, while regional units strive to adapt messaging to local conditions. Yip (2003) states that the tension between global integration and local responsiveness is a key management dilemma for multinational companies, including FMCGs. This conflict can hinder the smooth implementation of marketing strategies.

In many cases, conflicts between global and regional strategies pose significant coordination challenges. Mintzberg (2009) highlights that geographic structures tend to reinforce local orientation but reduce an organization's ability to maintain cross-border synergies. This forces companies to establish coordination mechanisms, such as cross-regional teams or global centers of excellence, to maintain consistency without compromising local flexibility.

The experience of FMCG companies shows that while geographic structures offer significant advantages in terms of cultural adaptation and proximity to consumers, they also pose risks of inefficiency and strategic conflict. The success of these structures is largely determined by management's ability to balance local needs with global objectives. As Hollensen (2017) emphasizes, the best strategy is flexible integration, where global standards are maintained but allow for adaptation to local markets.

## Comparison and Suitability of Strategies

Choosing an organizational structure is a crucial strategic decision for multinational companies operating in the global marketplace. Each structure has distinct characteristics, advantages, and limitations, tailored to the company's strategy and needs. According to Daft (2021), organizational structure must align with business strategy to achieve effectiveness. In this context, functional, product, and geographic structures are the three most frequently used structures by global companies.

A functional structure is considered most appropriate for companies that emphasize efficiency and global product standardization. By grouping activities based on core functions such as production, marketing, finance, and research, companies can leverage technical specialization to achieve economies of scale. Robbins and Coulter (2018) assert that the primary advantage of a functional structure is process standardization, resulting in consistent product quality across international markets.

Another advantage of a functional structure is its ability to reduce costs through strong vertical coordination and control. For example, a technology company with a single core product can use a functional structure to ensure all resources are concentrated on improving quality and efficiency. Mintzberg (2009) emphasizes that functional structures are effective in stable environments, where the need for local adaptation is relatively small.

In contrast, a product structure is more suitable for companies with a diverse product portfolio. By dividing the division by product line, each division can focus on specific product development and marketing strategies. This allows the company to be more flexible in responding to market dynamics across various segments. Hollensen (2017) emphasizes that a product structure reinforces horizontal specialization, thereby accelerating new product innovation.

Product structure also offers the advantage of clearer market focus. For example, a pharmaceutical company might divide its divisions based on product categories such as oncology, vaccines, and consumer products. According to Kotler and Keller (2016), this division allows each division to develop more relevant marketing strategies for consumers, while accelerating the innovation cycle to meet market needs. However, a geographic structure is best for companies that emphasize strong local adaptation. By dividing organizational units by region, companies can tailor marketing, distribution, and even product innovation strategies to local consumer cultures and preferences. Yip (2003) explains that a geographic structure is effective in environments with high cultural heterogeneity because it gives regional managers the autonomy to make decisions tailored to local needs.

The advantages of a geographic structure lie in its proximity to consumers and the company's ability to adapt to regulations and social norms in each region. Robbins and Coulter (2018) add that this structure allows companies to build closer relationships with local communities, while increasing customer loyalty. However, its disadvantages include potential inefficiencies due to duplication of functions between regions and conflicts between global and regional strategies (Bartlett & Beamish, 2018).

These three organizational structures have distinct advantages depending on the business context. A functional structure is suitable for global efficiency and standardized products, a product structure is relevant for companies with diverse portfolios and the need for rapid innovation, while a geographic structure excels in local adaptation. As emphasized by Daft (2021), the choice of organizational structure must consider the balance between global efficiency, product differentiation, and local responsiveness to enable companies to achieve optimal performance in international markets.

## 5. Conclusion

Organizational structure plays a strategic role in global marketing success. No single structure is most effective in all contexts. Companies must choose a structure based on the global strategy being implemented, the complexity of their products, and the need for

responsiveness to local markets. A combination of structures can also be a solution to combine the advantages of different approaches.

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