

Organizing Global Marketing

(A Proposed Model)

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The purpose of this article is to outline the main approaches utilized for organizing global marketing, and to propose an integrated model that can be helpful in this concern.

The model presents three approaches for organizing global marketing, indicating circumstances and conditions for applying each approach, problems that may accompany each one, and ways to avoid these problems.

The main purpose of presenting this ((three dimensional)) model is to contribute to knowledge by providing a theoretical base for increasing global marketing performance.

1. LITERATURE REVIEW

International marketing is more intimately related to and influenced by corporate organization than any other management function because a company's organization plays a large part in determining what products and services are marketed and by whom.

On the other hand, "strategy of diversification led to organizational problems and eventually to the emergence of a new corporate structure".¹ Organizations that intend to expand its activities abroad require diversification in products and marketing functions to cope with the foreign environment.

Chandler in 1966 proposed three distinct organizational structures: "(1) The entrepreneurial business organization. (2) The vertically integrated, functionally coordinated enterprise. (3) The decentralized organization."²

The organization that were successful in dealing with dynamic environment were described in terms that seem characteristic of

Chandler's type three. These results are reinforced by the field work of Lawrence and Lorsch.³

"Alpander indicates that there are many forms of structural arrangements to choose from. The selection of an organizational structure involves several frustrating alternatives. Organizing international units along geographical lines is one alternative which shifts most of the autonomy of each unit to corporate headquarters. A more decentralized alternative is one that uses the worldwide product line structure. This structure is usually found in MNCs with a broad selection of products which requires closer coordination of product groups than geographical areas".⁴

The strategy of decentralization in international business operation has been advocated and used as MNCs began to recognize national differences and feel the pressures of nationalism in countries in which they operate. Decentralization has been prescribed by theoretical framework or models like Kolde and Hill,⁵ and Farmer and Richman.⁶ In spite of normative prescription of and the tendency of MNCs towards decentralization, there have been few empirical research studies on the impacts of increasing decentralization on performance of the MNCs as a whole or the subsidiaries as individual units. Few research studies have produced conflicting results. For example, while Franko found non apparent correlation between levels of policy standardization and guidance and any measure of success,⁷ Negandhi found high correlation between decentralization and management effectiveness.⁸ "Apart from these conflicting results, other research problems, such as the problem of measurement of determination of decentralization, and the impacts associated with it, were encountered".⁹ These problems have to be overcome or minimized if progress in research is to be made in this area.

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the high value of oil exports, royalties and taxation. But how was this possible, given the concurrent and exceptional scarcities of skilled manpower? In brief there are two main explanations: First, the growth, though rapid, was not as rapid as it would have been if skilled manpower had been in optimal balance with other resource, instead of in shortage and relative scarcity. Second, that growth as measured by statistics of output and national income misses out a great deal of what is important for assessing change in the quality of standard of living as well as change in economic and social structure on which future development will depend. Both in respect of consumption and investment, Libya's growth of national income over recent years probably overstates the change that have taken place.

The obvious ways in which the combination of too little skill with too much capital and other resources has shown itself are in wasteful use of raw materials, inadequate maintenance and repair of capital, excessive imports, neglected entrepreneurial opportunities and so forth. Examples for inefficiency in the use of resources can be found of course in any economy, but in recent years such examples have occurred throughout Libya to a degree and at a frequency which is exceptional. Delay in building technical schools and vocational centers is definitely a basic cause for concern since it perpetuates the present difficulties of many projects unable to recruit a sufficient number of workers to implement and run them.

This wasteful use of resources has often gone far beyond what could be described as an economically optimal increase in the use of capital and materials to offset sub-optimal levels of skilled staff. In economic terms, the shortage of skills has generally not been balanced by a rational calculation of how much additional capital and other inputs to use, but has led to a marked decline in the application of rational management in the allocation of resources.

The serious problem of skill shortage as an impeding factor to economic planning and development has been recognized by the Libyan planning authority. In its study of the long-run development strategy for Libya, the ministry of planning has clearly stated that the capacity of the present planning and executive body was insufficient. The growth of programmes and projects already started in the last years, was increasing more rapidly than the growth of the planning body and the capacity of public administration responsible for implementing these projects. In addition to that the adopted methods and administrative procedures were inefficient to cope with the rapid economic change. Also there was a need for good data sources. There was a great need for more cooperation between the administrative institutions and for educational and training programmes and the improvement of planning and executive bodies.⁶

CONCLUSION

Like many countries, Libya has devised elaborate development plans in order to achieve higher living standards for its population. But most of what was realized has fallen short of the desired goals. This was due mainly to some domestic problems such as insufficient labour supply, inadequate rainfall, restructuring of the economy and the introduction of a military conscription law. The Libyan economy being exposed to international flows has been adversely affected by exogenous factors such as world inflation.

A plan is as good as the will to implement it within favorable conditions. If the plan was not conducted within reasonable and realistic conditions it will be like chasing mirage in the desert.

6. Ministry of Planning: Studies of the Long-run Development Strategy for the Libyan Arab Socialist Jamahiriya 1980-2000, Summary (in arabic) 1979, p. 7.

Table 4 Socialist People's Libyan Arab Jamahiriya: Population, Labor Force, and Employment, 1974-79

(In thousands)

	1974	1975	1976	1977	1978	1979 1/
Population	2,513.2	2,683.1	2,839.6	2,939.2	3,014.1	3,127.1
Libyan	(2,229.9)	(2,316.5)	(2,406.0)	(2,499.7)	(2,597.6)	(2,699.1)
Non-Libyan	(283.3)	(366.6)	(433.6)	(439.5)	(416.5)	(428)
Labor force	620.7	689.2	744.8	765.9	773.6	...
Employed	670.2	677.1	732.7	765.0	772.7	789.0
Of which:						
Foreign labor	(169.8)	(223.0)	(262.6)	(266.2)	(252.3)	(259.4)
Unemployed	13.5	12.1	12.1	0.9	0.9	...
Employment by sector	607.2	677.1	732.7	765.0	772.7	789.0
Agriculture, forestry & fisheries	131.4	133.1	141.2	144.9	147.9	150.1
Oil and gas extraction	10.4	10.7	11.0	11.3	11.7	11.7
Mining & quarrying	5.9	6.9	7.5	7.9	8.7	8.8
Manufacturing	29.3	32.9	37.4	41.7	47.4	52.8
Construction	121.6	152.6	167.8	171.4	164.3	166.3
Electricity, gas, and water	11.5	13.0	13.9	14.7	15.8	17.5
Commerce, banking & insurance	51.0	56.2	60.1	60.8	56.6	54.4
Transportation, communication, and storage	48.8	53.4	57.9	63.1	67.5	70.2
Public administration	68.1	71.1	74.7	76.8	75.4	70.1
Other services 2/	129.2	147.2	161.2	172.4	177.4	187.1

Source: Secretariat of Planning

1/ Preliminary estimates.

2/ Includes the education and health sectors.

supply falls furthest short of what would be optimal. Without any doubt skilled manpower in Libya in the last few years has been in exceptionally severe shortage in the sense of short-run market disequilibrium. These extreme skill shortages led to sharp competition for such supplies of skilled manpower as were available and to various somewhat haphazard attempts to strengthen or expand recruitment from other countries. The annual increase of the non-Libyan population was only 0.3 per cent in the period 1954-1964 and it increased to almost 17.0 per cent in the period 1964-1973 (see table No. 3).

The number of foreign workers grew by 122 per cent between 1973 and 1976 as compared with a growth of 10 per cent in the Libyan labour force. The ratios of non-

Libyan workers increased from 21 per cent of the total labour force in 1973 to 35 per cent in 1976. (see table No. 4)

It seems that a paradox lies behind the fact that skilled manpower in Libya was in extreme shortage, not only in comparison with other key resources in Libya but also in comparison with relative scarcity of skilled manpower in other developing countries, and at the same time the rate of economic growth in Libya was exceptionally rapid (see table 2), not only in comparison with earlier periods but in comparison with growth rates achieved in other countries.

Clearly this rapid growth was called forth by the opportunities and ambitious plans and in large part by the mounting levels of foreign exchange and revenue made available from

Table 3 Libyan and Non-libyan Population in 1954, 1964 & 1973 Census
and the Rate of Annual Increase

Year		Population (Libyans & Non-Libyans)									
		Total			Non-Libyans			Libyans			
		Total	Females	Males	Total	Females	Males	Total	Females	Males	
1954		1 088 873	523 598	565 275	47 274	22 363	24 911	1 041 599	501 285	540 364	
		1 564 369	750 988	813 386	48 868	24 139	24 729	1 515 501	726 844	788 657	
		2 249 237	1 057 384	1 191 853	196 865	62 931	133 934	2 052 372	994 453	1 057 919	
1954-1964	No.	475 496	227 385	248 111	1 594	1 776	-182	473 902	225 609	248 293	
	%	43.7	43.4	43.9	3.4	7.9	-0.7	45.5	45.0	45.9	
	Annual Rate of Increase (+)										
1964-1973	No.	684 868	306 401	378 467	147 997	38 792	109 205	536 871	267 009	269 262	
	%	43.8	40.8	46.5	302.9	160.7	441.6	35.4	36.8	34.1	
	Annual Rate of Increase	4.1	3.9	4.3	16.7	11.2	20.6	3.4	3.5	3.3	

N.B. Annual Rate of increase (+) or decrease (-) is the average percent rate of change on the basis of compound law.
Source: Ministry of Planning, Population Census 1973.

public. But on the other hand this requires more skill and trained administrators. This new economic system has far reaching structural changes. The effects of these changes and the involved time lag has not been fully anticipated by the latest five year plan.

However important other impending factors are, the most serious one is the shortage of skilled labour. Thus the following analysis will concentrate this problem.

One of the major ways in which manpower can act as a constraint on economic and social development is that scarcity of skilled and educated persons can hold back growth and distort its pattern. On the other hand it is important not to lose sight of the role of the unskilled labour, since it is still scarce in relation to land and other resources in Libya at least in the more sparsely populated regions, particularly at times of planting and harvesting. Given this scarcity of unskilled labour it may seem contradictory to argue that a high rate of population growth forms another constraint to Libya's development, particularly when the total population is little more than two and half million and population density is low. But the rate of increase of a country's population can be too high even when the present size of its population is, in some respects, too small. Libya's high rate of population increase, (about 4% per annum) means that an exceptionally high proportion of its population is under 15 years old (this share increased from 38.5 per cent in 1954 to 51.4 per cent in 1973).⁴ This high dependency ratio has increased the social costs of education and child services. Moreover there are the problems created by inadequate levels of education among women. This, of course is much more than a question of education, but education is an important factor and serves as a reminder of two more basic things. First, that general improvements in the standard of family living are part and parcel of economic and social development whether or not included within gross domestic product as conventionally defined. Second, that in Libya improvement in rural life depends crucially on the women, in their roles as mothers raising children and as rural workers responsible for

a large part of peasant agriculture. Yet according to the last population census in 1973 about 73 per cent of the female population in age of ten years and over are illiterate. The consequences of illiteracy and under-education among women in the rural areas will be a serious handicap to modernization for many years ahead.

The question whether the scarcity of skilled man power has held back development requires in principle a comparison of two situations; the development which did occur against the development which would have occurred had educated man-power not been the constraint that it was. But what does it mean for educated man-power not to be the constraint that it was? That is should be no constraint at all? This would be a situation with unlimited supply of skilled man-power, surely an unrealistic standard of comparison? That Libya should be self-sufficient in educated man-power, free from excessive dependance of expatriates? This would no doubt be a desirable political conditions, but does it have any economic meaning and if this situation came about, would it eliminate the man-power constraint?

In his analysis to this question Jolly⁵ has distinguished between (1) scarcity; (2) shortage; and (3) relative scarcity (or long run shortage).

In economic terms, skilled man-power is almost always scarce, in the sense that it has a positive marginal social product; the potential to produce things that people want. Scarcity is thus a typical condition in which almost all goods, services and economic resources are found. In this sense, skilled man-power in Libya is obviously scarce, but since almost every other economic resource is too, it is hardly surprising and not very noteworthy. Shortage, in contrast, is a market condition. At given prices (of skilled manpower and, of all other goods and services and with the existing distribution of income), a greater quantity of skills is demanded than the quantity supplied. Relative scarcity is defined in terms of optimal balance over the long run in relation to specified objectives. The resource in greatest scarcity is the one in which present

4. Ministry of Planning, Population Census 1973.

5. Richard Jolly, *The Skilled Manpower Constraint*, (London 1971), pp. 29-35.

II. Problems Facing Economic Development in Libya.

Several factors have hindered economic development in Libya, and constrained the five year plan 1976-80 from fully realizing its prescribed goals. Some of these factors are of transitory nature, others like the shortage of manpower have more profound impact on economic development in Libya.

A. Problems bearing on the five-year plan.

There are three major developments which took place in 1977 and 1978 and have decisive impact on the performance of development in Libya. These were first, the implementations of socialist measures which have drastically changed the structure of the economy. The change was directed toward the collective ownership of resources. Workers were encouraged to take over the ownership of their places of employments, and private ownership was restricted to self-employed projects. The reorganization has resulted in considerable delays in many projects.

Secondly, about one third of the labour force was composed of non-Libyans and especially Egyptians. So when the relationship between Libya and Egypt was severed after the camp David agreement, almost all the Egyptian workers left the country. A matter which caused delays in completing many projects especially in the construction sector. It was to take almost two years before this disruption in the labour market could be rectified.

The third development which took place in 1978 was the implementation of a military conscription law. Military training was compulsory, and many young people were drafted in the army. Older people have to undergo military training also, a matter which contributed the already low productivity.

These and other conditions such as insufficient coordination between the projects, shortages of material inputs as well as some natural factors have affected the implementation of the five year-plan.

B. Manpower Shortage.

In all developing countries development is often hampered by the existence of several seriously impeding factors such as:

1. The shortage of modern skills and of experience in using modern methods, modern tools and machinery.
2. Attitudes and values, however valuable these may be from a cultural point of view, are not conducive to growth. For instance it may take one generation to change the mentality of a predominantly agricultural population into an industrial mentality which accepts the regularity, the disciplines, the tempo and monotony of the work in factories.
3. The lack of institutions which are conducive to economic growth for instance in the field of marketing, credit etc.
4. Development expenditures may have to be kept within limits in order to keep inflation under control.

In Libya the implementation of planning casts light on the drags and realities which affect planned ambitions in a developing country even as financially well endowed as Libya was. Yet the rate of development expenditure in Libya fell below the planned targets right from the start.

Popular expectations of planning were aroused, but not popular understanding or popular participation. Planning institutionalization was there, but not the critical minimum number of planning administrators, technician, and expertise. Planning cooperation between administrative bodies was weak, project execution frequently costly, project maintenance negligent in many areas and planning follow up was weak.

The private sector was weak in terms of the experience and entrepreneurship demanded in the new context. The oil resources were there but qualified data to determine financial and other strategies were absent. The new socialist economic system eliminates profits and wages and transfers all kinds of trade to the public sectors. Any private economic activity should be done by the owner himself or on the basis of partnership. Thus the role of the public sector will be dominant. This may facilitate the task of the planning body, since almost all sources of data are

Table 2 Socialist People's Libyan Arab Jamahiriya: Growth Rate and Origin of GDP at Constant Factor Cost, 1976-80

(In per cent)

	Growth Rate				Realized Average Annual Growth	Plan Target Growth
	1976	1977	1978	1979	1976-79	1976-80
Oil sector	30.3	6.3	-4.5	3.7	8.2	7.8
Other sectors	13.8	12.5	9.5	8.8	11.1	14.1
Commodity producing sectors	14.1	10.5	7.8	6.4	9.7	...
Agriculture, forestry and fishing	(14.2)	(-12.0)	(20.6)	(8.5)	(7.1)	(15.8)
Mining and quarrying	(10.1)	(10.5)	(6.0)	(4.9)	(7.8)	(10.3)
Manufacturing	(34.1)	(39.7)	(23.0)	(15.7)	(27.3)	(30.7)
Electricity, gas and water	(27.3)	(16.5)	(26.4)	(21.2)	(23.0)	(23.0)
Construction	(10.8)	(9.6)	(1.5)	(2.6)	(6.2)	(12.5)
Distribution services sectors	9.7	7.9	5.6	6.4	7.4	...
Transportation and communication	(6.5)	(8.7)	(5.7)	(7.0)	(7.0)	(18.7)
Wholesale and retail trade	(12.2)	(7.4)	(5.6)	(5.9)	(7.7)	(11.0)
Other services	15.9	16.8	12.9	11.8	14.3	...
Public services	(14.2)	(22.6)	(18.7)	(16.2)	(17.9)	(8.8)
Education	(22.6)	(15.2)	(12.0)	(11.1)	(15.1)	(14.0)
Health	(25.6)	(21.9)	(12.7)	(13.6)	(18.2)	(12.0)
Banking and insurance	(17.2)	(15.2)	(9.7)	(5.8)	(12.0)	(14.0)
Ownership of dwellings	(9.8)	(7.4)	(5.2)	(4.9)	(6.8)	(10.9)
Other	(8.5)	(8.2)	(4.7)	(13.9)	(8.7)	(10.0)
Gross domestic product	22.6	9.0	2.0	6.0	(9.6)	10.7
<i>(Origin of GDP at constant factor cost)</i>						
Oil sector	56.7	55.3	51.9	50.7		49.4 1/
Other sectors	43.3	44.7	48.1	49.3		50.6 1/
Commodity producing sectors	15.7	16.0	16.9	17.0		50.6 1/
Agriculture, forestry and fishing	(2.1)	(1.7)	(2.0)	(2.1)		(2.6)1/
Mining and quarrying	(0.5)	(0.5)	(0.5)	(0.5)		(0.5)1/
Manufacturing	(2.0)	(2.5)	(3.0)	(3.2)		(4.8)1/
Electricity, gas and water	(0.5)	(0.5)	(0.7)	(0.8)		(0.6)1/
Construction	(10.7)	(10.8)	(10.7)	(10.4)		(11.7)1/
Distribution services sectors	9.7	9.7	10.0	10.0		...
Transportation and communication	(4.2)	(4.1)	(4.3)	(4.3)		(8.1)1/
Wholesale & retail trade	(5.6)	(5.5)	(5.7)	(5.7)		(5.1)1/
Other services	17.8	19.1	21.1	22.3		...
Public services	(6.5)	(7.4)	(8.6)	(9.4)		(6.5)1/
Education	(3.3)	(3.5)	(3.9)	(4.1)		(3.2)1/
Health	(1.4)	(1.6)	(1.8)	(1.9)		(1.3)1/
Banking and insurance	(2.6)	(2.7)	(2.9)	(2.9)		(2.6)1/
Ownership of dwellings	(3.2)	(3.2)	(3.3)	(3.2)		(3.2)1/
Other	(0.7)	(0.7)	(0.7)	(0.8)		(0.3)1/
Gross domestic product	100.0	100.0	100.0	100.0		100.0

Source: Secretariat of Planning

1/ Target composition of GDP in 1980.

of the plan to reach LD. 9878 million (about \$ 32,993 million). These increases were due in part to increases in prices and in part to the addition of new projects to the plan. Table 1 indicates the original allocations and the subsequent increase in these allocations together with the actual expenditure for the first four years of the plan and the implementation ratio.

During the first four years of the plan the growth rate was moderate in some sectors and in others it was considerably less than expected. The compound annual growth rate of real GDP during the first four years period 1976-79 was 9.6 per cent which was

less than the target rate of 10.7 per cent. The growth rates in some key sectors such as agriculture, construction, transportation and trade were less than their planned rates as indicated in table 2.

The implementation ratio was relatively high (i. e. between 85-90 in the main sectors). The implementation ratio which is the proportion of actual to budgeted expenditure does not reflect an equivalent increase in real terms in these sectors. Moreover, aggregate expenditure was lower than planned expenditure because some shortfalls and bottlenecks that developed during the plan period.

Table 1 Socialist People's Libyan Arab Jamahiriya: Allocations and Expenditures of the Five-Year Plan, 1976-80

(in millions of Libyan dinars)

	1976-80 Allocations		Expenditures During 1976-79 Period		
	Initial	Latest revision	Budgeted	Actual	Implementati- on ratio 1/
Goods producing sectors	3,006.0	3,973.0	2,563.0	2,217.1	86.5
Agriculture	1,226.6	1,880.0	1,340.9	1,174.2	87.6
Industry 2/	1,779.4	2,093.0	1,222.1	1,042.9	85.3
Economic infrastructure	2,896.0	4,153.3	2,714.0	2,507.6	92.4
Electricity	543.6	990.0	629.2	654.6	104.0
Housing	794.2	1,111.0	738.5	614.9	83.3
Municipal projects	552.6	724.3	573.1	553.2	96.5
Transportation and communication	1,005.6	1,328.0	773.2	684.9	88.6
Social infrastructure	774.9	1,222.3	790.0	606.4	76.8
Education	470.4	647.0	446.1	312.8	70.1
Manpower	41.8	71.3	43.3	32.6	75.3
Health	171.4	363.0	208.5	184.1	88.3
Information and culture	91.3	141.0	92.1	77.0	83.6
Other	492.8	529.9	218.7	94.5	43.2
Total	7,170.0	9,878.5	6,285.7	5,425.7	86.3

Source: Secretariat of Planning.

1/ In per cent 2/ Includes allocations for oil and gas projects and for the development of marine resources and nutrition.