

Globalization and the internal organization of firms:  
evidence from electrical machinery and chemical firms in  
Japan

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June 2012

**Abstract**

This paper empirically examines how internal organizations are related to firm's global activities and other characteristics using firm-level data to document the internal organization. The major findings are threefold. First, the foreign sales ratio, which captures the extent of the globalized firm, has a positive link with the number of divisions, business offices and sections reporting directly to the CEO (Span). Second, it also has a negative link with the number of divisions, business offices and sections between the CEO and the lowest level (Layer). These findings imply that the overseas operation has a positive impact on the Span and a negative impact on Layer. Third, the IT investment has a negative link with Layer.

*JEL classification:* F23, F14, D20

*Keywords:* Globalization; Organizations; Firm-level data

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