## Lesson Proper for Week 2

**The Local and International Business Environment of the Firm**

*Cultural intelligence*is an individual’s ability to favorably receive and adjust to an unfamiliar way of doing things.

Understanding the local and international business environment of the firm requires managers of organizations to sharpen their cultural intelligence. This will enable them to develop their ability to accept and adapt to different cultures, both local and international, that may affect the organization to which they belong. Anthropologist Edward T. Hall, as cited by Schermerhorn (2008), noted that the way people approach and deal with time varies across cultures. *Monochronic cultures,*refer to cultures wherein people tend to do one thing at a time; also, these cultures emphasize punctuality and sticking to set rules. *Polychronic cultures,*on the other hand, are more flexible as regards time; accomplishing many different things at once is also common for these cultures. It may be very frustrating for one who is influenced by a monochromic culture to be dealing with one who is influenced by a polychromic culture if he or she does not possess cultural intelligence.

Geert Hofstede, also cited by Schermerhorn (2008), showed how selected countries ranked on the five cultural dimensions he studied:

\*       **Power Distance –**the degree to which a society accepts or rejects the unequal distribution of power among people in organizations and the institutions of society.

For example: India and the Philippines have high power distance, while the US and Australia have low power distance. The use of the terms “sir” and “madam” to refer to the boss/superior by subordinate employees in the Philippines shows respect for authority figures, or high power distance. In the US, subordinates just use the name or nickname of the boss when addressing him or her, indicating low power distance.

\*       **Uncertainty Avoidance –**the degree to which society is uncomfortable with risk, change, and situational uncertainty

Managers in the US are risk takers. Introducing new products in the market is easier for them to do as compared with those from Japan and France.

\*       **Individualism-Collectivism –**the degree to which a society emphasizes individual accomplishments versus collective accomplishments

Individualistic cultures like those of the US and Australia are characterized as “I” and “me” cultures where employees prefer to work alone without help from others. Mexico, Thailand, and the Philippines exhibit collectivism or preference for group or team work.

\*       **Masculinity-Femininity –**the degree to which a society values assertiveness and feelings of material success versus concern for relationships

The Japanese and Mexicans do not hesitate to push or express what they want, unmindful of hurting others’ feelings, thus showing masculinity. Filipinos, Thais, and Swedes would rather keep quiet and accept defeat if what they want is not acceptable to others; they, therefore, exhibit femininity.

\*       **Time Orientation –**the degree to which a society emphasizes short-term thinking versus greater concern for the future or long-term thinking

The Americans, who are risk-takers, prefer short-term thinking. On the other hand, Filipinos and the Japanese, who are not risk-takers, are long-term thinkers.

The local culture of a particular county also influences the management practices of firms. An example is the *mañana habit*which is part of local Filipino culture and practiced by some Filipino workers. It is counterproductive since it encourages the postponement of performing task that can be done immediately to another day. Managing and disciplining workers who practice this habit would be easier for managers if they are able to identify the workers who adhere to such negative work habit and prevent them from doing it. This, however, is easier said than done because it is difficult to explain a country’s unique cultural characteristics.

**Managing in a Worldwide Environment: Cultural, Politicolegal, And Economic Environments**

The call for business to go global is hard to resist as this is the trend prevailing in the 21st century. The economic and social benefits that come with globalization are said to be among the positive outcomes. Globalization advocates, however, fail to realize the very serious challenges faced by managers in adjusting to the cultural differences among different countries where they intend to do business. The culture of different countries are rooted in their history, religion, traditions, beliefs, and deep-seated values, and because of these, managing globally can be very complicated. Besides the cultural environment, the politicolegal and economic environments must also be considered. The politicolegal environment refers to the laws and political climate of different countries. Some countries have stable laws and good political climate while others have the opposite—unstable laws and risky political climate. Awareness of the economic issues of countries where organizations intend to establish business is also very important. For instance, do they have a free market or a planned economy? Answering this question is the first step because the country’s economic system has the potential to influence the organization’s decision-making. Other economic matters that must be considered are the inflation rates, the gross national product/gross domestic product, the currency exchange rates, taxation system, and others.

**Forms of Business Organizations**

The form of a business organization takes may depend on the purpose, nature of operations, and resources of the company. However, a business organization’s form may change along with the changing times and the demands they present.

**Changing Forms of Business Organizations**

Change is constant and organizations continue to undergo various changes in form to ensure effectiveness, efficiency, and relevance in the world of business.

Business organizations may be traditional (simple, functional, divisional, profit, or nonprofit) or open/flexible in form.

ª **Simple business organizations –**business organizations with few departments, centralized authority with a wide span of control, and with few formal rules and regulations

These are easy to manage because of their simple form. However, change of form follows as the company expands its operations.

ª **Functional business organizations -**business organizations that group together those with similar or related specialized duties that introduce the concept of delegation of authority to functional managers like the personnel manager, sales manager, or financial manager but allow CEOs to retain authority for strategic decisions

ª **Divisional business organizations –**business organizations made up of separate business units that are semiautonomous or semi dependent, with a division head responsible for his or her unit’s performance

In other words, each division has its own functional organization and its own general manager; however, the central headquarters management maintains responsibility for the delineation of organizational goals of the individual divisions.

ª **Profit business organizations –**business organizations designed for the purpose of achieving their organizations’ mission, vision, goals, and objectives and maintaining their organizational stability through income generation and profit-making activities

Immediate revenues or cost factors account for their success or failure.

ª **Nonprofit organizations –**business organizations designed for the purpose of achieving their organizations’ mission, vision, goals, and objectives, providing service to clients without expecting monetary gains or financial benefits for their endeavors

Their success or failure may be measured by the high or low evaluation scores they obtain.

ª **Open/flexible business organizations –**formed to meet today’s changing work environment.

These affect and are affected by the environment and change, therefore, becomes inevitable; other forms that emerged under this form are:

1.      *Team structures –*where organizations as a whole is made up of work teams (small, but focused) that work together to achieve the organization’s purpose; popular in collectivist culture

2.      *Matrix business organizations –*those which assign experts or specialist belonging to different functional departments to work together on one or more projects; exhibit dual reporting relationships in which managers report to two superiors—the functional manager and the divisional manager

3.      *Project business structure –*a business organizational form with a flexible design, where the employees continuously work on projects assigned to them; projects may be short-term or long-term and members disband when the project is complete

4.      *Boundaryless business organization –*a business organization whose design eliminates vertical, horizontal, or external boundaries, and is described to be flexible and unstructured; there are no barriers to information flow and, therefore, completion of work is fast

5.      *Virtual business organization –*made up of a small group of full-time workers and outside experts who are hired on a temporary basis to work on assigned projects; members are physically dispersed and usually communicate electronically

Different organizations have different preferences as to the business form that is appropriate for their need/s and the purpose of their existence. Managers, therefore, must be creative in finding ways to structure or design and organize work in their respective firms.