Not only small international companies, but also large ones have struggled going global. As you'll see later, Wal-Mart is a well-established company facing enormous challenges in developing a successful international business. Other large, successful U.S. companies, including Federal Express and Nike, also have found that "the rest of the world is not the United States of America," as one FedEx competitor put it. However, all of these companies recognize that international expansion is necessary, despite the risks. Companies such as McDonald's, IBM, Coca-Cola, Kellogg, Texas Instruments, and Gillette all rely on international business for a substantial portion of sales and profits. Internet-based companies headquartered in the United States, such as Amazon, Yahoo, and America Online, are also rapidly expanding internationally and finding that, even on the Web, going global is fraught with difficulties. These and other online companies have encountered problems ranging from cultural blunders to violations of foreign laws. All organizations face special problems in trying to tailor their products and business management to the unique needs of foreign countries—but if they succeed, the whole world is their marketplace.

How important is international business to the study of management? *If you are not thinking international, you are not thinking business management.* It's that serious. As you read this page, ideas, takeover plans, capital investments, business strategies, products, and services are traveling around the planet by telephone, computer, fax, and overnight mail. The events of September 11, 2001, when terrorists attacked New York and Washington, underscored the point that isolation is impossible. The future of our businesses and our societies will be determined by global rather than local relationships. The warning Andrew Grove, chairman of Intel, issued to business leaders in a 1995 *Fortune* magazine article has struck home with full force: "[There is] no choice but to operate in a world shaped by globalization."[2]

Rapid advances in technology and communications have made the international dimension an important part of the external environment that is discussed in Chapter 2. Companies can locate different parts of the organization wherever it makes the most business sense—top leadership in one place, technical brainpower and production in other locales. Virtual connections enable close, rapid coordination and communication among people working in different parts of the world, so it is no longer necessary to keep all operations in one place. Samsung, the Korean electronics giant, moved its semiconductor-making facilities to the Silicon Valley to be closer to the best scientific brains in the industry. Canada's Nortel Networks selected a location in the southwest of England as its world manufacturing center for a new fixed-access radio product. Siemens of Germany has moved its electronic ultrasound division to the United States, while the U.S. company DuPont shifted its electronic operations headquarters to Japan.[3]

If you think you are isolated from global influence, think again. Even if you do not budge from your home-

Contract manufacturers such as Taiwan's Quanta Computer Inc., the world's No. 1 maker of notebook PCs, operate in a global environment. Taiwan makes about 60 percent of the world's notebook PCs, and one out of every seven notebooks comes from Quanta, whose U.S. customers include Dell, Gateway, Hewlett-Packard, Apple, and Compaq. A recent international management challenge for Quanta occurred when the U.S. halted air traffic for three days after the September 11 terrorist attacks. Finished computers began to pile up in Quanta's cavernous warehouse in Linkou. So managers improvised, loading thousands of notebooks on a plane leased by Dell, which flew them to Texas.

town, your company may be purchased tomorrow by the English, Japanese, or Germans. People working for Ben & Jerry's Ice Cream, Dr. Pepper, Pillsbury, Carnation, Shell Oil, and Burger King already work for foreign bosses.

All this means that the environment for companies is becoming extremely complex and extremely competitive. Less-developed countries are challenging mature countries in a number of industries. India has become a major player in software development, and electronics manufacture is rapidly leaving Japan for other countries in Asia.

This chapter introduces basic concepts about the global environment and international management. First, we consider the difficulty managers have operating in an increasingly borderless world. We will address challenges—economic, legal-political, and sociocultural—facing companies within the global business environment. Then we will discuss multinational corporations and touch upon the various types of strategies and techniques needed for entering and succeeding in foreign markets.

A Borderless World

Why do companies such as Wal-Mart, Federal Express, and America Online want to pursue a global strategy, despite failures and losses? They recognize that business is becoming a unified global field as trade barriers fall, communication becomes faster and cheaper, and consumer tastes in everything from clothing to cellular phones converge. Thomas Middelhoff of Germany's Bertelsmann AG, which purchased U.S. publisher Random House, put it this way: "There are no German and American companies. There are only successful and unsuccessful companies."[4]

Companies that think globally have a competitive edge. Consider Hong Kong's Johnson Electric Holdings Ltd., a large producer of micromotors that power hair dryers, blenders, and automobile power windows and door locks. With factories in South China and a research and development lab in Hong Kong, Johnson is thousands of miles away from a leading automaker. Yet the company has cornered the market for electric gizmos in U.S. automobiles by using new information technology. Via videoconferencing, Johnson design teams meet "face-to-face" for two hours each morning with their customers in the United States and Europe. The company's processes and procedures are so streamlined that Johnson can take a concept and deliver a prototype to the United States in six weeks.[5]

In addition, domestic markets are saturated for many companies. The only potential for significant growth lies overseas. Kimberly-Clark and Procter & Gamble, which spent years slugging it out in the flat U.S. diaper market, are targeting new markets such as China, India, Israel, Russia, and Brazil. The demand for steel in China, India, and Brazil together is expected to grow 10 percent annually in the coming years—three times the U.S. rate, providing opportunities for companies such as Nucor and North Star Steel.[6] For online companies, too, going global is a key to growth. Predictions are that within a few years two-thirds of the world's Internet users will be outside the United States, and Western Europe and Japan together will account for almost half of the world's e-commerce revenue.[7]

The reality of today's borderless companies also means consumers can no longer tell from which country they're buying. Your Mercury Marauder may have come from Ontario, while a neighbor's Nissan may have been built in

Tennessee. A Gap polo shirt may be made from cloth cut in the United States but sewn in Honduras. Eat an all-American Whopper and you've just purchased from a British company.

Corporations can participate in the international arena on a variety of levels, and the process of globalization typically passes through four distinct stages, as illustrated in Exhibit 3.1.

As the number of stateless corporations increases, so too the awareness of national borders decreases, as reflected by the frequency of foreign participation at the management level. Rising managers are expected to know a second or third language and to have international experience. The need for global managers with cross-cultural sensitivity is intense, as discussed in the Focus on Diversity box. The need for global managers is intense. Corporations around the world want the brightest and best candidates for global management, and young managers who want their careers to move forward recognize the importance of global experience. According to Harvard Business School professor Christopher Bartlett, author of *Managing Across Borders*, people should try to get global exposure when they are young in order to start building skills and networks that will grow throughout their careers.[8]

The International Business Environment

international management
The management of business operations conducted in more than one country.

International management is the management of business operations conducted in more than one country. The fundamental tasks of business management, including the financing, production, and distribution of products and services, do not change in any substantive way when a firm is transacting business across international borders. The basic management functions of planning, organizing, leading, and controlling are the same whether a company operates domestically or internationally. However, managers will experience greater difficulties and risks when performing these management functions on an international scale. For example:

- When Coors Beer tried to translate a slogan with the phrase "Turn it Loose" into Spanish, it came out as "Drink Coors and Get Diarrhea." Budweiser goofed when its Spanish ad promoted Bud Light as "Filling, less delicious."
- It took McDonald's more than a year to figure out that Hindus in India do not eat beef. The company's sales took off only after McDonald's started making burgers sold in India out of lamb.[10]

EXHIBIT 3.1

Four Stages of Globalization

	1. Domestic	2. International	3. Multinational	4. Global
Strategic Orientation	Domestically oriented	Export-oriented, multidomestic	Multinational	Global
Stage of Development	Initial foreign involvement	Competitive positioning	Explosion of international operations	Global
Cultural Sensitivity	Of little importance	Very important	Somewhat important	Critically important
Manager Assumptions	"One best way"	"Many good ways"	"The least-cost way"	"Many good ways"

SOURCE: Based on Nancy J. Adler, *International Dimensions of Organizational Behavior*, 4th ed. (Cincinnati, Ohio: South-Western, 2002), 8–9.

FOCUS ON DIVERSITY

Cross-Cultural Communication

American managers are often at a disadvantage when doing business overseas. Part of this is the lack of foreign language skills, as well as inexperience in dealing with other cultures and less-than-ideal living conditions. Consequently, many mistakes are made—mistakes that could easily be avoided.

The manager's attitude is perhaps the single most important factor in success. Those who go abroad with a sense of "wonder" about the new culture are better off than those with a judgemental view of "If it is different, then my culture must be better." Seeing differences as new and interesting is more productive than being critical. Such evaluations lead to an "us versus them" approach, which never sits well with the locals.

Though every culture has its own way of communicating, here are some basic principles to follow in international business relations:

1. Always show respect and listen carefully. Don't be in a hurry to finish the "business." Many other cultures value the social component of these interactions.
2. Try to gain an appreciation for the differences between "masculine" and "feminine" cultures, as described by Geert Hofsede in *Motivation, Leadership, and Achievement*. American masculine business behaviors include high achievement, acquisition of material goods, and efficiency, while other, more "feminine" cultures value relationships, leisure time with family, and developing a sense of community. Don't mistake this more feminine approach with a lack of motivation. Similarly, cultures that value "being and inner spiritual development" rather than compulsive "doing," are not necessarily inferior.
3. Try hard not to feel that your way is the best way. This can come across as arrogance and rubs salt in deep wounds in some lesser-developed countries.
4. Emphasize points of agreement.
5. When there are disagreements, check on the perceived definitions of words. Often there may be a huge or subtle shade of meaning that is causing the problem. You may actually both be trying to say the same thing.
6. Save face and "give" face as well, for this can be a way of showing honor to others.
7. Don't embarrass anyone in front of others. Even if you mean it as a "joke," it likely won't be taken that way.
8. Don't go alone. Take someone who knows the culture or language better than you. If you are discussing in English and your counterparts speak it only as a second language, you might be surprised how much they miss. Taking an excellent translator along is often a good investment.
9. Don't assume the other country views leadership the same way that you do. In many other cultures, "empowerment" seems more like anarchy and the result of an ineffectual manager.
10. Don't lose your temper.
11. Avoid clique-building and try to interact with the locals as much as possible. Americans tend to travel or spend time together in packs or tribes, which is not welcoming to the locals.
12. Always show respect.
13. Leave the common American task-oriented, fast-paced style at home. Effective transfer of skills to other cultures requires a patient nonjudgmentalism. Hasty criticisms of the foreigner's ideas only serve to shut that person down and close the door to meaningful interactions.
14. Keep in mind, however, that some countries, such as Israel, are even more fast-paced than the United States. People in these countries can be impatient with Americans' small talk.
15. Also be sensitive to the difference between the North American low-context culture—where employees are encouraged to be self-reliant—and high-context cultures (much of Asia, Africa, South America), where workers expect warmly supportive relationships with their supervisors and coworkers.
16. If you travel to the increasingly visited out-of-the-way locations, learn to tolerate unpredictability and go without what you may consider basic amenities. Avoid complaining to business clients about poor telephone service, lack of hot (or any, for that matter) water, erratic availability of electricity, or unsavory food. Just remember that you are the visitor and should act with the grace that goes along with that role.

SOURCE: Lalita Khosla, "You Say Tomato," *Forbes* (May 21, 2001), 36; Hari Bedi, "A Little Respect Can Bridge the Divide," *Asian Business* (January 1997), 50; Lorna Wright, "Building Cultural Competence," *Canadian Business Review* (Spring 1996), 29–33; and Geert Hofstede, "Motivation, Leadership and Organization: Do American Theories Apply Abroad?" *Organizational Dynamics* (Summer 1980), 42–63.

- In Africa, the labels on bottles show pictures of what is inside so illiterate shoppers can know what they're buying. When a baby-food company showed a picture of an infant on its label, the product didn't sell very well.
- United Airlines discovered that even colors can doom a product. The airline handed out white carnations when it started flying from Hong Kong, only to discover that to many Asians such flowers represent death and bad luck.

Some of these examples might seem humorous, but there's nothing funny about them to managers trying to operate in a competitive global environment. Companies seeking to expand their international presence on the Internet also can run into cross-cultural problems. What should managers of emerging global companies look for to avoid obvious international mistakes? When they are comparing one country with another, the economic, legal-political, and sociocultural sectors present the greatest difficulties. Key factors to understand in the international environment are summarized in Exhibit 3.2.

Economic Environment

The economic environment represents the economic conditions in the country where the international organization operates. This part of the environment includes such factors as economic development; infrastructure; resource and product markets; exchange rates; and inflation, interest rates, and economic growth.

BIT 3.2

rs in the International nt

© Keith Dannemiller/Corbis SABA

A solid infrastructure, including decent highways, a Pacific port, and nonstop air service to the U.S., helps make Guadalajara a favorite factory town for U.S. companies such as IBM, Hewlett-Packard, and Siemens. Guadalajara and surrounding areas in the Mexican state of Jalisco boast the world's largest concentration of electronic contract manufacturers. Factories are bright, shining, and sophisticated, and the annual worker turnover rate is less than 5 percent. Single-use Kodaks, like the one being manufactured in the photo, are made with film coated in Rochester, New York, but assembled and packaged in Mexico.

Economic Development. Economic development differs widely among the countries and regions of the world. Countries can be categorized as either *developing* or *developed*. Developing countries are referred to as *less-developed countries (LDCs)*. The criterion traditionally used to classify countries as developed or developing is *per capita income*, which is the income generated by the nation's production of goods and services divided by total population. The developing countries have low per capita incomes. LDCs generally are located in Asia, Africa, and South America. Developed countries are generally located in North America, Europe, and East Asia. Today, developing countries in Southeast Asia, Latin America, and Eastern Europe are driving global growth.[13]

Most international business firms are headquartered in the wealthier, economically advanced countries. However, smart companies are investing heavily in Asia, Eastern Europe, and Latin America. For example, the number of Internet users in Latin America is expected to grow to 19 million by 2003, up from only 4.8 million in 1998, and e-commerce sales are expected to zoom to $8 billion.[14] Both Compaq and Dell have launched online stores for Latin American customers to buy computers over the Internet. America Online sees Latin America as crucial to expanding its global presence, even though Universo Online International (UOL), based in Brazil, got a tremendous head start over AOL.[15] These companies face risks and challenges today, but they stand to reap huge benefits in the future.

Infrastructure. A country's physical facilities that support economic activities make up its **infrastructure**, which includes transportation facilities such as airports, highways, and railroads; energy-producing facilities such as utilities and power plants; and communication facilities such as telephone lines and radio stations. Companies operating in LDCs must contend with lower levels of technology and perplexing logistical, distribution, and communication problems. Undeveloped infrastructures represent opportunities for some firms, such as United Technologies Corporation, based in Hartford, Connecticut, whose businesses include jet engines, air-conditioning and heating systems, and elevators. As countries such as China, Russia, and Vietnam open their

infrastructure
A country's physical facilities that supp
economic activities.

...AL, INC.

World Bank

Like so many other developing countries, Pakistan has crumbling roads and even worse finances. The country asked the World Bank for help in rating a cheap paving method. Two years ago, it would have taken bank experts nine months to research the problem. Using the Internet, it was solved in one day. After posting a query on its Web site, the bank received a reply from one of its employees in Argentina, who had written a book on the subject.

The Web is helping the World Bank to be a leader in knowledge management, unleashing the human expertise that is available in its ranks worldwide. Its Web site acts as a giant chat room, covering topics and data relating to concepts such as health care, education, or urban planning, and forging expert communities across borders. A recent project linked experts from 10 Latin American cities, with competencies in solid waste, municipal engineering, and transport. "Knowledge sharing will allow us to really have an impact on poverty," says Robert Chavez, a World Bank urban planner.

Instead of shuffling money from richer nations to poorer ones and hoping that the needy are actually helped, this new way of doing business fundamentally changes the agency's operations. Timely know-how can be given, allowing funds to be used more wisely. It creates a "different vision," says knowledge-management director Stephen Denning. As the new knowledge management keeps moving ahead, Third World countries just might be on a well-built road to economic gains.

SOURCE: Catherine Yang, "Sharing Knowledge Globally," *Business Week* (September 18, 2000), 102.

markets, new buildings need elevators and air and heat systems; opening remote regions for commerce requires more jet engines and helicopters. Helping countries develop their infrastructure often falls on the shoulders of international agencies such as the World Bank, which discovered the Web as a major asset, as described in the Digital, Inc. box.

Resource and Product Markets. When operating in another country, company managers must evaluate the market demand for their products. If market demand is high, managers may choose to export products to that country. To develop plants, however, resource markets for providing needed raw materials and labor must also be available. For example, the greatest challenge for McDonald's, which now sells Big Macs on every continent except Antarctica, is to obtain supplies of everything from potatoes to hamburger buns to plastic straws. At McDonald's in Cracow, the burgers come from a Polish plant, partly owned by Chicago-based OSI Industries; the onions come from Fresno, California; the buns come from a production and distribution center near Moscow; and the potatoes come from a plant in Aldrup, Germany. McDonald's tries to contract with local suppliers when possible. In Thailand, McDonald's actually helped farmers cultivate Idaho russet potatoes of sufficient quality to produce their golden french fries.[17]

Exchange Rates. *Exchange rate* is the rate at which one country's currency is exchanged for another country's. Changes in the exchange rate can have major implications for the profitability of international operations that exchange millions of dollars into other currencies every day.[18] For example, assume that the U.S. dollar is exchanged for 0.8 euros. If the dollar increases in value to 0.9 euros, U.S. goods will be more expensive in France because it will take more euros to buy a dollar's worth of U.S. goods. It will be more difficult to export U.S. goods to France, and profits will be slim. If the dollar drops to a value of 0.7 euros, on the other hand, U.S. goods will be cheaper in France and can be exported at a profit.

The Legal–Political Environment

Businesses must deal with unfamiliar political systems when they go international, as well as with more government supervision and regulation. Government officials and the general public often view foreign companies as outsiders or even intruders and are suspicious of their impact on economic independence and political sovereignty. Some of the major legal–political concerns affecting international business are political risk, political instability, and laws and regulations.

Political Risk and Instability. A company's political risk is defined as its risk of loss of assets, earning power, or managerial control due to politically based events or actions by host governments.[19] Political risk includes government takeovers of property and acts of violence directed against a firm's properties or employees. Because such acts are not uncommon, companies must formulate special plans and programs to guard against unexpected losses. For example, Hercules, Inc., a large chemical company, increased the number of security guards at several of its European plants. Some companies buy political risk insurance, especially as they move into high-risk areas such as Eastern Europe, China, and Brazil. Political risk analysis has emerged as a critical component of environmental assessment for multinational organizations.[20]

political risk
A company's risk of loss of assets, earning power, or managerial control due to politically based events or actions by host governments.

U.S. firms or companies linked to the United States often are subject to major threats in countries characterized by **political instability**. For example, when barricades and tear gas blocked thousands of protesters in Pakistan from storming the U.S. consulate in Karachi on the first Muslim holy day after the U.S. began bombings in Afghanistan, the demonstrators turned instead to KFC, where they set fire to the restaurant, which is viewed as a symbol of America.[21]

political instability
Events such as riots, revolutions, or government upheavals that affect the operations of an international company.

Laws and Regulations. Government laws and regulations differ from country to country and make doing business a true challenge for international firms. Host governments have myriad laws concerning libel statutes, consumer protection, information and labeling, employment and safety, and wages. International companies must learn these rules and regulations and abide by them. For example, When Yahoo's Web site hosted an auction of Nazi paraphernalia, a French court ruled that the company must block access to French users because selling such items violates French law.[22] Sometimes dealing with another country's laws can be unexpectedly helpful, as Iqbal Quadir found in Bangladesh, described in the Focus on Collaboration box.

The most visible changes in legal-political factors grow out of international trade agreements and the emerging international trade alliance system. Consider, for example, the impact of the General Agreement on Tariffs and Trade (GATT), the European Union (EU), and the North American Free Trade Agreement (NAFTA).

GATT and the World Trade Organization

The General Agreement on Tariffs and Trade (GATT), signed by 23 nations in 1947, started as a set of rules to ensure nondiscrimination, clear procedures, the negotiation of disputes, and the participation of lesser developed countries in international trade. GATT and its successor, the World Trade Organization (WTO), primarily use tariff concessions as a tool to increase trade. Member

FOCUS ON COLLABORATION

GrameenPhone

Ten years ago, when Iqbal S. Quadir tried to get investors for a mobile phone network in Bangladesh, he received a lot of rejections, such as the one from a New York cell phone executive who said, "We're not the Red Cross." That's precisely the kind of thinking that keeps countries poor, says Harvard lecturer Quadir, because companies don't see the possibilities for profit in underdeveloped areas.

Proving the naysayers wrong, Quadir's GrameenPhone posted profits of $27 million last year, after only five years in operation. No one thought that possible—not even business-mogul-turned philanthropist Bill Gates, who has said there is no market for such electronic devices in poor and remote areas. Certainly the government did not think it would take off, either. They didn't even charge Quadir an up-front licensing fee, as they held the common belief that cell phones would be a marginal business for only the rich. But Quadir managed to pull together a group of private individuals with some government loans, as well.

One of Quadir's early investors was Bangladesh's Grameen Bank, world-famous for its microloans to small businesses in poor countries. Grameen bank follows a similar model. It offers normal cellular service to urban customers, and also has another tier, Village Phone. That's where people in areas with no phone service get small loans to buy a phone and air time, turning around and selling time on their phones to people in their village. GrameenPhone boasts 575,000 subscribers in over 12,000 villages—more even than the national telecom.

Quadir is now on the board of many organizations, including DigitalDivide.com, devoted to this system of public and private funding to aid entrepreneurs in poor countries. His next venture might prove to be even more challenging: Setting up a cell phone company in Afghanistan, a country with no visible banking or telecommunications. Undaunted, he pushes forward. "I've done it before."

SOURCE: Susan E. Reed, "Helping the Poor, Phone by Phone," *The New York Times* (May 26, 2002), 3.2.

nost favored nation
term describing a GATT clause that calls for ember countries to grant other member ountries the most favorable treatment they cord any country concerning imports and ports.

countries agree to limit the level of tariffs they will impose on imports from other members, and the **most favored nation** clause, which calls for each member country to grant to every other member country the most favorable treatment it accords to any country with respect to imports and exports.[23]

The goal of the WTO is to guide—and sometimes urge—the nations of the world toward free trade and open markets.[24] However, the power of the WTO is partly responsible for a growing backlash against global trade. An increasing number of individuals and public interest groups are protesting that global trade locks poor people into poverty and harms wages, jobs, and the environment.

European Union

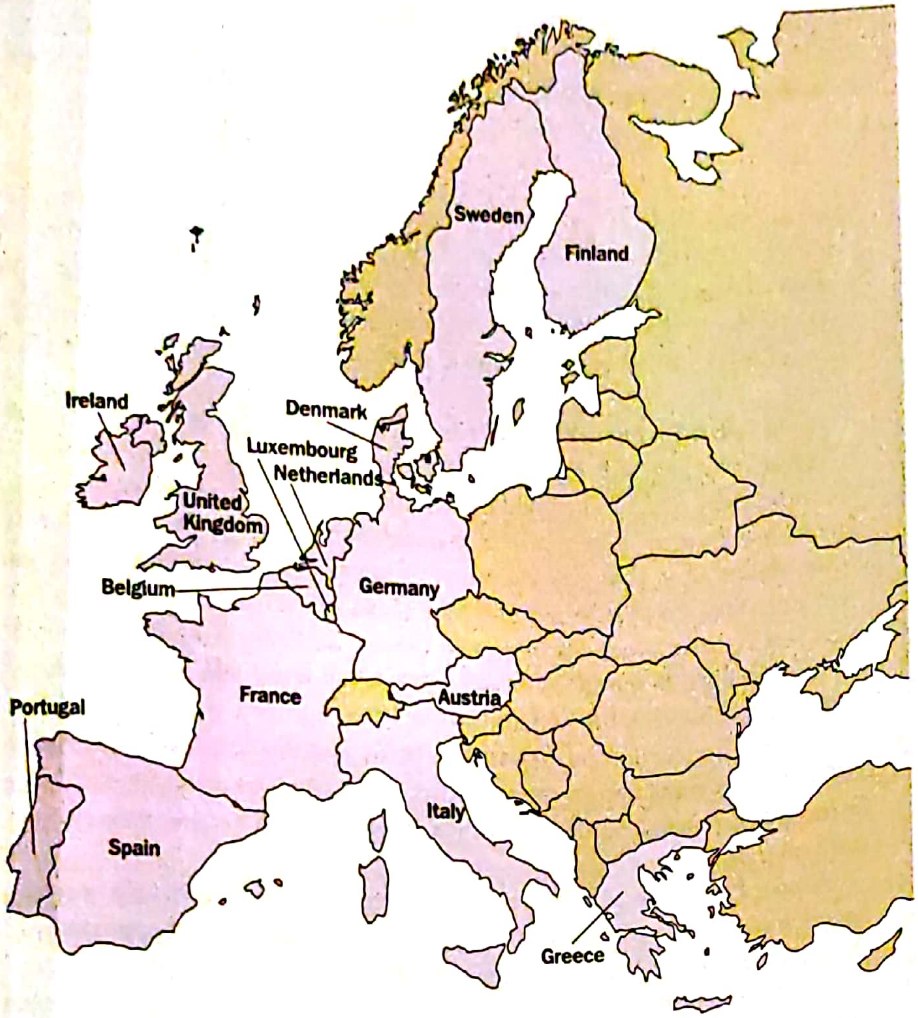
Formed in 1958 to improve economic and social conditions among its members, the European Economic Community, now called the European Union (EU), has expanded to a 15-nation alliance illustrated in Exhibit 3.3. Poland, Hungary, the Czech Republic, Cyprus, Slovenia, and Estonia are in negotiations to join the EU, and at least seven other countries are considering opening membership negotiations.

uro
single European currency that replaced the rrencies of 11 European nations.

Another aspect of significance to countries operating globally is the EU's monetary revolution and the introduction of the **euro**. In January 2002, the euro, a single European currency, replaced 11 national currencies and unified a huge marketplace, creating a competitive economy second only to the United States.[25] Germany, France, Spain, Italy, Ireland, the Netherlands, Austria, Belgium, Finland, Portugal, and Luxembourg traded their deutschemarks, francs, lira, and other currencies to adopt the euro, a currency with a single exchange rate. The United Kingdom has thus far refused to accept the euro, in part because of a sense of nationalism, but many believe that the United Kingdom will eventually adopt the currency.

EXHIBIT 3.3

The Fifteen Nations within the EU



Although building alliances among countries is difficult, the benefits of doing so are overcoming divisions and disagreements. Canada, Mexico, and the United States have established what is expected to be an equally powerful alliance.

North American Free Trade Agreement (NAFTA)

The North American Free Trade Agreement, which went into effect on January 1, 1994, merged the United States, Canada, and Mexico into a megamarket with more than 360 million consumers. The agreement breaks down tariffs and trade restrictions on most agricultural and manufactured products over a 15-year period. The treaty builds on the 1989 U.S.–Canada agreement and is expected to spur growth and investment, increase exports, and expand jobs in all three nations.[26]

Between 1994, when NAFTA went into effect, and 1998, U.S. trade with Mexico increased a whopping 113 percent to $173.4 billion, while trade with Canada rose 63 percent, to $329.9 billion.[27]

The Sociocultural Environment

A nation's **culture** includes the shared knowledge, beliefs, and values, as well as the common modes of behavior and ways of thinking, among members of a society. Cultural factors are more perplexing than political and economic factors in foreign countries. Culture is intangible, pervasive, and difficult to learn.

culture
The shared knowledge, beliefs, values, behaviors and ways of thinking among members of a society.

It is absolutely imperative that international businesses and managers comprehend the significance of local cultures and deal with them effectively. Cultural clashes can show themselves in unusual ways, as described in the example below.

Miss Pakistan Earth

Neelam Nourani won the Miss Pakistani Earth competition in 2002 without wearing a bathing suit, so as not to offend Muslim sensibilities about revealing women's bodies. Judges were told to speculate whether the contestants had "nice healthy bodies" underneath their roomy trouser-and-tunic costumes. Now Nourani will have to buy a swimsuit to compete in the international Miss Earth contest.

Along with other concerns in Muslim countries, there has been some pressure to "develop." Along with fast food, beauty contests have become a measure of Westernization, which is shunned by countries such as Malaysia and Indonesia, which have the world's largest Muslim populations. Others try to adapt contests to the Muslim way. That was Muhammed Usman's idea in 1994 when he saw rival India take the Miss World and Miss Universe crowns. Both India and Pakistan have nuclear weapons, reasoned Usman, so "Why not beauty queens?" He hooked up with the 2002 Miss Earth contest, which has a "green theme" and features "beauties for a cause."

Usman, using family and friends as investors, held the first Pakistani contest in 2002. Seventy-three people showed up to watch 18 contestants sing and dance or recite Urdu poetry. Britney Spears fan Nourani based her energetic performance on a disco Pakistani song.

Winner Nourani had to hire bodyguards for her promotional tour to protect herself from Islamic extremists. "In Pakistan, if you take part in beauty contests," she says, you're considered a scandalous woman. Afghani Zohra Yusof Daoud would like to see that changed. An activist for women's rights in California, she was Miss Afghanistan in 1972. She wants the world to see Afghani women are more than faceless burka-wearers. But the contest would have to "incorporate Muslim values," she notes, and is not sure how that could be done. Having spent some of her formative years in the U.S., Nourani has a Western frankness that made her an outcast amongst the contestants. "We are Allah's creation," she says. "We have a right to represent womanhood."[28]

Social Values

Research done by Geert Hofstede on 116,000 IBM employees in 40 countries identified four dimensions of national value systems that influence organizational and employee working relationships.[29] Examples of how countries rate on the four dimensions are shown in Exhibit 3.4.

power distance
the degree to which people accept inequality in power among institutions, organizations, and people.

uncertainty avoidance
a value characterized by people's intolerance for uncertainty and ambiguity and resulting support for beliefs that promise certainty and conformity.

1. *Power distance.* High power distance means that people accept inequality in power among institutions, organizations, and people. Low power distance means that people expect equality in power. Countries that value high power distance are Malaysia, the Philippines, and Panama. Countries that value low power distance are Denmark, Austria, and Israel.
2. *Uncertainty avoidance.* High uncertainty avoidance means that members of a society feel uncomfortable with uncertainty and ambiguity and thus support beliefs that promise certainty and conformity. Low uncertainty avoidance means that people have high tolerance for the unstructured, the

EXHIBIT 3.4

Rank Orderings of Ten Countries along Four Dimensions of National Value Systems

Country	Power Distance[a]	Uncertainty Avoidance[b]	Individualism[c]	Masculinity[d]
Australia	7	7	2	5
Costa Rica	8 (tie)	2 (tie)	10	9
France	3	2 (tie)	4	7
West Germany	8 (tie)	5	5	3
India	2	9	6	6
Japan	5	1	7	1
Mexico	1	4	8	2
Sweden	10	10	3	10
Thailand	4	6	9	8
United States	6	8	1	4

[a] 1=highest power distance
10=lowest power distance
[b] 1=highest uncertainty avoidance
10=lowest uncertainty avoidance
[c] 1=highest individualism
10=highest collectivisim
[d] 1=highest masculinity
10=highest femininity

SOURCE: From Dorothy Marcic, *Organizational Behavior and Cases*, 4th ed. (St. Paul, Minn.: West, 1995). Based on Geert Hofstede, *Culture's Consequences* (London: Sage Publications, 1984); and *Cultures and Organizations: Software of the Mind* (New York: McGraw-Hill, 1991).

unclear, and the unpredictable. High uncertainty avoidance countries include Greece, Portugal, and Uruguay. Countries with low uncertainty avoidance values are Singapore and Jamaica.

3. *Individualism and collectivism.* **Individualism** reflects a value for a loosely knit social framework in which individuals are expected to take care of themselves. **Collectivism** means a preference for a tightly knit social framework in which individuals look after one another and organizations protect their members' interests. Countries with individualist values include the United States, Canada, Great Britain, and Australia. Countries with collectivist values are Guatemala, Ecuador, and China.
4. *Masculinity/femininity.* **Masculinity** stands for preference for achievement, heroism, assertiveness, work centrality (with resultant high stress), and material success. **Femininity** reflects the values of relationships, cooperation, group decision making, and quality of life. Societies with strong masculine values are Japan, Austria, Mexico, and Germany. Countries with feminine values are Sweden, Norway, Denmark, and France. Both men and women subscribe to the dominant value in masculine and feminine cultures.

Hofstede and his colleagues later identified a fifth dimension, **long-term orientation versus short-term orientation.** The long-term orientation, found in China and other Asian countries, includes a greater concern for the future and highly values thrift and perseverance. A short-term orientation, found in Russia and West Africa, is more concerned with the past and the present and places a high value on tradition and meeting social obligations.[30]

Social values influence organizational functioning and management styles. For example, managers attempting to implement self-directed work teams in Mexico have run into problems because Mexico is characterized by very high power distance and a relatively low tolerance for uncertainty. These characteristics often conflict with the American concept of teamwork, which emphasizes shared power and authority, with team members working on a variety of problems without formal guidelines, rules, and structure. Many workers in Mexico, as well as France and Mediterranean countries, expect organizations to be hierarchical. Germany and other central European countries have organizations

individualism
A preference for a loosely knit social framework in which individuals are expected to take care of themselves.

collectivism
A preference for a tightly knit social framework in which individuals look after one another and organizations protect their members' interests.

masculinity
A cultural preference for achievement, heroism, assertiveness, work centrality, and material success.

femininity
A cultural preference for cooperation, group decision making, and quality of life.

long-term orientation
A greater concern for the future and high value on thrift and perseverance.

short-term orientation
A concern with the past and present and a high value on meeting social obligations.

that strive to be impersonal, well-oiled machines. In India, Asia, and Africa, organizations are viewed as large families. Effective management styles differ in each country, depending on cultural characteristics.[31]

Other Cultural Characteristics

ethnocentrism
A cultural attitude marked by the tendency to regard one's own culture as superior to others.

Other cultural characteristics that influence international organizations are language, religion, attitudes, social organization, and education. Some countries, such as India, are characterized by *linguistic pluralism*, meaning that several languages exist there. Other countries rely heavily on spoken versus written language. Religion includes sacred objects, philosophical attitudes toward life, taboos, and rituals. Attitudes toward achievement, work, and time can all affect organizational productivity. An attitude called ethnocentrism means that people have a tendency to regard their own culture as superior and to downgrade other cultures. Ethnocentrism within a country makes it difficult for foreign firms to operate there. Social organization includes status systems, kinship and families, social institutions, and opportunities for social mobility. Education influences the literacy level, the availability of qualified employees, and the predominance of primary or secondary degrees.

American managers are regularly accused of an ethnocentric attitude that assumes the American way is the best way. At an executive training seminar at IMD, a business school in Lausanne, Switzerland, managers from Europe expressed a mixture of admiration and disdain for U.S. managers. "They admire the financial results," says J. Peter Killing, an IMD professor, "but when they meet managers from the U.S. they see that even these educated, affluent Americans don't speak any language besides English, don't know how or when to eat and drink properly, and don't know anything about European history, let alone geography."[32] As business grows increasingly global, U.S. managers are learning that cultural differences cannot be ignored if international operations are to succeed. For example, Coke withdrew its two-liter bottle from the Spanish market after discovering that compartments of Spanish refrigerators were too small for it.[33] McDonald's hasn't even tried to market Egg McMuffins in Brazil because of the deeply ingrained tradition of eating breakfast at home. On the other hand, Kellogg introduced breakfast cereal into Brazil through carefully chosen advertising. Although the traditional breakfast is coffee and a roll, many Brazilians have been won over to the American breakfast and now start their day with Kellogg's Sucrilhos (Frosted Flakes) and Crokinhos (Cocoa Krispies).[34]

Organizations that recognize and manage cultural differences report major successes. Consider the cultural challenges managers of Bob's Big Boy face in Thailand.

b's Big Boy
://www.bigboy.com

McDonald's and Burger King have taken American fast food worldwide, and now a host of smaller companies, including A&W, Shakey's, and Dairy Queen, are heading overseas to serve customers who are hungry for more. But one adventurous franchiser who opened a Big Boy restaurant in Thailand learned quickly that there are plenty of barriers to overcome. Peter Smythe first began scouting for a franchise on behalf of a Thailand arms dealer who wanted to start a business for his daughters to run. When he met the owners of Big Boy, Elias Brothers of Warren, Michigan, Smythe knew he'd found a match. Big Boy, with 600 restaurants worldwide, seemed a natural for further global expansion. Its 1950s-roadside decor, diverse menu, and famous Big Boy icon all added up to a great American brand. "All you have to do is open the door and they will come," 78-year-old Louis Elias told Smythe. But when Smythe opened the door in Thailand, no one came (not even the arms dealer and his daughters, who showed no interest in running the business).

Smythe was left on his own to save Big Boy in Thailand, so he began talking to people about why they were not coming to the restaurant. The reasons were many and varied, ranging from feelings that the restaurant had bad "room energy" to the cost of the food. Many people told Smythe they'd rather get a bowl of noofles or sweet satay from a street vendor for one-fifth what they'd have to pay for a greasy American burger. And one of the biggest reasons was that Thai customers found the pudgy, grinning Big Boy statue just a little creepy. They couldn't figure out what the icon meant. A few eventually decided it was a religious figure and began laying bowls of rice and incense at his feet.

Smythe realized the attempt to transport a 65-year-old brand and food to a 3,500-year-old culture without making any adjustments wasn't going to fly. He began adding a few inexpensive Thai dishes to the menu, and customers began trickling in. He added sugar and chili powder to the burger recipe to better match Thai taste buds. The Big Boy statue stayed, but by educating employees, who pass what they learn on to friends and family, Smythe has persuaded customers to take the icon in stride. Smythe also took the comments about room energy seriously, even though he hasn't completely solved the problem.

And he still has plenty of other hurdles to contend with, as well. All the bakers he contacted told him the buns he wanted were "too complicated," so Smythe had to make his own bun molds. When small suppliers go out of business, he has to scramble to find replacements. And one of the biggest problems he's encountered is that at the peak of lunch hour the entire staff disappears into the back to eat their lunch of noodles and soup. "I asked them to take turns eating," Smythe says. "They say, 'No, we all have to eat at the same time.'" Smythe just has to do the best he can to work around the problem. His five-year adventure in Thailand has not been easy, but by listening to the local people and making adjustments to meet cultural differences, Smythe has now opened three additional—and highly profitable—Big Boy franchises in the country.[35]

Getting Started Internationally

Small and medium-sized companies have a couple of ways to become involved internationally. One is to seek cheaper sources of supply offshore, which is called *outsourcing*. Another is to develop markets for finished products outside their home country, which may include exporting, licensing, and direct investing. These are called **market entry strategies** because they represent alternative ways to sell products and services in foreign markets. Most firms begin with exporting and work up to direct investment. Exhibit 3.5 shows the strategies companies can use to enter foreign markets.

market entry strategy
An organizational strategy for entering a foreign market.

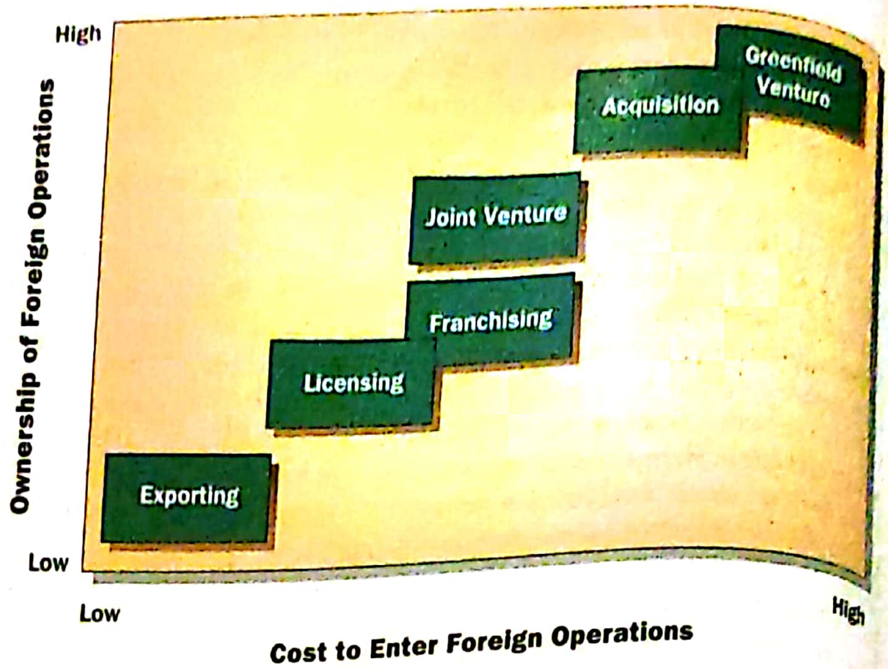
Outsourcing

Global outsourcing, sometimes called *global sourcing*, means engaging in the international division of labor so that manufacturing can be done in countries with the cheapest sources of labor and supplies. A company may take away a contract from a domestic supplier and place it with a company in the Far East, 8,000 miles away. Manufacturers in Asia and Latin America are rapidly getting

global outsourcing
Engaging in the international division of l[...] so as to obtain the cheapest sources of la[...] and supplies regardless of country; also called *global sourcing*.

EXHIBIT 3.5

Strategies for Entering International Markets



wired into the Internet to help them compete in an e-business world. Large companies outsource to companies all over Asia, and they like the convenience, speed, and efficiency of handling business by electronic transactions. Singapore-based Advanced Manufacturing Online uses a system that enables both suppliers and clients to send orders and solicit price quotes over the Web.[36] Another outsourcing company is Hong Kong-based Li & Fung, as described in the Best Practices box.

A unique variation of global outsourcing is the *Maquiladora* industry along the Texas–Mexico border. In the beginning, twin plants were set up, with the U.S. plant manufacturing components with sophisticated machinery and the Mexican plant assembling components using cheap labor. With increasing sophistication in Mexico, new factories with sophisticated equipment are being built farther south of the border, with assembled products imported into the United States at highly competitive prices. General Electric, for example, employs more than 30,000 people in appliance factories in Mexico, and is now shifting some of its engineering work to that country as well as to India, Brazil, and Turkey. And service companies are taking advantage of the *maquiladora* concept as well. U.S. data-processing companies use high-speed data lines to ship document images to Mexico and India, where 45,000 workers do everything from processing airline tickets to screening U.S. credit-card applications.[37]

Exporting

xporting
entry strategy in which the organization intains its production facilities within its ie country and transfers its products for in foreign countries.

With exporting, the corporation maintains its production facilities within the home nation and transfers its products for sale in foreign countries.[38] Exporting enables a country to market its products in other countries at modest resource cost and with limited risk. U.S. exports are on the rise, and small to mid-size companies are benefiting. Multiplex Co., a St. Louis manufacturer of beverage-dispensing equipment for fast-food service, exports about 40 percent of its products. National Graphics, a specialty coater of papers and films, ships 60 percent of its products overseas, and National's CEO believes exports helped to save the company.[39]

BEST PRACTICES

Real Time Garments by Li & Fung

If you buy a shirt at Guess or Limited, chances are it was outsourced through Li & Fung in Hong Kong. Run by Harvard graduates and Hong Kong natives William and Victor Fung, Li & Fung has no machines, no factories, and no fabrics. The Fungs deal only in information. They work with 7,500 suppliers in 37 countries, taking orders from companies such as Ambercrombie & Fitch, Disney, Levi Strauss, and American Eagle Outfitters. "There are no secrets to manufacturing," says Managing Director William. "A shirt is a shirt." Instead of manufacturing clothing, they build on proprietary information, such as how to make a shirt faster or more efficiently.

When an order comes in, the Fungs use personalized Web sites to fine-tune the specifications with the customer. Taking that information and feeding it into their own intranet, they are able to find the best supplier of raw materials and the best factories to assemble the garments. An order for pants from an American brand followed this course: the fabric was woven in China, because the supplier used dark green dyes; fasteners came from Hong Kong and Korea, chosen for durability; supplies were then shipped to Guatemala for sewing. "For simple things like pants with four seams, Guatemala is great," says division manager Ada Liu. With its proximity to the U.S., it takes only a few days for delivery from Guatemala. If production problems occur, Li & Fung can tap into an extensive database to find another supplier. As the order progresses, customers can make last-minute changes on Li & Fung's Web site.

As recently as five years ago, when the company was run by phone and fax, Li & Fung would get an order of 50,000 cargo pants and have it delivered five months later, instead of within the few weeks that it takes today. Now, with customers online making adjustments to color or cutting right before those are done, there are fewer mistakes and fewer unhappy customers.

Until a few years ago, clothing stores changed their stock four times a year, for each season. In the new economy, some stores rotate their clothes every week. This makes the name of the store Express take on a new meaning.

SOURCE: Joanne Lee-Young and Megan Barnett, "Furiously Fast Fashions," *The Industry Standard* (June 11, 2001), 72–79.

Licensing

The next stage in pursuing international markets is licensing and franchising, which are similar approaches. With **licensing**, a corporation (the licensor) in one country makes certain resources available to companies in another country (the licensee). These resources include technology, managerial skills, and/or patent and trademark rights. They enable the licensee to produce and market a product similar to what the licensor has been producing. This arrangement gives the licensor an opportunity to participate in the production and sale of products outside its home country at relatively low cost. Hasbro has licensing agreements with companies in several Latin American countries and Japan. Hasbro builds brand identity and consumer awareness by contracting with toy companies in other countries to manufacture products locally. Heineken, which has been called the world's first truly global brand of beer, usually begins by exporting to help boost familiarity with its product; if the market looks enticing enough, Heineken then licenses its brands to a local brewer.

licensing
An entry strategy in which an organization in one country makes certain resources available to companies in another in order to participate in the production and sale of its products abroad.

Franchising is a special form of licensing that occurs when the franchisee buys a complete package of materials and services, including equipment, products, product ingredients, trademark and trade name rights, managerial advice, and a standardized operating system. Whereas with licensing, a licensee generally keeps its own company name and operating systems, a franchise takes the name and systems of the franchisor. For example, Anheuser-Busch licenses the right to brew and distribute Budweiser beer to several breweries, including Labatt in Canada and Kirin in Japan, but these breweries retain their own company names, identities, and autonomy. On the other hand, a Burger King

franchising
A form of licensing in which an organization provides its foreign franchisees with a complete package of materials and services

© Chris Brown/SABA

Daewoo Campus Advisers at U.S. universities? Through exporting, Korea's Daewoo Motor Co. sold 30,000 vehicles in its first year in the U.S. market. The Campus Advisers, a group of 2,000 college students at some 200 campuses, run Daewoo events and direct potential buyers to the nearest Daewoo sales showroom. The advisers receive $300 to $500 per car sold and an all-expense-paid seven-day trip to Korea, plus free use of a car for 3 months and the option to buy it at a discount.

franchise anywhere in the world is a Burger King, and managers use standard procedures designed by the franchisor. The fast-food chains are some of the best-known franchisors. KFC, Burger King, Wendy's, and McDonald's outlets are found in almost every large city in the world. The story is often told of the Japanese child visiting Los Angeles who excitedly pointed out to his parents, "They have McDonald's in America."

Licensing and franchising offer a business firm relatively easy access to international markets at low cost, but they limit its participation in and control over the development of those markets.

Direct Investing

direct investing
An entry strategy in which the organization is involved in managing its production facilities in a foreign country.

joint venture
A variation of direct involvement in which an organization shares costs and risks with another firm to build a manufacturing facility, develop new products, or set up a sales and distribution network.

A higher level of involvement in international trade is direct investment in manufacturing facilities in a foreign country. **Direct investing** means that the company is involved in managing the productive assets, which distinguishes it from other entry strategies that permit less managerial control.

Currently, the most popular type of direct investment is to engage in strategic alliances and partnerships. In a **joint venture**, a company shares costs and risks with another firm, typically in the host country, to develop new products, build a manufacturing facility, or set up a sales and distribution network.[40] A partnership is often the fastest, cheapest, and least risky way to get into the global game. Entrepreneurial companies such as Molex, a manufacturer of connectors, and Nypro, a maker of industrial components, have used partnerships to gain overseas access to several countries. Heineken Breweries has entered into a joint venture with Singapore's Asia Pacific Breweries, makers of Tiger Beer, and Ci-Co S.A. Auburn Farms, a Sacramento, California, manufacturer of all-natural snack foods, recently entered into a joint venture with South Africa's Beacon Sweets & Chocolates.[41] Internet companies have also used joint ventures as a way to expand. AOL created a joint venture with Venezuela's Cisneros Group to smooth its entry into Latin America.[42]

Multinational Corporations

multinational corporation (MNC)
An organization that receives more than 25 percent of its total sales revenues from operations outside the parent company's home country; also called *global corporation* or *transnational corporation*.

The size and volume of international business are so large that they are hard to comprehend. The revenue of General Motors is comparable to the gross domestic product (GDP) of Finland, that of General Electric is comparable in size to Israel's GDP, Toyota revenues to Hong Kong's GDP, and those of the Royal Dutch/Shell Group to the GDP of Norway.[43] As discussed earlier in this chapter, a large volume of international business is being carried out in a seemingly borderless world by very large international businesses that can be thought of as *global corporations, stateless corporations,* or *transnational corporations*. In the business world, these large international firms typically are called **multinational corporations (MNCs)**, which have been the subject of enormous attention. MNCs can move a wealth of assets from country to country and influence national economies, politics, and cultures.

The truly global companies that transcend national boundaries are growing in number. These companies no longer see themselves as American, Chinese, or German; they are totally globally operating and serve a global market.

Managing in a Global Environment

Managing in a foreign country is particularly challenging. Before undertaking a foreign assignment, managers must understand that they will face great personal challenges. Managers working in foreign countries must be sensitive to cultural subtleties and understand that the ways to provide proper leadership, decision making, motivation, and control vary in different cultures. When companies operate internationally, the need for personal learning and growth is critical. Sometimes that learning doesn't come too easily, as Wal-Mart learned the hard way.

Wal-Mart
http://www.wal-mart.com

Wal-Mart's first blunder was stocking its shelves with footballs in a country where soccer rules. In the suburbs of São Paulo, Brazil, the highly successful U.S. company discovered that its merchandise, tactics, and attitudes don't always translate well internationally. With opportunities for growth dwindling at home, Wal-Mart has embarked on a crusade to bring "everyday low prices" to the emerging markets of Brazil, Argentina, China, and Indonesia. But doing business internationally is a learning—and sometimes a losing—process. In its first two years in South America, Wal-Mart lost an estimated $48 million. Part of the difficulty is due to stiff competition from companies such as Brazil's Grupo Pao de Acucar SA and France's Carrefour SA, which have much stronger footholds in the region. However, analysts also blame Wal-Mart. By failing to do its homework, Wal-Mart made mistakes such as stocking footballs instead of soccer balls, live trout instead of sushi, and leaf blowers that are useless in the concrete world of São Paulo. It brought in stock-handling equipment that didn't work with standardized local pallets and installed a computerized bookkeeping system that didn't take Brazil's complicated tax system into account. Perhaps most damaging, the company's insistence on doing things "the Wal-Mart way" has alienated some local suppliers and employees.

To resolve these issues, the company has revised its merchandising and changed some of its tactics to better suit local cultures in Brazil and China. In Brazil, for example, it has scaled back the size of stores and moved to mid-size cities where competition is less fierce. Wal-Mart is trying to work with local partners who can help the company translate its business cross-culturally. Despite problems, the company is opening more stores in both Brazil and Argentina. Bob Martin, Wal-Mart's head of international operations, believes the international market is worth the risks. "The market is ripe and wide open for us."[44]

Personal Challenges for Global Managers

Managers will be most successful in foreign assignments if they are culturally flexible and easily adapt to new situations and ways of doing things. A tendency to be ethnocentric—to believe that your own country's cultural values and ways of doing things are superior—is a natural human condition. Managers can learn to break down those prejudices and appreciate another culture. As one Swedish executive of a large multinational corporation put it, "We Swedes are so content with . . . the Swedish way, that we forget that 99 percent of the rest of the world isn't Swedish."[45] Managers working in foreign countries may never come to understand the local culture like a native; the key is to be sensitive to cultural differences and understand that other ways of thinking and doing are also valid.

Most managers in foreign assignments face a period of homesickness, loneliness, and culture shock from being suddenly immersed in a culture with completely different languages, foods, values, beliefs, and ways of doing things. Culture shock refers to the frustration and anxiety that result from constantly being subjected to strange and unfamiliar cues about what to do and how to do it. Even simple, daily events can become sources of stress.[46]

culture shock
Feelings of confusion, disorientation, and anxiety that result from being immersed in a foreign culture.

Preparing managers to work in foreign cultures is essential. Some companies try to give future managers exposure to foreign cultures early in their careers. American Express Company's Travel-Related Services unit gives American business-school students summer jobs in which they work outside the United States for up to 10 weeks. Colgate-Palmolive selects 15 recent graduates each year and then provides up to 24 months of training prior to multiple overseas job stints.[47]

Managing Cross-Culturally

To be effective on an international level, managers can first understand their own cultural values and assumptions, as discussed in Chapter 2; then they can interpret the culture of the country and organization in which they are working and develop the sensitivity required to avoid making costly cultural blunders.[48]

In the United States, cross-cultural training is a popular way of helping managers prepare for overseas assignments. Sixty-three percent of global companies now offer managers at least one full day of cultural training about the foreign country where they have been assigned. "Americans tend to think everyone's the same," says Steven Jones of East–West Business Strategies in San Francisco. "It's a dangerous assumption."[49] One way managers prepare for foreign assignments is to understand how the country differs in terms of Hofstede's social values (power distance, individualism, uncertainty avoidance, masculinity, and orientation) as discussed earlier in this chapter. These values greatly influence how a manager should interact with subordinates and colleagues in the new assignment. For example, the United States scores extremely high on individualism, and a U.S. manager working in a country such as Japan, which scores very high on collectivism, will have to modify his or her approach to leading and controlling in order to be successful. The following examples illustrate how cultural differences can be significant for expatriate managers.

Leading. In relationship-oriented societies that rank high on collectivism, such as those in Asia, the Arab world, and Latin America, leaders should use a warm, personalized approach with employees. One of the greatest difficulties U.S. leaders have had doing business in China, for example, is failing to recognize that to the Chinese any relationship is a personal relationship.[50] Managers are expected to have periodic social visits with workers, inquiring about morale and health. Leaders should be especially careful about criticizing others. To Asians, Africans, Arabs, and Latin Americans, the loss of self-respect brings dishonor to themselves and their families. One researcher tells of a Dutch doctor managing a company clinic who had what he considered a "frank discussion" with a Chinese subordinate. The subordinate, who perceived the doctor as a father figure, took the criticism as a "savage indictment" and committed suicide.[51] Though this is an extreme example, the principle of *saving face* is highly important in some cultures.

Decision Making. In the United States, mid-level managers may discuss a problem and give the boss a recommendation. German managers, on the other hand, expect the boss to issue specific instructions. In Mexico, employees often don't understand participatory decision making. Mexico ranks extremely high on power distance, and many workers expect managers to exercise their power in making decisions and issuing orders. American managers working in Mexico have been advised to rarely explain a decision, lest workers perceive this as a sign of weakness.[52] In contrast, managers in Arab and African nations are expected to use consultative decision making in the extreme.

Motivating. Motivation must fit the incentives within the culture. In Japan, employees are motivated to satisfy the company. A financial bonus for star performance would be humiliating to employees from Japan, China, or Ecuador. An American executive in Japan offered a holiday trip to the top salesperson, but employees were not interested. After he realized that Japanese are motivated in groups, he changed the reward to a trip for everyone if together they achieved the sales target. They did. Managers in Latin America, Africa, and the Middle East must show respect for employees as individuals with needs and interests outside of work.[53]

Controlling. When things go wrong, managers in foreign countries often are unable to get rid of employees who do not work out. In Europe, Mexico, and Indonesia, to hire and fire based on performance seems unnaturally brutal. Workers are protected by strong labor laws and union rules.

In foreign cultures, managers also should not control the wrong things. A Sears manager in Hong Kong insisted that employees come to work on time instead of 15 minutes late. The employees did exactly as they were told, but they also left on time instead of working into the evening as they had previously. A lot of work was left unfinished. The manager eventually told the employees to go back to their old ways. His attempt at control had a negative effect.

Global Learning

Managing across borders calls for organizations to learn across borders. One reason Japanese companies have been so successful internationally is that their culture encourages learning and adaptability. In Asia generally, teaching and learning are highly regarded, and the role of managers is seen as one of teaching or facilitating—of helping those around them to learn.[54] It is partly this emphasis on continuous learning that has helped Matsushita Electric master markets and diverse cultures in 38 countries, from Malaysia to Brazil, from Austria to China, from Iran to Tanzania. One of Matsushita's top lessons for going global is to be a good corporate citizen in every country, respecting cultures, customs, and languages. In countries with Muslim religious practices, for example, Matsushita provides special prayer rooms and allows two prayer sessions per shift.[55] Doing global business on the Web requires continuous learning about other cultures and conditions elsewhere, as described in the Best Practices box.