



Management

ELEVENTH EDITION

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PEARSON

CHAPTER 3 | Managing *in a* Global Environment

LEARNING OUTCOMES

- **Contrast** ethnocentric, polycentric, and geocentric attitudes toward global business
- **Discuss** the importance of regional trading alliances and global trade mechanisms
- **Describe** the structures and techniques organizations use as they go international
- **Explain** the relevance of the political/legal, economic, and cultural environments to global business

What's Your Global Perspective?

- **Parochialism** - viewing the world solely through your own perspectives, leading to an inability to recognize differences between people.
- **Ethnocentric Attitude** - the parochialistic belief that the best work approaches and practices are those of the home country.

More Global Perspectives

- **Polycentric Attitude** - the view that the managers in the host country know the best work approaches and practices for running their business.
- **Geocentric Attitude** - a world-oriented view that focuses on using the best approaches and people from around the globe.

Global Trade Mechanisms

- **World Trade Organization (WTO)** - a global organization of 153 countries that deals with the rules of trade among nations.
- **International Monetary Fund (IMF)** - an organization of 185 countries that promotes international monetary cooperation and provides advice, loans, and technical assistance.

Global Trade Mechanisms (cont.)

- **World Bank Group** - a group of five closely associated institutions that provides financial and technical assistance to developing countries.
- **Organization for Economic Cooperation and Development (OECD)** - an international economic organization that helps its 30 member countries achieve sustainable economic growth and employment.

Types of International Organizations

- **Multinational Corporation (MNC)** - a broad term that refers to any and all types of international companies that maintain operations in multiple countries.
- **Multidomestic Corporation** - an MNC that decentralizes management and other decisions to the local country.

Types of International Organizations (cont.)

- **Global Company** - an MNC that centralizes management and other decisions in the home country.
- **Transnational or Borderless Organization** - an MNC in which artificial geographical barriers are eliminated.

How Do Organizations Go Global?

- **Global Sourcing** - purchasing materials or labor from around the world wherever it is cheapest.
- **Exporting** - making products domestically and selling them abroad.



Going Global (cont.)

- **Importing** - acquiring products made abroad and selling them domestically.
- **Licensing** - an organization gives another organization the right to make or sell its products using its technology or product specifications.
- **Franchising** - an organization gives another organization the right to use its name and operating methods.

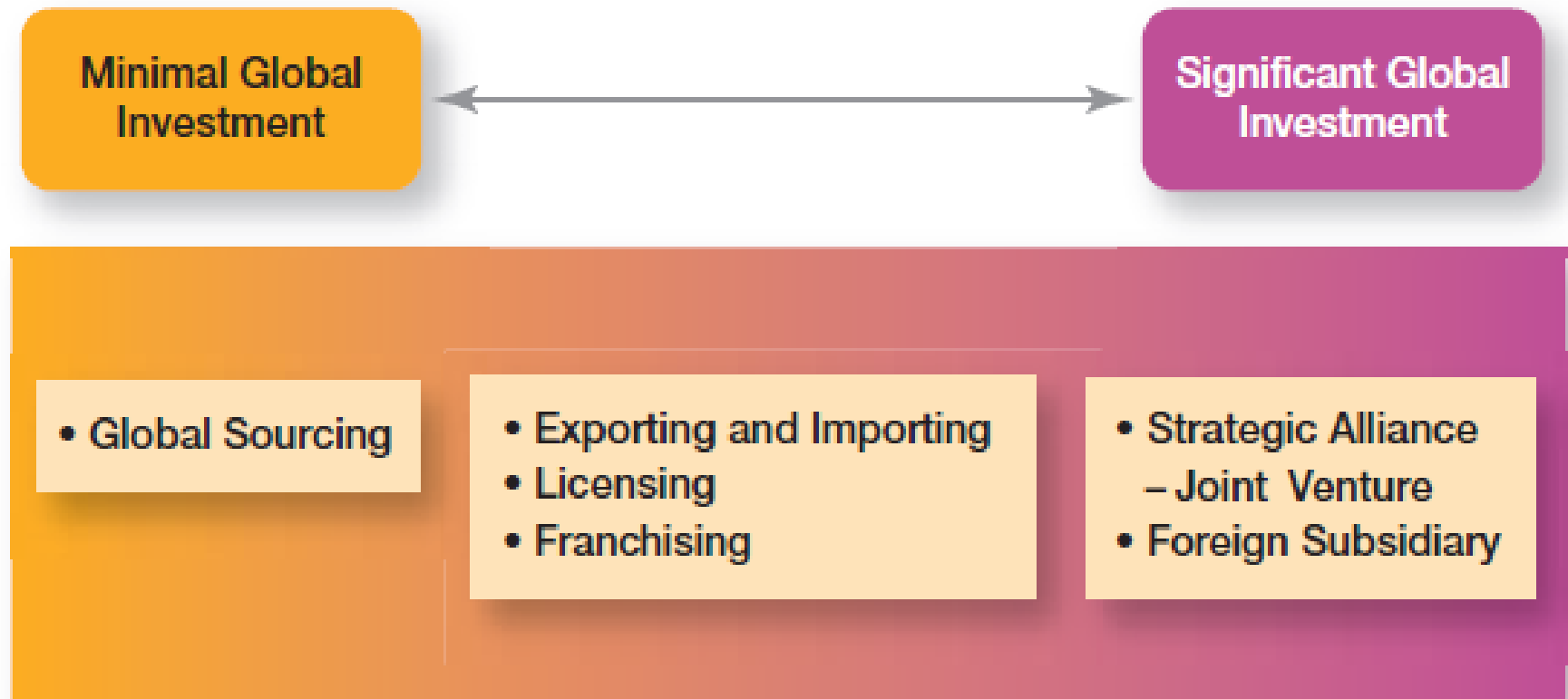
Going Global (cont.)

- **Strategic Alliance** - a partnership between an organization and one or more foreign company partner(s) in which both share resources and knowledge in developing new products or building production facilities.
- **Joint Venture** - a specific type of strategic alliance in which the partners agree to form a separate, independent organization for some business purpose.

Going Global (cont.)

- **Foreign Subsidiary** - directly investing in a foreign country by setting up a separate and independent production facility or office.

Exhibit 3-3: How Organizations Go Global



The Economic Environment

- **Free Market Economy** - an economic system in which resources are primarily owned and controlled by the private sector.
- **Planned Economy** - an economic system in which economic decisions are planned by a central government.

The Cultural Environment

- **National Culture** - the values and attitudes shared by individuals from a specific country that shape their behavior and beliefs about what is important.
- **Global Leadership and Organizational Behavior Effectiveness (GLOBE) program** - a research program that studies cross-cultural leadership behaviors.

Exhibit 3-4: What Are Americans Like?

- Americans are *very informal*. They tend to treat people alike even when great differences in age or social standing are evident.
- Americans are *direct*. They don't talk around things. To some foreigners, this may appear as abrupt or even rude behavior.
- Americans are *competitive*. Some foreigners may find Americans assertive or overbearing.
- Americans are *achievers*. They like to keep score, whether at work or at play. They emphasize accomplishments.
- Americans are *independent and individualistic*. They place a high value on freedom and believe that individuals can shape and control their own destiny.
- Americans are *questioners*. They ask a lot of questions, even of someone they have just met. Many may seem pointless ("How ya' doin'?") or personal ("What kind of work do you do?").
- Americans *dislike silence*. They would rather talk about the weather than deal with silence in a conversation.
- Americans *value punctuality*. They keep appointment calendars and live according to schedules and clocks.
- Americans *value cleanliness*. They often seem obsessed with bathing, eliminating body odors, and wearing clean clothes.

Exhibit 3-5: Hofstede's Five Dimensions of National Culture

1. **Individualistic**—People look after their own and family interests
Collectivistic—People expect the group to look after and protect them
Individualistic ←————→ Collectivistic
United States, Canada, Australia Japan Mexico, Thailand
2. **High power distance**—Accepts wide differences in power; great deal of respect for those in authority
Low power distance—Plays down inequalities: employees are not afraid to approach nor are in awe of the boss
High power distance ←————→ Low power distance
Mexico, Singapore, France Italy, Japan United States, Sweden
3. **High uncertainty avoidance**—Threatened with ambiguity and experience high levels of anxiety
Low uncertainty avoidance—Comfortable with risks; tolerant of different behavior and opinions
High uncertainty avoidance ←————→ Low uncertainty avoidance
Italy, Mexico, France United Kingdom Canada, United States, Singapore
4. **Achievement**—Values such as assertiveness, acquiring money and goods, and competition prevail
Nurturing—Values such as relationships and concern for others prevail
Achievement ←————→ Nurturing
United States, Japan, Mexico Canada, Greece France, Sweden
5. **Long-term orientation**—People look to the future and value thrift and persistence
Short-term orientation—People value tradition and the past
Short-term orientation ←————→ Long-term orientation
Germany, Australia, United States, Canada China, Taiwan, Japan

Exhibit 3-6: Globe Highlights

Dimension	Countries Rating Low	Countries Rating Moderate	Countries Rating High
Assertiveness	Sweden New Zealand Switzerland	Egypt Ireland Philippines	Spain United States Greece
Future orientation	Russia Argentina Poland	Slovenia Egypt Ireland	Denmark Canada Netherlands
Gender differentiation	Sweden Denmark Slovenia	Italy Brazil Argentina	South Korea Egypt Morocco
Uncertainty avoidance	Russia Hungary Bolivia	Israel United States Mexico	Austria Denmark Germany
Power distance	Denmark Netherlands South Africa	England France Brazil	Russia Spain Thailand
Individualism/collectivism*	Denmark Singapore Japan	Hong Kong United States Egypt	Greece Hungary Germany
In-group collectivism	Denmark Sweden New Zealand	Japan Israel Qatar	Egypt China Morocco
Performance orientation	Russia Argentina Greece	Sweden Israel Spain	United States Taiwan New Zealand
Humane orientation	Germany Spain France	Hong Kong Sweden Taiwan	Indonesia Egypt Malaysia

*A low score is synonymous with collectivism.

Contemporary Issues

- **Cultural Intelligence** - cultural awareness and sensitivity skills.
- **Global Mind-Set** - attributes that allow a leader to be effective in cross-cultural environments.



Exhibit 3-7: A Global Mindset

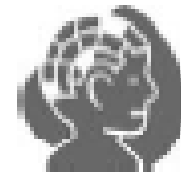
Intellectual capital:

Knowledge of international business and the capacity to understand how business works on a global scale



Psychological capital:

Openness to new ideas and experiences



Social capital:

Ability to form connections and build trusting relationships with people who are different from you




Source: Adapted from M. Javidan, M. Teagarden, and D. Bowen, "Making It Overseas," *Harvard Business Review*, April 2010, pp. 109–113; and J. McGregor (ed.), "Testing Managers' Global IQ," *Bloomberg BusinessWeek*, September 28, 2009, p. 68.

Terms to Know

- Parochialism
- Ethnocentric attitude
- Polycentric attitude
- Geocentric attitude
- European Union (EU)
- Euro
- North American Free Trade Agreement (NAFTA)
- Association of Southeast Asian Nations (ASEAN)
- World Trade Organization (WTO)
- International Monetary Fund (IMF)
- World Bank Group
- Organization for Economic Cooperation and Development (OECD)
- Multinational corporation (MNC)
- Multidomestic corporation
- Global company
- Transnational or borderless organization
- Global sourcing
- Exporting
- Importing
- Licensing

Terms to Know (cont)

- Franchising
- Strategic alliance
- Joint venture
- Foreign subsidiary
- Free market economy
- Planned economy
- National culture
- Global Leadership and Organizational Behavior Effectiveness (GLOBE) program
- Cultural intelligence
- Global mind-set



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