

UCS1704 – Management and Ethical Practices

**Managing in a Global Environment
Strategies for International Business**

Semester – VII

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Outline

What's Your Global perspective?

- Define parochialism.
- Contrast ethnocentric, polycentric, and geocentric attitudes towards global business.

Understanding The global Environment

- Describe the current status of the EU, NAFTA, ASEAN and other Regional Trade Allowances.
- Discuss the role of the WTO.

Outline (Contd.)

Doing Business Globally

- Contrast multinational, multidomestic, global, transnational, and born global organizations.
- Describe the different ways organizations can go international.

Managing In A Global Environment.

- Explain how the global legal-political and economic environments affect managers.
- Discuss Hofstede's five dimensions for assessing cultures.
- Describe the challenges of doing business globally in today's world.

Outline (Contd.)

Managing In A Global Environment. (Contd.)

- Explain how the global legal-political and economic environments affect managers.
- Discuss Hofstede's five dimensions for assessing cultures.
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The Global Marketplace

- Opportunities and Challenges
 - Coping with the sudden appearance of new competitors
 - Acknowledging cultural, political, and economic differences
 - Dealing with increased uncertainty, fear, and anxiety
 - Adapting to changes in the global environment
 - Avoiding parochialism

What's Your Global Perspective?

- **Parochialism**
 - Is viewing the world solely through one's own eyes and perspectives.
 - Is not recognizing that others have different ways of living and working.
 - Is a significant obstacle for managers working in a global business world.
 - Is falling into the trap of ignoring others' values and customs and rigidly applying an attitude of "ours is better than theirs" to foreign cultures.

Adopting a Global Perspective

- **Ethnocentric Attitude**

- The parochialistic belief that the best work approaches and practices are those of the *home* country.

- **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.

Regional Trading Agreements

- The European Union (EU)

- A unified economic and trade entity
 - ❖ Belgium, Denmark, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, the United Kingdom, Germany, Austria, Finland, and Sweden

- North American Free Trade Agreement (NAFTA)

- Eliminated barriers to free trade (tariffs, import licensing requirements, and customs user fees)
 - ❖ United States, Canada, and Mexico

European Union



Regional Trading Agreements

- U.S.-Central America Free Trade Agreement (CAFTA)
- Free Trade Area of the Americas
- Southern Cone Common Market (Mercosur)
- Association of Southeast Asian Nations (ASEAN)
 - Trading alliance of 10 Southeast Asian nations
- African Union
- South Asian Association for Regional Cooperation (SAARC)

ASEAN Members



Source: Based on J. McClenahan and T. Clark,
“ASEAN at Work,” *I/W*. May 19, 1997, p. 42.

The World Trade Organization (WTO)

- Evolved from the General Agreement on Tariffs and Trade (GATT) in 1995.
- Functions as the only global organization dealing with the rules of trade among nations.
- Has 149 member nations and 32 observer governments.
- Monitors and promotes world trade.

Different Types of International Organizations

- **Multinational Corporation (MNC)**
 - Maintains operations in multiple countries.
- **Multidomestic Corporation**
 - Is an MNC that decentralizes management and other decisions to the local country.
- **Global Company**
 - Is an MNC that centralizes its management and other decisions in the home country.

Different Types of International Organizations (cont'd)

- Transnational Corporation (Borderless Organization)
 - Is an MNC that has eliminated structural divisions that impose artificial geographic barriers and is organized along business lines that reflect a geocentric attitude.

How Organizations Go Global



Other Forms of Globalization

- **Strategic Alliances**
 - Partnerships between an organization and a foreign company in which both **share resources** and knowledge in developing **new products** or building new 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.
- **Foreign Subsidiary**
 - **Directly investing** in a foreign country by setting up a separate and independent production facility or office.

Managing in A Global Environment

- **The Legal Environment**

- Stability or instability of legal and political systems
 - ❖ Legal procedures are established and followed
 - ❖ Fair and honest elections held on a regular basis
- Differences in the laws of various nations
 - ❖ Effects on business activities
 - ❖ Effects on delivery of products and services



The Economic Environment

- **Economic Systems**

- Free market economy
 - ❖ An economy in which resources are primarily owned and controlled by the private sector.
- Planned economy
 - ❖ An economy in which all economic decisions are planned by a central government.

- **Monetary and Financial Factors**

- Currency exchange rates
- Inflation rates
- Diverse tax policies

The Cultural Environment

- National Culture
 - Is the values and attitudes shared by individuals from a specific country that shape their behavior and their beliefs about what is important.
 - May have more influence on an organization than the organization culture.

What Are Americans Like

Americans are *very informal*.

Americans are *direct*.

Americans are *competitive*.

Americans are *achievers*.

Americans are *independent and individualistic*.

Americans are *questioners*.

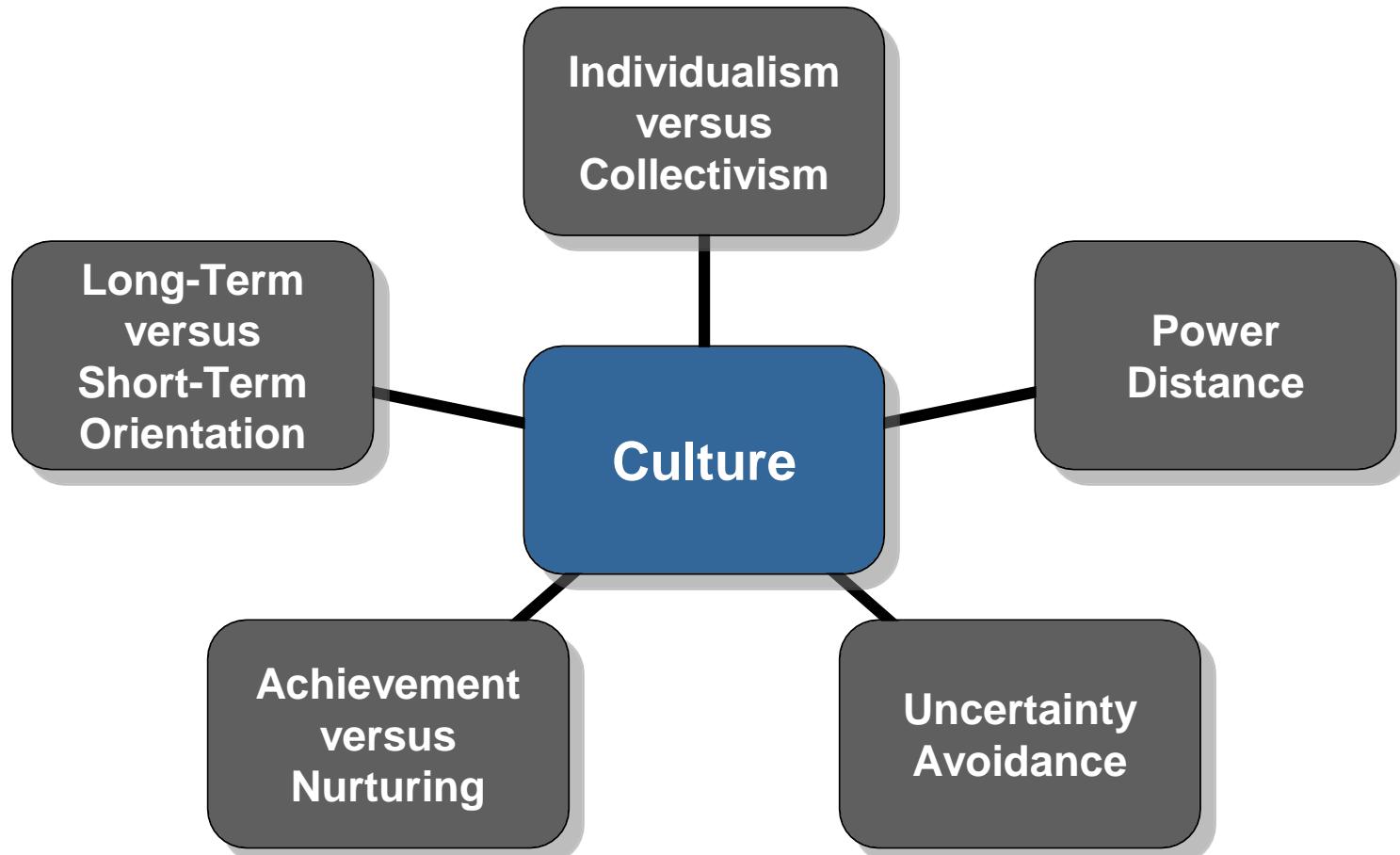
Americans *dislike silence*.

Americans *value punctuality*.

Americans *value cleanliness*.

Sources: Based on M. Ernest (ed.), *Predeparture Orientation Handbook: For Foreign Students and Scholars Planning to Study in the United States* (Washington, DC: U.S. Information Agency, Bureau of Cultural Affairs, 1984), pp. 103–05; A. Bennett, “American Culture Is Often a Puzzle for Foreign Managers in the U.S.,” *Wall Street Journal*, February 12, 1986, p. 29; “Don’t Think Our Way’s the Only Way,” *The Pryor Report*, February 1988, p. 9; and B.J. Wattenberg, “The Attitudes behind American Exceptionalism,” *U.S. News & World Report*, August 7, 1989, p. 25.

Hofstede's Framework for Assessing Cultures



Hofstede's Five Dimensions of National Culture

- (1) **Individualistic** — people look after their own and family interests
- Collectivistic** — people expect group to look after and protect them



(2) High power distance—Accepts wide differences in power, greater deal of respect for those in authority

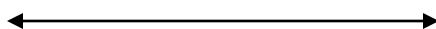
Low power distance—Plays down inequalities: employees are not afraid to approach nor are in awe of the boss



Hofstede's Five Dimensions of National Culture

(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
Italy, Mexico, France

Low uncertainty avoidance
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
United States, Japan,
Mexico

Canada, Greece

Nurturing
France, Sweden

Hofstede's Five Dimensions of National Culture

(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 thinking ← → Long-term thinking

Germany, Australia,

United States, Canada

China, Taiwan, Japan

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.

Source: M. Javidan and R. J. House, "Cultural Acumen for the Global Manager: Lessons from Project GLOBE," *Organizational Dynamics*, Spring 2001, pp. 289–305. Copyright © 2001. Reprinted with permission from Elsevier.

Global Management in Today's World

- Challenges
 - Openness associated with globalization
 - Significant cultural differences (e.g., Americanization)
 - Adjusting leadership styles and management approaches
- Risks
 - Loss of investments in unstable countries
 - Increased terrorism
 - Economic interdependence

Discussion

• Political Mechanisms

- Protectionism
- Tariff
- Quota
- Subsidy
- Cartel
- Bribery
- Extortion