Chapter 3

Culture: the knowledge, experience, beliefs, values, attitudes, religion, symbols, and possessions acquired by people who have lived in the same region or country

- It is transmitted through generations by education

Subculture: a cultural group within a larger or predominant culture, distinguished by class, ethnic background, religion, and unified by shared beliefs & interests

Counterculture: a culture which values or lifestyles that are opposed to those of the currently accepted culture. Ex: punk

Culture Difference

- **Culture determinants**: main factors that shape and affect the culture of a specific group, including religion, politics, climate, topography, history
- **Culture of Saudi Arabia**
  - Islam
  - Activity stops five times a day for prayer
  - Friday in the holiest day for Muslim, the weekend begins on Thursday and ends on Saturday
  - Loose clothes due to the hot climate
  - Women must wear clothing that leaves only the hands, feet, and face bear

- **Culture of Japan**
  - Religion: Buddhism & Shintoism
  - Belief in the “natural order of things” has translated into hierarchical relationships among people
  - Embraced by western culture, but the Japanese culture is dominant in food choice, sports, and entertainment

- A definite sense of etiquette and rules of behaviour
- Collectivism

Cultural awareness and business: Canadian must understand the cultural difference to "go global"

- They must decide whether and to what extent products and processes can be adapted to a foreign environment

The extent of foreign operations: level of cultural awareness depends on how much business a company does in a foreign country and the type of business it does there

- Primarily domestic operations with one or two foreign market don't need to be as conscious of cultural differences as businesses that have manufacturing, retail, and other interests in another country

Control of foreign operations: companies in other countries that are managed by local people do not need much knowledge about cultural differences

- Require a high level of awareness if business' foreign dealings are managed domestically.

Number of foreign operations: companies conducting business in several foreign markets must be aware that each country has a distinct culture

Impact of culture in business: fail to consider the culture could ruin a negotiation, derail a marketing campaign, and cause labour unrest

Culture's direct impact on products: consider climate and religious beliefs when entering a foreign market. Ex: Israel doesn't eat pork

Culture direct impact on services: Since attitude towards money are culturally determined, service industry must understand their clients' culture to meet their saving goals

Impact of culture on the labour market: the government regulates the labour force by

- Providing minimum wage
- Mandates workplace safety
- Prevents discrimination
- Legislates holidays and hours at work

Rationalization: any attempt to increase a company's effectiveness or efficiency, including downsizing, layoffs, and outsourcing

Not all countries share Canada's values in terms of labour and the workplace. Canadian business people may encounter differences in areas

- Child labour
- Discrimination
- Wages
- Standards and practices
- Indigenous cultures

Business meeting and negotiations: every country has a meeting culture that is based on the following factors

- **Time preparations:** monochronic or polychronic
- **Spatial perception:** personal space/ physical contact
- **Non-verbal communication:** eye contact and body language
- **Business etiquette:** appropriate topics of conversation/ gifts

Members of a different culture perceive time in one of two ways;

- **monochronic:** time is linear and sequential, and focus is placed on one thing at a time

- **Polychronic:** many things happen simultaneously; flexible schedule

Hofstede cultural dimensions

- **Power distance (PDI)**: the extent to which a society accepts the unequal distribution of power in an organization
- **Individualism vs collectivism (IDV)**: people emphasize their own opinions, freedom, and goals or belong to groups or organizations
- **Masculinity vs feminity (MAs)**: a culture values assertiveness, competitiveness, and the accumulation of material goods.
- **Orientation (LTO)**: cultures value short or long-term goals
- **Uncertainty avoidance (UAI):** the extent to which a society tolerant unknown situations and uncertainty.

Chapter 4

Economic system: the way a country organizes its resources and distributes goods and services to its citizens

Market economy:

- an economic system determined by free competition
- businesses, consumers, and government act independently of one another.
- Market forces and self-interest determine what goods are created and sold

In the market economy

- Corporations and people are encouraged to own private property

Centrally planned economy

- The government controls all elements of the economy, including prices, wages, production, quality, and style

In a centrally planned economy

- All profit belongs to the government
- Limited competition

Mixed economy

- Sits between market and centrally planned economy
- Combine government interaction and private enterprise

In the mixed economy

- Property is owned by individuals, corporations, or government
- Profit is encouraged but must pay taxes to support the government
- Strong competition amongst corporation; the government might involve as well

Political system: the type of government by which a country is run

Democracy

- A state governed by all eligible members of the population through elected representations
- Has free and fair elections, the rule of law, free speech and press, the right to assembly, and freedom of religion

Autocracy:

- governed by people who have unlimited power
- Strong military presence
- control citizens lives
- Citizens have no influence on the government

Classifications of economic development

- **Underdeveloped countries:** third-world, the least-developed countries, nations are at the lowest level of the world's economies.
- **Developing countries:** emerged countries, nations in transition from a poor economy to a prosperous one.

- **Developed countries:** industrialized countries have high per capita income or strong gross domestic product.

Characteristics:

Underdeveloped	**Developing**	**Developed**
poverty	Population move to cities	High standards of living
Lack of social service and health care	Increased access to social service and health care	advance in health care
Limited access to technology	Advanced technological products	Major advancements in technology
Low levels of literacy rates	Improve literacy rates	High literacy rates
An economy based on natural resources or agriculture	manufacturing	Secondary industries or tertiary industries

GDP: the total goods and services produced in one country in one year

Business Cycle: the periods which economic activity increased and decrease.over and over. It is characterized by four stages:

- **Recession**: economy slows down, a decline in consumer purchasing, profit, and investment
- **Trough**: lowest point; insufficient demand for products, low profit, large number of bankruptcies, increase in unemployment rate
- **Expansion**: The economy begins to grow again. Employment, wages, production, and profit expand
- **Peak**: top of the business cycle. The economy stops expanding and begins shrinking

Economic indicators of the business cycle

- **Leading:** anticipate trends; adjust before the economy experiences a change. Ex: housing starts
- **Lagging:** confirms a pattern that is in progress; adjust after the economy has experienced a change. Ex: unemployment
- **Coincident**: clarify the state of the economy. Ex; international trade

Economics of trade

- **Absolute advantage**: a country uses its resources to make product or service more efficiently than other countries. Ex: maple syrup manufacturing
- **Opportunity cost:** the cost of giving something up to get something else.
- **Comparative advantage:** produce a product at a lower opportunity cost than another country. Ex: lumber and forestry

Government affects international trade and business by

- Establishing import and export laws
- Setting tariffs
- Be part of trade organizations and negotiating trade agreements
- Determining monetary policy and fiscal policy
- Building infrastructure

The government establishes

- Regulations that businesses must comply with
- Trade offices & trade missions
- Government embassies, high commissions, and consulates

Corporate influence on government in several ways:

- Contribute to political campaigns
- Participate in trade missions with politicians
- Pressure the government to change or adopt policies that will benefit business

Lobbying: the process which companies, groups, individuals attempt to influence government officials and persuade them to endorse the public policy