

# 3- GLOBAL MANAGEMENT

## ● Learning outcomes:

1. Contrast ethnocentric, polycentric, and geocentric attitudes toward global business.
2. Discuss the importance of regional trading alliances and global trade mechanisms.
3. Describe the structures and techniques organizations use as they go international.
4. 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.

## Other 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.

## ● Trading Alliances:

- **European Union (EU)**—a union of 27 European nations created as a unified economic and trade entity with the Euro as a single common currency.

## - North American Free Trade

**Agreement (NAFTA)**—an agreement among the Mexican, Canadian, and U.S. governments in which certain barriers to trade have been eliminated.

- **Association of Southeast Asian Nations (ASEAN)**—A trading alliance of 10 Southeast Asian nations.

## ● 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.

- **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.

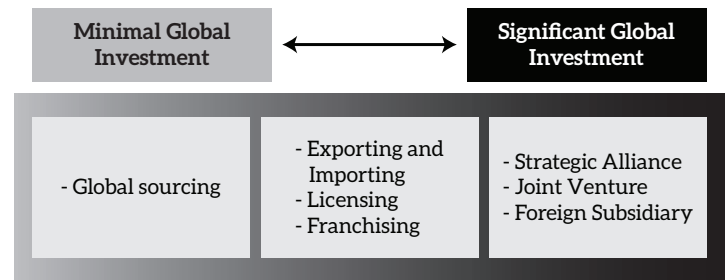
## ● Types of International Organizations:

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



### ● 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.
- **Hofstede's framework for assessing cultures**—one of the most widely referenced approaches to helping managers better understand differences between national cultures.

- **Global Management in**

- Today's World:**

- **Global Leadership and Organizational Behavior Effectiveness (GLOBE)**

- program—a research program that studies cross-cultural leadership behaviors.*

- **The Challenge of Openness:**

- 1- The increased threat of terrorism by a truly global terror network
    - 2- Economic interdependence of trading countries
    - 3- Intense underlying and fundamental cultural differences- differences that encompass traditions, history, religious beliefs, and deep-seated values.

- **Cultural intelligence**—cultural awareness and sensitivity skills.

- **Global Mind-Set**—attributes that allow a leader to be effective in cross-cultural environments.

- **A Global Mind-Set:**

- **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