



التعلم الآلي



الجمهورية الجزائرية الديمقراطية الشعبية
وزارة التعليم العالي والبحث العلمي

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المدرسة الوطنية العليا للذكاء الاصطناعي

National High School of Artificial Intelligence

(ENSIA)

Academic Year
2023-2024
[Y2-S1]

YOUR MANAGEMENT COURSE

Introduction to
BUSINESS

Introduction to Business / NNSAI (ENSIA) 2023-2024 / Instructor: Prof. Oukil



PART 2: MANAGING IN TURBULENT ENVIRONMENTS

Chapter 5: **MANAGING GLOBALLY**



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5- Learning Goals:

1. Stating the trends affecting organisations in a GLOBAL ECONOMY;
2. Explaining through some examples how a country's culture can affect an organisation's business practices;
3. Explaining through some examples on how political—legal forces impact global business;
4. Discussing how 3 major international trade agreements affect global competition and cooperation;
5. Describing 6 strategies used by organisations to grow globally.

What is required to be successful in a dynamic environment?

A Model of Managerial Competencies

RECALL



Hellriegel, Jackson, and Slocum
MANAGEMENT: A Competency-Based Approach
South-Western College Publishing



The Global (World) Economy



The term world / global economy refers to all of the economic activities within each country and between countries around the world

LO-1

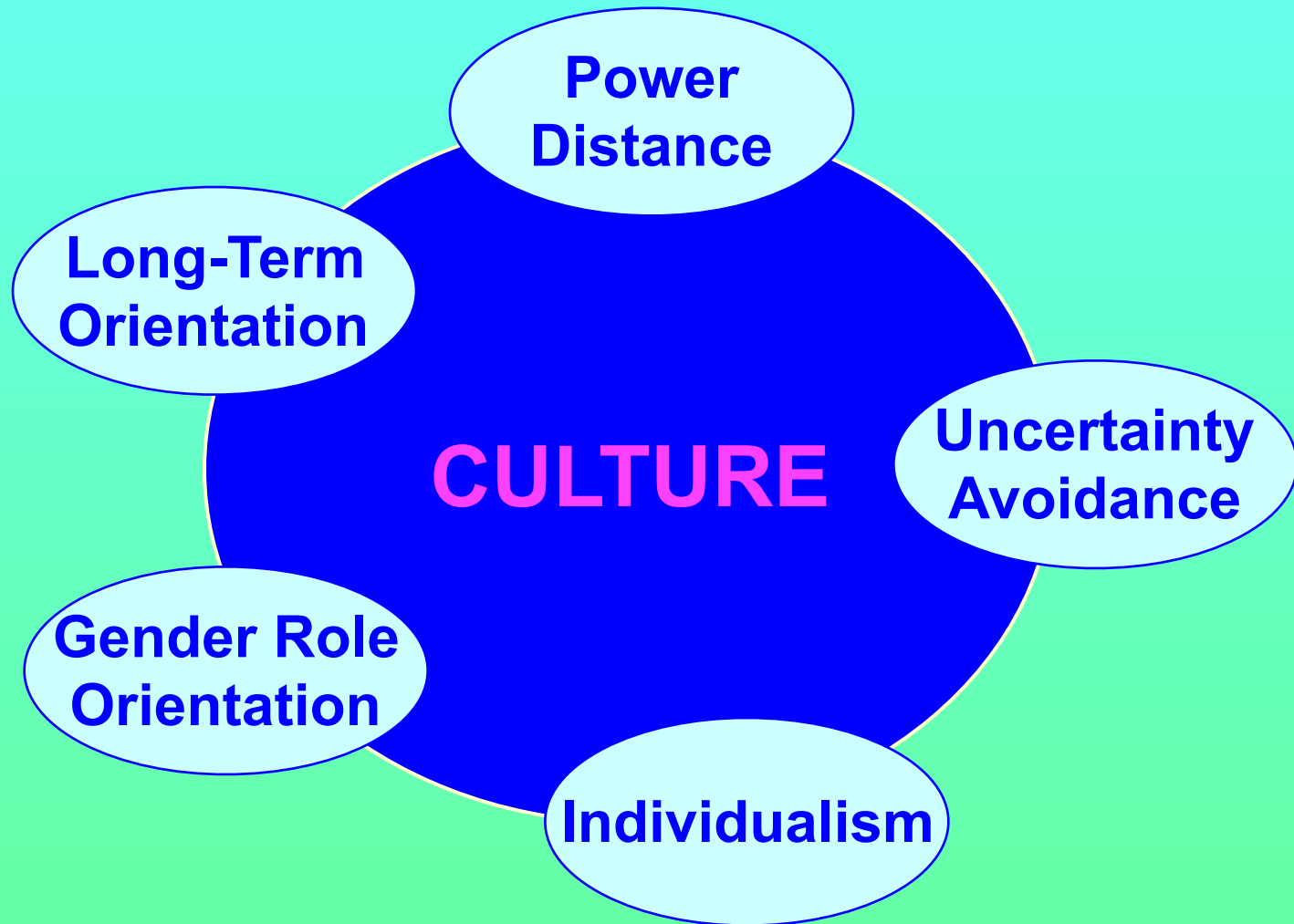
characteristics





LO-2

Reminding Hofstede's Cultural Factors



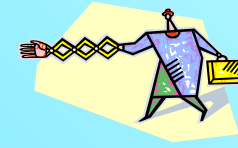


INTERNATIONAL Cultural Forces: 5 Aspects of Culture



Value
Systems

Cultural
Distance



Social
Change

Culture

Language

Time
Orientation





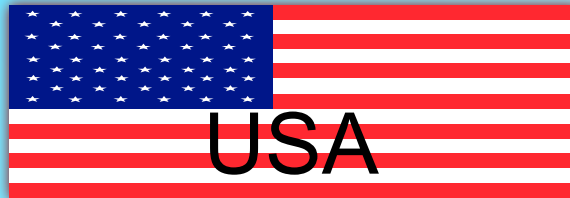
Value Systems: Managerial Implications of Power Distance Differences

Issue

Subordinates' dependence needs

Consultation

Ideal superior



USA

- > Moderate dependence on supervisor
- > Expect to be consulted
- > Democratic leadership



Mexico

- > Heavy dependence on supervisor
- > Expect little consultation
- > A benevolent autocrat or paternalistic father figure

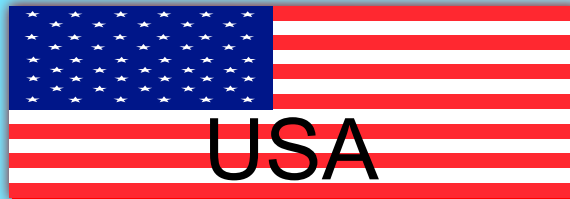


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Issue

Rules and
regulations

Status symbols



> Apply to all

> Are accepted as
symbols of
authority, but are
not necessary

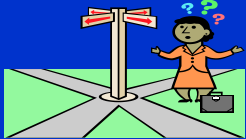




> Supervisors are
above rules and
regulations and
take advantage of
privileges

> Are very
important evidence
of the authority of
superiors







Value Systems: Values and Managerial Characteristics

Characteristics	USA	Mexico
Decision making 	> Participation, delegation to employees	> Centralised, concentrated at top
Responsibility 	> Employees assume responsibility for their own lives	Employees expect close paternalistic supervisors
Organisation chart 	Indicative of unequal competencies; reflects information flow in organization	Indicative of unequal roles; reflects power relationships of key family members



(cont'd)

Characteristics	USA	Mexico
Hiring criteria 	Demonstrated performance	Family or personal ties
Performance feedback 	Employee accepts accountability	Critical feedback resented
Leadership pattern 	Democratic leader	Benevolent dictator
Planning process 	Long term, proactive, formal	Short term, reactive, unstructured

Source: Adapted from T.H. Becker. *Doing Business in the New Latin America*. Westport, CT: Praeger, 2004, 135-136.



Political-Legal Forces: **Political Risk**

LO-3

➤ **Political risk:** probability that governmental decisions or events in a country will negatively affect the long-term profitability of an investment.

➤ **Major Dimensions of political risk:**

▪ Domestic instability	Low					High
▪ Foreign conflict	Low					High
▪ Political climate	Low					High
▪ Economic climate	Low					High
▪ Corruption	Low					High



Political Risk: Examples of Perceptions of Country Corruption

A
L
G
E
R
I
A

Country Rank	Country Score*
1 (least Corrupt)	Iceland (9.7)
2	Finland and New Zealand (9.6)
14	Canada (8.4)
17	United States (7.6)
21	Japan and Chile (7.5)
65	Mexico (3.5)
117	Philippines and Bolivia (2.5)
130	Venezuela (2.3)
158 (Most Corrupt)	Bangladesh and Chad (1.7)

1

1

6

*Score relates to degree of corrupt behaviours by analysts. Scores can range from 10 (not corrupt) to 0 (highly corrupt).



Political-Legal Forces: Political Mechanisms



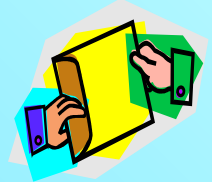
Protectionism is designed to help home-based industries or firms avoid (or reduce) potential (or actual) competitive threats from abroad.

- ✓ **Tariff**: a government tax on goods or services entering the country;
- ✓ **Quota**: a restriction on the quantity of a country's imports and sometimes exports;
- ✓ **Subsidy**: a direct or indirect payment by a government to domestic firms to make selling or investing abroad cheaper for them;
- ✓ **Cartel**: an alliance of producers engaged in the same type of business that is formed to limit or eliminate competition and control production and prices.



Political Mechanisms Related to **Various Types of Corruption**

❖ **Bribe**: an improper payment made to induce the recipient to do something for the payer.



❖ **Extortion**: the practice of obtaining something, especially money, through force or threats.



❖ **Grease payments**: small payments used to get lower level government employees to speed up required paperwork.





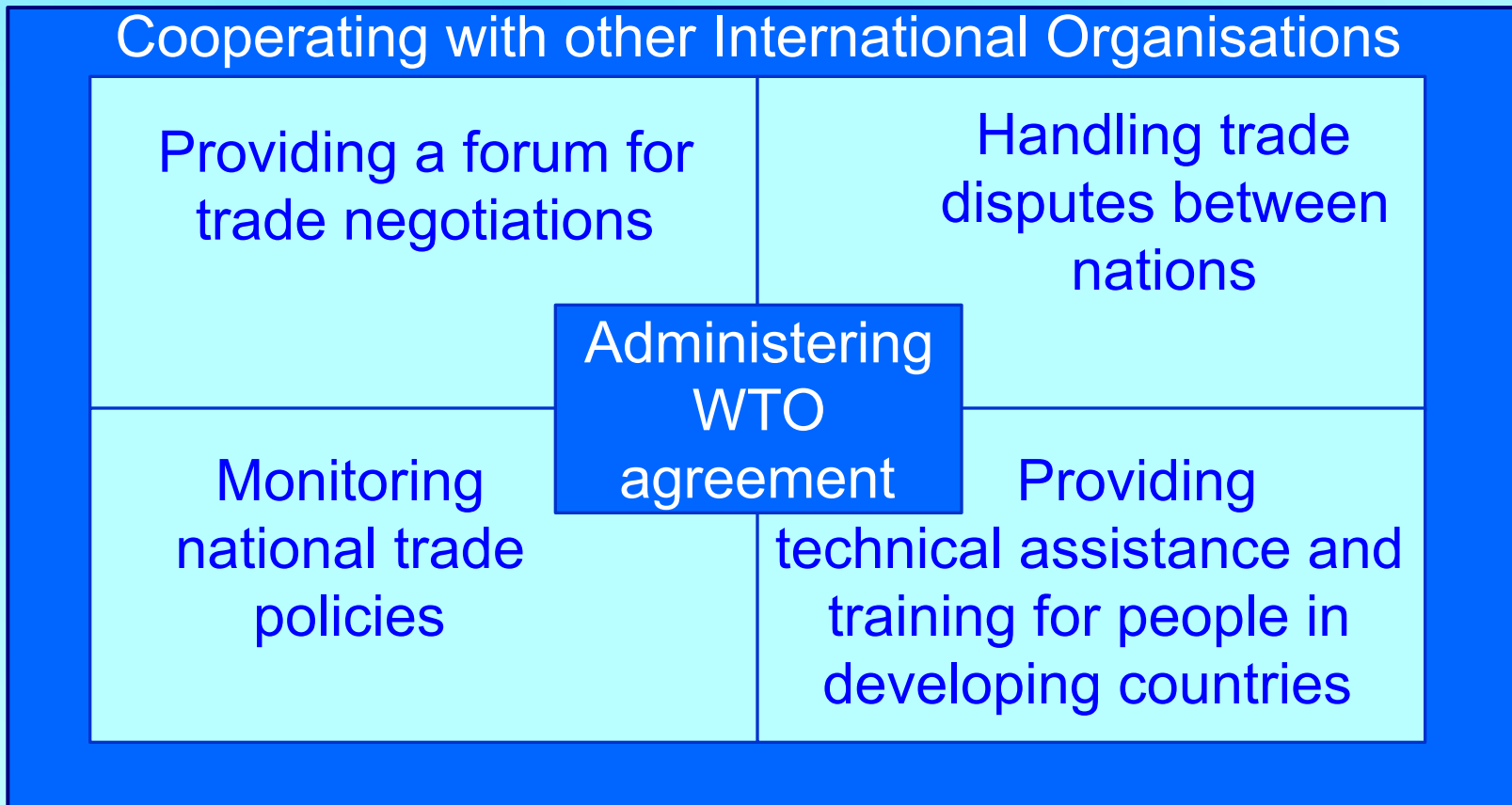
Major International Trade Agreements:

1- World Trade Organization (WTO)

LO-4

- Represents 149 negotiated trade agreements among countries.

Key Functions





WTO Benefits



Promotes peace by
handling trade disputes
constructively

Rules make life easier
for all organisations to
follow

Benefits

Trade stimulates
economic growth
and reduces the
cost of living

System
encourages good
government



WTO Fundamental Principles :



- ❑ **Most favoured nation principle**: when country A grants a tariff concession to country B, the same concession automatically applies to all other countries that are members of WTO;
- ❑ **Reciprocity principle**: each member country will not be forced to reduce tariffs unilaterally. A tariff concession is made only in return for comparable concessions from the other countries;
- ❑ **Transparency principle**: tariffs are to be readily visible to all countries.



Examples of Major International Trade Agreement:

2- North American Free Trade Agreement (NAFTA)



➤ Created a freer trade zone among Canada, Mexico, and United States:

- removed and reduced barriers to trade, such as tariffs, quotas, and licenses;
- increased trade;
- tightened intellectual property right protection.

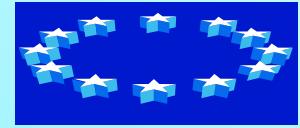
➤ **Maquiladora plants:** foreign-owned plants located in Mexico that border the U.S.

- account for 40% of Mexico's manufacturing;
- wages range from \$15 - \$20 a day;
- employ more than 1.2 million people.



Major International Trade Agreement:

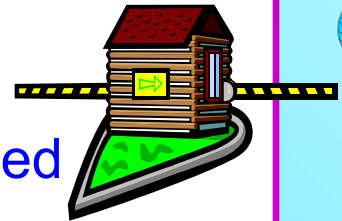
3- European Union



- ❑ An organisation with the goals of creating a single market among member nations and establishing the free movement of goods, people, services, and capital ✓ + 25 member countries.

- ❑ **Removes/Reduces:**

- ✓ physical barriers at country borders;
- ✓ technical barriers that prevent goods produced in one country being sold in others.



- ❑ **Fiscal barriers:**

- ✓ red-tape and tax systems that hinder trade;
- ✓ financial barriers that prevent/hinder free movement of investment capital.



- ❑ **Created the EURO as currency**





LO-5

Strategies for International Business





1: Exporting Strategy



Maintaining facilities within a home country and shipping goods and services for sale in foreign markets.

☐ **Benefits:**

- No cash outlays / no expenses;
- Extends NATIONAL products/services to other countries;
- Most sales done via Internet.



2: Licensing Strategy



Firm (the **LICENSOR**) in one country giving other domestic or foreign firms (**licensees**) the right to use a patent, trademark, technology, production process, or product in return for the payment of a royalty or fee (e.g., Coca-Cola; PepsiCo).

□ Benefits:

- Little financial risk;
- Increase market awareness;
- No production plants.



□ Risks:

- Violation of intellectual property rights;
- Licensee fails to pay royalty or fee;
- Licensee steals technology.



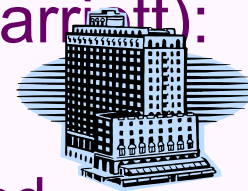


3: Franchising Strategy

Parent organisation (the **FRANCHISER**) granting other companies or individuals (**franchisees**) the right to use its trademarked name and to produce and sell its goods or services (e.g., KFC, Marriott):

❑ Benefits:

- Parent company maintains control of brand image, manufacturing and services;
- Increase global presence;
- Franchisee tailors marketing to local area(s).



❑ Risks:

- Need to monitor franchisee;
- Franchisee operates independently and doesn't perform services according to contract.





4: Alliance Strategy



An agreement between two or more organisations to pool (SHARE) physical, financial, and human resources to achieve common goals.

□ Benefits:

- Share costs and risks of capital intense projects;
- Desire for partners to learn from each other;
- Partners shape competition in the industry.



□ Risks:

- Political uncertainty;
- Partners can become competitors;
- Economic uncertainty;
- Partners develop different goals.





5: Multi-domestic Strategy

Adjusting products, services, and practices to individual countries or regions (e.g., North Africa versus Europe versus Western countries).

❑ Benefits:

- **firms tap into country values for product customisation;**
- marketing campaigns tailored to country;
- firm understands local distribution system;
- extending global brand name.

❑ Risks:

- large financial investment required;
- shared services;
- high level of coordination needed across firm;
- reliance on local managers to implement strategy.



6: Global Strategy



Stresses worldwide consistency, standardisation and relatively low cost (e.g., Black & Decker, Kodak, Kia).

❑ **Benefits:**

- worldwide standards;
- promotes brand recognition;
- coordination of global manufacturing;
- distribution advantages.

❑ **Risks:**

- assumes customers needs are similar across globe;
- high level of financial investment in plants and equipment;
- national currency fluctuations;
- **loss of flexibility between plants.**



DESK HOME WORK

NO SUBMISSION

-DISCUSS WITH YOUR TEAM MEMBERS-

1- Are you for or against ALGERIA becoming a WTO Member?

2- Why do you think ALGERIA failed to become a BRICS member?



THANK YOU



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