

Management

tenth edition

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Chapter

4

Managing in a Global Environment

Learning Outcomes

Follow this Learning Outline as you read and study this chapter.

4.1 What's Your Global perspective?

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

4.2 Understanding The global Environment

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

Learning Outcomes

4.3 Doing Business Globally

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

4.4 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.

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4.4 Managing In A Global Environment.

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The Global Marketplace

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

What's Your Global Perspective?

- **Parochialism**

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

Adopting a Global Perspective

- **Ethnocentric Attitude**

- The parochalistic 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

Exhibit 4–1 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 (SARRC)**

Exhibit 4–2 ASEAN Members



Source: Based on J. McClenahan and T. Clark,
“ASEAN at Work,” *IW*, 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.

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.

Exhibit 4–4 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.

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

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)
- multinational corporations (MNCs)
- multidomestic corporation
- global company
- transnational or borderless organization
- born globals
- global sourcing
- exporting
- importing
- licensing
- franchising
- strategic alliances
- joint venture
- foreign subsidiary
- market economy
- command economy
- national culture
- GLOBE
- wikis
- blogs