

Lukas DiBeneditto, Luke Finchum, Jordan Weathers

Professor Robert Snip

Spring 2019 TECH 330 Tech and the Global Society

Jan 29, 2019

### Cool Ankles Warm Feet (CAWF)

Lukas DiBeneditto, Luke Finchum, Jordan Weathers



SECTION 1: Describe your company and its operations, relative size, and so forth. Give reasons for your reason to go international.

Our company is Cool Ankles Warm Feet (CAWF), we sell bespoke designer socks for discerning professionals. CAWF is unique in that we hold a number of international patents related to single layer upper sock which keeps your ankles cool and double layer lower sock which keeps your feet warm, hence the name Cool Ankles Warm Feet. With our patented technology we make every CAWF sock from naturally hydrophobic antimicrobial resistant silky smooth Merino Wool, carbon nanotubes, and gold nanofibers, woven into the perfect sock. Our socks do not get wet, they do not stink and do not need to be washed, because they are tear resistant, self-cleaning, non-flammable, and provide an extremely comfortable all day wear for the discerning executive. You may just CAWF when you realize you used to wear anything else because we have the ability to lock your custom textile pattern weave so that only you can order that pattern. CAWF is so good we'll knock your socks off.

We are widely known on Wall Street as "the company that solved the problem of keeping your ankles cool and your toes toasty warm". CAWF "has been operating in the domestic arena for some time" and our group which "represents top management", has "decided it is time to go international". [Snip, Integrative Team Project handout, 2019, p. 1] Since most of our manufacturing is automated, we consider ourselves a small business with 50 employees, 25 of which are responsible for Engineering, Production, and Ecommerce located in New Albany, IN, United States. While the remaining 25 are in our main walk-in a boutique located on Wall Street, NY, which allow CAWF to cater to discerning upper echelon financial services clientele, as well as our online website presence.

The reasons why we have decided to go international is to begin our Global strategy, where we plan to move globally in multiple steps. The first step is exporting to Canada in higher volumes, then large scale exporting with additional sales branches in Canada (licensing in the case of Canada), manufacturing in Canada, and then to full production in Canada with its own subsidiary. We plan to repeat these steps in additional countries with Canada being the test bed.

[Deresky, p. 202]

SECTION 2: Decide on an appropriate country in which to operate, and give your rationale for this choice.

Cultural Similarities:

Canada, being apart of North America, is a low-context culture, "where personal and business relationships are more compartmentalized, communication media have to be more explicit. Feelings and thoughts are expressed in words, and the information is more readily available. Westerners focus more on the individual and therefore tend to view events as the result of specific agents, whereas Easterns view events in a broader and longer-term context." However, there are some differences as described by Mark Abadi of Business Insider that we need to be aware of including:

- "Canadians work less than Americans" (Americans average 47 hours per week, while Canadians average 36 to 40 hours per week).
- "Canadians get more breaks during the day" (Canadian employees are entitled to a 30-minute break every 5 hours and for a 24-hour break each week)

- "Canadian workers get more vacation time than Americans" (Canadians with less than 5 years are entitled to two weeks of paid vacation a year, after 5 years 3 weeks paid vacation per year)
- "If we do business in Quebec, workers are entitled to conduct their business in French, and can't be refused a job because they don't speak English".
- "New Parents in Canada can expect more time off than Americans" (In Canada parental leave is federally mandated, mothers can get up to 15 weeks of paid leave, and many new parents get up to 35 combined weeks off.)

#### Financial Incentives:

CAWF created a bidding process for three cities in Canada: Vancouver BC, Winnipeg MB, and Toronto ON. Our selection was based on the agreement where we had promised to create more than 25 jobs on a new campus in Toronto, in return for \$250,000 USD (\$333,338 CAD) in government tax incentives over a 5 year period, as well as its central location near the border to Canada and the United States.

#### Language:

*Canada is the second-largest country in the world, with an area of approximately 10 million square kilometers and a population of just over 36 million. Roughly 50% of its population resides within about 150 kilometers of its southern boundary with the United States, much of it in the highly industrialized*

*corridor between Windsor, Ontario and Québec City, Québec. Canada's two official languages are English and French. [McCarthy Tétrault, p. 7]*

Import Export Opportunities:

*As one of the 10 largest economies of the industrialized countries, Canada is a member of the world's Group of Eight (G8) industrialized nations. Currently, approximately three-quarters of Canada's exports go to the United States, and under 5% to each of the European Community, the United Kingdom, and China. Canada is the largest importer of goods and services from the United States, with imports from the U.S. comprising approximately two-thirds of all Canadian imports. [McCarthy Tétrault, p. 7]*

Target Market Demographic:

*The Toronto Stock Exchange (TSX) and the TSX Venture Exchange ranked third among North American exchanges and eighth among world stock exchanges in terms of market capitalization. More resource company stocks are listed on the TSX than anywhere else in the world. [McCarthy Tétrault, p. 7]*

In summary, the reason we choose Canada and Toronto ON, in particular, was because of; Cultural Similarities, Financial Incentives, Language, Import Export Opportunities, and Target Market Demographics.

SECTION 3: State your planned entry strategy, and give your reasons for this strategy.

For the following reasons the entry strategy consists of setting up additional manufacturing in Canada. Since the cultural distance is negligible given the geographic

proximity of Canada to the United States, barriers to entry are low, our opportunities and incentives are high, the country risk is low, as well as the "ability to protect proprietary technology" is high. [Deresky, p. 219]

"Companies of all sizes go international for different reasons some reactive (or defensive), and some proactive (or aggressive)." [Deresky, p. 185] CAWF is no different, predominantly we are going international (i.e., opening manufacturing in Canada) to avoid trade barriers (reactive), customer demands (reactive), growth opportunities (proactive), and incentives (proactive).

To avoid trade barriers (reactive), tariffs related to the manufacture of clothing and textiles can be bypassed by manufacturing in Canada, in accordance to "Notice to Importers - Textiles and Apparel for Import to Canada from the European Union and its Member States (Item 86.98 and 86.99 on Canada's Import Control List)" [Notice to Importers - Textiles and Apparel for Import to Canada from the European Union and its Member States (Item 86.98 and 86.99 on Canada's Import Control List)] and to bypass rules related to "Annex 5 – Product-specific rules of origin" as listed in the "Text of the Comprehensive Economic and Trade Agreement – Protocol on rules of origin and origin procedures" by the Canadian Government.

Customer demands (reactive), there has been increased customer voiced demand for our product in Canada due to our competitive advantage of targeting the financial sectors in New York. To meet those demands while not suffering the penalties of Tariffs, we will need to set up manufacturing in Canada.

The growth opportunities (proactive) of Canada have become more attractive [Deresky, p. 186] given that our primary reason is the \$250,000 USD (\$333,338 CAD) financial incentives (proactive) provided by the Canadian government.

While there exist sock manufacturers, and even bespoke sock manufacturers in Canada, due to our distinct patented manufacturing process CAWF maintains a competitive advantage by manufacturing in Canada, not to mention the tailored approach to targeting financial services market clientele.

SECTION 4: Describe the environment in which you will operate and critical operational factors that you must consider and how they will affect your company.

The environment of Toronto, Ontario is warm humid summers and cold winters, but thanks to Lake Ontario in the winter it ensures that the city is warmer in the winter and colder in the summer. Toronto is one of the warmest cities in Canada. The temperature varies from 17 degrees fahrenheit to 78 degrees based of Weather Spark data over the years. The hottest days are most common in July with the coldest January. Most of its snowfall happens between mid-December and march with snow deeper than 1 cm on a 65 days average, but with the snow mostly being at the deepest of an inch. Some other factors we have to till with is smog. The smog is mostly in the summer, and half of that smog does comes from the United States of America. The city mostly has good air quality with the factor of the smog. These factors we have to consider with is not as different then back at our home factory. Other then the winters will be colder due to the location of Toronto being more north. With that location the summer with not be as hot but will be humid like our home factory. We will address these factors by purparing our

transports of our product to tell with the cold weather like the snow and ice. The factory will also will have to dill with the cold but also in the summer dill with the humidity [Living in Canada]

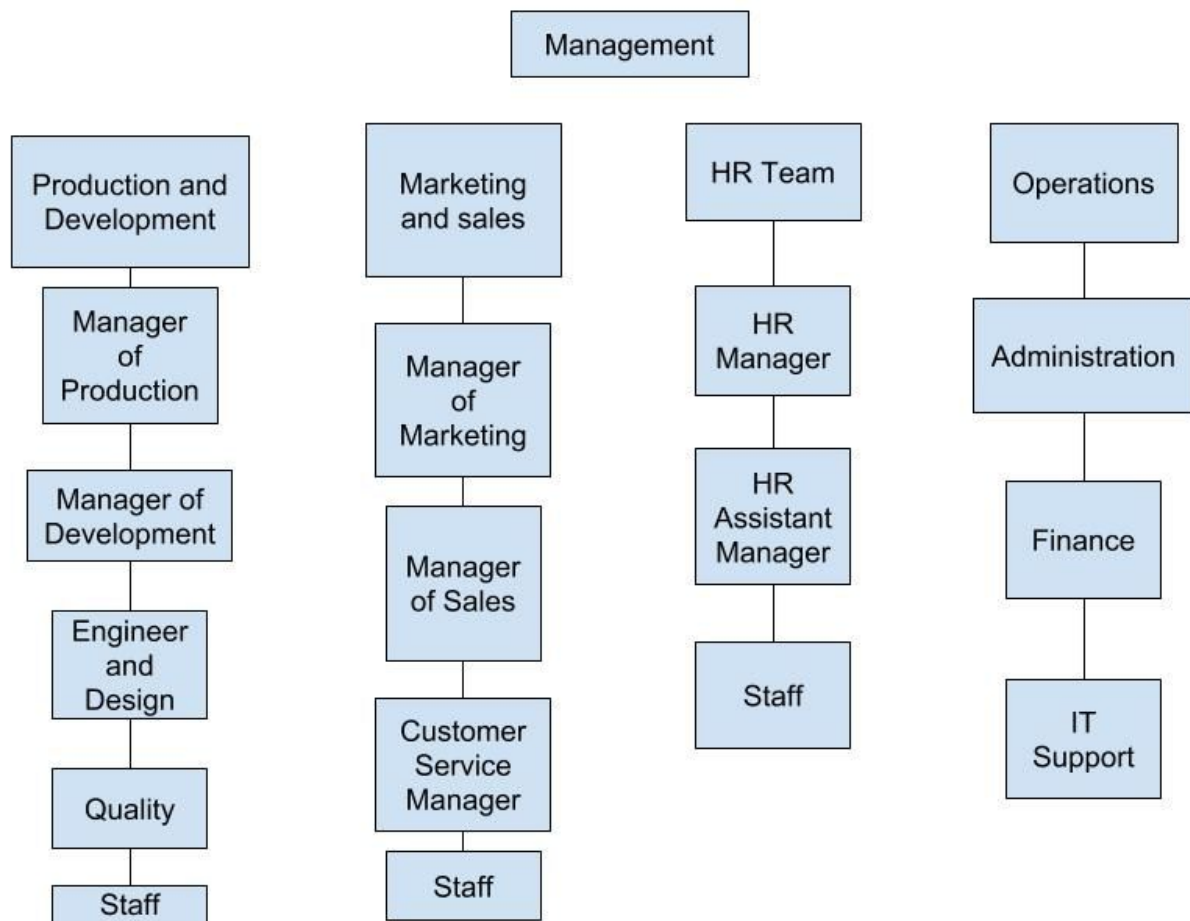
#### SECTION 5: Give a cultural profile of the local area in which you will be operating.

What are the workers going to be like? What kinds of reception do you anticipate from local governments, suppliers, distributors, and so on?

The culture of Toronto is diverse through the many different culture that have brought their traditions, and languages with a population around 36 million people. The cultures are mostly European, mostly British and French. Also The United states of America also as some influences on the culture. The languages in Toronto is home to more than 140 different languages, but English is the predominant language with French close by. The religion is also diverse, but data from “Guide to Canada” around 67% of the population is christian. The government in Toronto tries for fairness with the people. They promote public health care, higher taxation, same sex marriage. They are also open to other cultures and other religions. The people of Toronto will be divers in race and religion. With most of the people bein white with mixes of low percentages in other racial group, and there ancestry being very divers, with the most common being in the teens. Sports are a big thing in the city. They have a team in Canadian Football league (CFL), National Hockey League (NHL), Major League Baseball (MLB), and the National Basketball Association (NBA team), which means players in Major leagues and Semi-pro and kids will need socks.



SECTION 6: Draw up an organizational chart showing the company and its overseas operations, and describe why you have chosen this structure.



We chose this structure, because it is simple to use. We have had success in the past due to this structure in our company, and it is easy to keep track of what is going on at what time. In this chart it is easy to see who has to report to whom, and the organization in that specific part of the plant. This chart makes it easy to keep everything organized from day to day. At the top of the chart there is management, and as you go down the chart there are separate sections in the

company that have been laid out. In those sections there are the managers and staff, the staff has to report to the the managers, then the managers report to the top level management.

SECTION 7: Decide on the staffing policy you will use for top-level managers, and give your rationale for this policy.

Here are CAWF we use an polycentric policy for top-level managers. This approach is where we will hire host country managers to be in some of the top management positions. The main benefit from having this type of policy is that the most experienced worker will be placed in these positions. There are good advantages due to this policy. One advantage is, this staffing policy is very flexible and can increase our knowledge about the different markets and culture[Whitehead, p.1]. Even if an expatriate doesn't get that position it is still an advantage to the company to see if we need to make some changes in our designs to be successful in Canada. With this approach it will benefit the locals in their career opportunities to be in a higher level management position [Whitehead, p.1]. Training will be mandatory for every top-level manager to ensure that they know how our business is ran and what is to be expected from them as the company grows. There is a disadvantage to this approach, one being, the diversity in management creates pressure on HR management [Whitehead, p.1]. If the pressure does become too much for the HR manager we will look for an assistant for them. There could also be a performance gap between the managers in Canada and the managers in the United States [Whitehead, p.1].

SECTION 8: Describe the kinds of leadership and motivational systems you think would be most effective in this environment. Give your rationale.

The motivational systems that CAWF thinks is most effective is to offer better benefit packages to expatriates, and their families that make the move with them. In 2011 the Canadian Incentive Trends Survey stated that 68% of executives listed that an employee benefits package would be a good investment to motivate the staff. While 69% implemented this better benefits package for the overall improvement for their employees. They are trying to find ways to incorporate that into their small business, because they want to improve team performance and production. From the same survey 72% of the respondents tried this corporate incentive and 54% feel that it motivated their staff and gained a competitive advantage[Staff, p. 1]. We also plan on incorporating some sort of rewards program , such as gift cards, and gifts for so many years of service to the company. In this survey, it stated, “38% who said prepaid credit cards provide the highest return.”[Staff, p.1]. With these motivation systems implemented we plan on motivating the staff to work hard, and work as a team on reaching goals that will benefit not only them but CAWF as well. Our thoughts on this motivation incentive, we think that it will work and push a team to reach a goal and be rewarded for their achievements with a gift that they will appreciate.

SECTION 9: Discuss the kinds of communication problems your managers might face in the host-country working environment. How should they prepare for and deal with these problems?

Some communication problems a manager might face in this environment one of the biggest is how to measure they use the meter system ( Meters,Kilometers) . Vs the USA Standard system (Feet,Miles). So when ordering product we will have to make sure to convert all the measurements on the meter system, but when it comes to socks sizing the United States and

Canada use the same measurements. Another might be the money difference in value. A Canadian dollar is worth about .75 of and United States 1 dollar based of the stock value on April 01,2019 on Morningstar. Therefore we will need to have a Canadian bank account for the purchase our factory will need to buy, so we will not need to convert money all the time from the United States. One of the biggest communication problems a manager might face is languages. A good part of the city of Toronto does speak english, but also speak french. We can dill with this communication by a couple ways. First way is to try to hire managers and workers that speak both english and french. The second way is to get a translator in the factories, by this we can use apps on the phone that allows people to translate what they need, or buy some short of office translator that managers will have on them at all times.

SECTION 10: Explain any special control issues for this overseas operation that concern you. How do you plan to deal with them?

We at CAWF will be using Management Information System (MIS) for our information system. This MIS will help our business with tools to support us. These tools will help us in operations, IT, intelligence, and processes. On (Smartsheet) they say that this MIA will go through all data reports that will help businesses make the right choices at the time that it needs to be made at. There are meaning benefits:

- (Management can get an overview of their entire operation.)
- (Managers have the ability to get feedback about their performance.)

- (Organizations can maximize benefits from their investments by seeing what is working and what isn't.)
- (Managers can compare results to planned performance by identifying strengths and weaknesses in both the plan and the performance.)
- (Companies can drive workflow improvements that result in better alignment of business processes to customer needs.)
- (Many business decisions are moved out of upper management to levels of the organization that is closer to where the knowledge and experience lie.)

(Management Information Systems: In Business, in Academia, and in The Future)

With this MIA the concerns with using it in Toronto will be not little issues, due to the intelligence of the system allowing it to work in all business to help it improve to reach the goal in sales and working with workers. Also if something isn't working that will hurt the business it will tell you and tell you how to fix it.

SECTION 11: Identify the concerns of the host country and the local community regarding your operations there. What plans do you have to deal with their concerns and to ensure a long t-term cooperative relationship?

Some of the concerns for Canada, would be that the company would fail and have to leave. It is harder for companies to be established and successful in Canada due to the higher labor wages. The wages are higher in Canada then the United States. *“Bringing inventory into Canada, dealing with customs and managing the inventory across the land requires significant resources, and reconfigured logistics channels. Language, labeling and other regulatory*

*requirements multiply the cost.*” [Page, p. 1]. In this article it also stated that, “ Canadian consumers cross the border to buy from American retailers, some companies wrongfully assume that Americans and Canadians are identical” [Page, p.1]. In this case that is not true, because Canadian consumers tend to shop for valuable options that will last. *“In one study, 60 percent of effective U.S. ads resulted in much lower sales effectiveness in Canada.”* [Page, p.1]. With this being said I can understand why Canada would have concerns with companies expanding to their land. Here at CAWF we plan on handling these concerns with getting to know the community and where the supplies will come from. We want to build relationships with people in the community and bring them more jobs. In this same article, it states, “Canadian shoppers have a higher tendency than their American friends to be value shoppers.”[Page, p.1]. CAWF strives to design and produce the best socks and the best quality over any other brand on the market. With that being said CAWF puts great value into their products so consumers can rely on us. We also plan on adjusting to their customs and developing new products to adapt to their consumers.

### Works Cited

"Could U.S. Sanctions Against China Affect Canadian Companies? | Canada-U.S. Blog".

Canada-U.S. Blog. 07 June 2017.

[www.canada-usblogger.com/2017/07/30/would-u-s-sanctions-against-china-affect-canadian-companies/](http://www.canada-usblogger.com/2017/07/30/would-u-s-sanctions-against-china-affect-canadian-companies/) Accessed 04 April 2019.

"Guide to Canada | Canadian Etiquette, Customs & Culture." *Kwintessential*,

[www.kwintessential.co.uk/resources/guide-to-canada-etiquette-customs-culture-business](http://www.kwintessential.co.uk/resources/guide-to-canada-etiquette-customs-culture-business).

Accessed 02 April 2019

"Home - The Climate and Weather of Toronto, Ontario - Average Daily Maximum Temperature – Minimum – Sunshine – Raindays – Snowdays – Snowdepth – Windspeed." Living in

Canada. [www.livingin-canada.com/climate-toronto.html](http://www.livingin-canada.com/climate-toronto.html) Accessed 01 April 2019.

"Invest in Toronto – City of Toronto". City of Toronto. 2019.

[www.toronto.ca/business-economy/invest-in-toronto/](http://www.toronto.ca/business-economy/invest-in-toronto/) Accessed 04 April 2019.

"North America :: Canada — The World Factbook - Central Intelligence Agency". Central

Intelligence Agency (CIA), United States of America. 2019.

[www.cia.gov/library/publications/the-world-factbook/geos/ca.html](http://www.cia.gov/library/publications/the-world-factbook/geos/ca.html) Accessed 04 April 2019.

"Notice to Importers - Textiles and Apparel for Import to Canada from the European Union and its Member States (Item 86.98 and 86.99 on Canada's Import Control List)" Government

of Canada, Global Affairs Canada, Trade, Trade and investment agreements. 01

September 2017. Accessed 19 March 2019.

[www.international.gc.ca/controls-controles/textiles/notices\\_imp\\_avis/899.aspx?lang=eng](http://www.international.gc.ca/controls-controles/textiles/notices_imp_avis/899.aspx?lang=eng)

"Text of the Comprehensive Economic and Trade Agreement – Protocol on rules of origin and origin procedures". Government of Canada, Global Affairs Canada, Trade, Trade and investment agreements. 03 October 2017. Accessed 19 March 2019.

[international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/text-texte/P1.aspx?lang=eng](http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/text-texte/P1.aspx?lang=eng)

"The Role of Management Information Systems." *Smartsheet*, 7 Jan. 2019,

[www.smartsheet.com/management-information-systems](http://www.smartsheet.com/management-information-systems). Accessed 02 April 2019

"Toronto Population 2019." *Toronto Population 2019 (Demographics, Maps, Graphs)*,

[worldpopulationreview.com/world-cities/toronto-population/](http://worldpopulationreview.com/world-cities/toronto-population/). Accessed 02 April 2019

"WeatherSpark.com." Average Weather in Toronto, Canada, Year Round - Weather Spark,

[weatherspark.com/y/19863/Average-Weather-in-Toronto-Canada-Year-Round](http://weatherspark.com/y/19863/Average-Weather-in-Toronto-Canada-Year-Round). Accessed 02 April 2019.

Deresky, Helen. *International management : managing across borders and cultures : text and cases*. Boston: Pearson Higher Education, 2017. Print.

Establish a Business - Invest in Canada. Foreign Affairs Trade and Development Canada-

International Trade- International Business Development- International Business Development and Innovation.

[www.international.gc.ca/investors-investisseurs/iic-iac/establish-etablir.aspx?lang=eng](http://www.international.gc.ca/investors-investisseurs/iic-iac/establish-etablir.aspx?lang=eng)  
Accessed 15 March 2019.

McCarthy Tetrault: Doing Business in Canada - Navigating Opportunities for Investment and Growth. McCarthy Tetrault, 2017, Print. Online version:

[www.mccarthy.ca/sites/default/files/2018-01/DBIC\\_2017.pdf](http://www.mccarthy.ca/sites/default/files/2018-01/DBIC_2017.pdf) Accessed 15 March 2019.



Snip, Bob. Course Syllabus, Spring 2019. Purdue University, 2019, Print.

Snip, Bob. *Integrative Team Project handout, Leading in a Global Environment Tech 33000*

*Team Project Spring 2019*. Purdue University, 2019, Print.

Abadi, Mark. 5 Things That Make Canada a Very Different Place To Work Than the Us.

Business Insider, Insider, INC. 10 January 2018, Print. Online version:

[www.businessinsider.com/differences-canada-us-work-2018-1#they-get-more-breaks-during-the-day-too-2](http://www.businessinsider.com/differences-canada-us-work-2018-1#they-get-more-breaks-during-the-day-too-2) Accessed 18 March 2019.

Page, James. "The Biggest Mistake International Companies Make When Expanding to Canada."

*Vision Critical*, 4 Jan. 2004,

[www.visioncritical.com/blog/successful-canadian-expansion](http://www.visioncritical.com/blog/successful-canadian-expansion).

Staff | June 8, 2011. "Employers Focused on Employee Motivation." *BenefitsCanada.com*, 2019,

[www.benefitscanada.com/news/employers-focused-on-employee-motivation-17649](http://www.benefitscanada.com/news/employers-focused-on-employee-motivation-17649).

Whitehead, Suzanne. "Staffing Policy & HRM Issues in International Business." *Panmore*

*Institute*, 24 Mar. 2017, [panmore.com/staffing-policy-hrm-issues-in-international-business](http://panmore.com/staffing-policy-hrm-issues-in-international-business).

---

Icon made by Freepik from [www.flaticon.com](http://www.flaticon.com)

[https://www.flaticon.com/free-icon/football-socks-with-white-lines-design\\_27359](https://www.flaticon.com/free-icon/football-socks-with-white-lines-design_27359)