

GEB 3373 Homework 10

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All uncited quotes are from the textbook

Chapter 14

1. What are some of the initial impacts of international activity on organization design?
 - o " Its initial response to international sales and orders is the **corollary approach** , whereby the firm delegates responsibility for processing such orders to individuals within an existing department, such as finance or marketing. [...] As a firm's export sales become more significant, however, its next step usually is to create a separate export department. The **export department** takes responsibility for overseeing international operations, marketing products, processing orders, working with foreign distributors, and arranging financing when necessary. [...] Firms respond to the challenges of controlling their burgeoning international business by changing their organization design through the creation of an international division that specializes in managing foreign operations. The **international division** allows a firm to concentrate resources and create specialized programs targeted on international business activity while simultaneously keeping that activity segregated from the firm's ongoing domestic activities."
2. What is the global product design? What are its strengths and weaknesses?
 - o " The **global product design** assigns worldwide responsibility for specific products or product groups to separate operating divisions within a firm. This design works best when the firm has diverse product lines or when its product lines are sold in diverse markets, thereby rendering the need for coordination between product lines relatively unimportant. [...] The global product design also has disadvantages, however. For one, it may encourage expensive duplication because each product group needs its own functional-area skills such as marketing, finance, and information management, and sometimes even its own physical facilities for production, distribution, and R&D. Similarly, each product group must develop its own knowledge about the cultural, legal, and political environments of the various regional and national markets in which it operates."
3. What is the global area design? What are its strengths and weaknesses?
 - o "The **global area design** organizes the firm's activities around specific areas or regions of the world. This approach is particularly useful for firms with a polycentric or multidomestic corporate philosophy. [...] By focusing on the needs of the area market, the firm may sacrifice cost efficiencies that might be gained through global production."
4. What is the global functional design? What are its strengths and weaknesses?
 - o "The **global functional design** calls for a firm to create departments or divisions that have

worldwide responsibility for common organizational functions—finance, operations, marketing, R&D, and human resources management. [...] Despite these advantages, this design is inappropriate for many businesses. For one thing, the global functional design is practical only when the firm has relatively few products or customers. For another, coordination between divisions can be a major problem. For example, the manufacturing division and the marketing division may become so differentiated from each other that each may start pursuing its own goals to the detriment of the firm as a whole. Finally, there may also be duplication of resources among managers."

5. What is the global customer design? What are its strengths and weaknesses?

- "The **global customer design** is used when a firm serves different customers or customer groups, each with specific needs calling for special expertise or attention. [...] This design is useful when the various customer groups targeted by a firm are so diverse as to require totally distinct marketing approaches."

6. What is the global matrix design? What are its strengths and weaknesses?

- "A **global matrix design** is the result of superimposing one form of organization design on top of an existing, different form. The resulting design is usually quite fluid, with new matrix dimensions being created, downscaled, and eliminated as needed. [...] The global matrix design has limitations, however. First, it is not appropriate for a firm that has few products and that operates in relatively stable markets. Second, it often puts employees in the position of being accountable to more than one manager. For example, at any given time an employee may be a member of his or her functional, area, or product group as well as of two or three product development groups. As a result, the individual may have split loyalties—caught between competing sets of demands and pressures as the area manager to whom the employee reports wants one thing and the product line manager wants another."

7. What are the three levels of control in international business?

1. "**Strategic control** is intended to monitor both how well an international business formulates strategy and how well it goes about implementing that strategy."
2. "**Organizational control** focuses on the design of the organization itself. As discussed previously, there are many different forms of organization design that an international firm can use."
3. "The third level of control in an international firm is operations control. **Operations control** focuses specifically on operating processes and systems within both the firm and its subsidiaries and operating units."

8. Why is financial control so important?

- "Financial control is an especially important area of strategic control in international business because poor financial control can cripple a firm's ability to compete globally."

9. What are the four basic steps in establishing an international control system?

1. "The first step in establishing an international control system is to define relevant control standards. A control standard in this context is a target, or a desired level of the performance component the firm is attempting to control. Control standards need to be objective and consistent with the firm's goals."

2. "The second step in creating an international control system is to develop a valid measure of the performance component being controlled. Some elements of performance are relatively easy and straightforward to measure; examples are actual output, worker productivity, product quality, unit sales, materials waste, travel expenses, hiring practices, and employee turnover."
3. "The third step in establishing an international control system is to compare measured performance (obtained in step 2) against the original control standards (defined in step 1). Again, when control standards are straightforward and objective and performance is relatively easy to assess, this comparison is easy."
4. "The fourth and final step in establishing an international control system is responding to deviations observed in step 3. One of three different outcomes can result when comparing a control standard and actual performance: the control standard has been met, it has not been met, or it has been exceeded."

Chapter 15

1. Define *personality* and explain how personality differences affect individual behavior.
 - "**Personality** is the relatively stable set of psychological attributes that distinguishes one person from another"
2. Explain how attitudes vary across cultures.
 - "Although some attitudes are deeply rooted and long-lasting, others can be formed or changed quickly. For example, attitudes toward political parties or major social issues, such as pollution control or abortion, evolve over an extended period of time. But attitudes about a new restaurant may be formed immediately after eating there for the first time."
3. Discuss the basic perceptual process and note how it differs across cultures.
 - "**Perception** is the set of processes by which an individual becomes aware of and interprets information about the environment. Perception obviously starts when we see, hear, touch, smell, or taste something. Each individual, however, then interprets that awareness through filtering processes that are unique to that person. [...] Stereotyping is one common perceptual process that affects international business. *Stereotyping* occurs when we make inferences about someone because of one or more characteristics they possess."
4. Explain how attitudes and perception can affect each other.
 - If a company is well perceived, then the attitude towards that company will probably be better than if a company is not well perceived.
5. Discuss stress and how it varies across cultures.
 - "Another important element of behavior in organizations is stress. **Stress** is an individual's response to a strong stimulus. This stimulus is called a *stressor*. [...] It is also important to understand that stress can be caused by "good" as well as "bad" things. [...] There are two different perspectives on stress that are especially relevant for international managers. One is managing stress resulting from international assignments, is covered in Chapter 19 . The other is recognizing that people in different cultures may experience different forms of stress and then handle that stress in different ways. In one study that looked at stress

patterns across 10 countries, Swedish executives experienced the least stress. Executives from the United States, the United Kingdom, and the former West Germany reported relatively moderate stress, and that they were managing this stress effectively. But managers from Japan, Brazil, Egypt, Singapore, South Africa, and Nigeria reported that they were experiencing high levels of stress or that they were having difficulties managing stress."

6. Identify some of the basic issues managers must confront when attempting to motivate employees in different cultures.
 - o "For example, managers and employees in countries that are individualistic may be most strongly motivated by individually based needs and rewards. Opportunities to demonstrate personal competencies and to receive recognition and rewards as a result may be particularly attractive to such people. In contrast, people from collectivistic cultures may be more strongly motivated by group-based needs and rewards. Indeed, they may be uncomfortable in situations in which they are singled out for rewards apart from the group with which they work."
7. How do needs and values differ in different cultures?
 - o "The starting point in understanding motivation is to consider needs and values. **Needs** are what an individual must have or wants to have. **Values**, on the other hand, are what people believe to be important. Not surprisingly, most people have many needs and values. Primary needs are things that people require to survive, such as food, water, and shelter. Thus, they are instinctive and physiologically based and play a major role in directing human behavior.³² For instance, Ivory Coast farmers have grown cocoa for decades, and the methods used to grow it has been passed down from generation to generation. However, dramatic fluctuations in prices and climate change have combined to make income for the farmers increasingly unpredictable. To ensure a more stable income, many of these farmers are switching to more stable crops such as rubber and palm oil. Secondary needs, on the other hand, are more psychological in character and are learned from the environment and culture in which the individual lives. Examples of secondary needs include the needs for achievement, autonomy, power, order, affiliation, and understanding. Secondary needs often manifest themselves in organizational settings. For example, if an individual is to be satisfied with his or her job the rewards provided by the organization must be consistent with his or her needs. Offering a nice office and job security may not be sufficient if the individual is primarily seeking income and promotion opportunities. Values, however, are learned and developed as a person grows and matures. These values are influenced by one's family, peers, experiences, and culture."
8. Summarize the steps in the normative model of decision making and relate each to international business.
 1. **Problem Recognition:** "People from different cultures are likely to recognize and define problem situations in different ways. For example, in individualistic cultures, problems are likely to be defined in terms of individual scenarios and consequences. In collectivistic cultures, the focus will be more on group-related issues and situations. In an uncertainty-accepting culture, managers are more likely to take risks in solving problems and making

decisions. In uncertainty-avoiding cultures, they may be much more cautious and strive to reduce uncertainty as much as possible before making a decision. As a result, they may fall back on organizational policies and rules to provide a course of action ("We can't do that because it's against company policy")."

2. **Identifying Alternatives:** "The processes through which alternatives are identified will also vary across cultures. For example, in power-respecting cultures, managers may be much less willing to consider an alternative that potentially threatens the hierarchy—for example, that a suggestion from a subordinate might be valid or that a problem might exist at a higher level in the organization. But in power-tolerant cultures, such hierarchical issues are more likely to be considered possible remedies to organizational problems. In collectivistic societies, the desire for group harmony and conflict avoidance may be so strong that decision making is approached in unique ways. For example, the Japanese concern for maintaining group harmony has given rise to the *ringi* system for identifying alternatives and making decisions. The **ringi system** provides that decisions cannot be made unilaterally; doing that would be too individualistic and therefore destructive of group harmony. To encourage creative solutions, a manager may draw up a document, called the *ringisho*, which defines the problem and sets out a proposed solution. The Japanese corporate belief is that those who implement a solution should be those most affected by the problem because they understand the problem and are motivated to solve it. Thus, most *ringisho* originate from middle managers. [...] In contrast, the German business structure is both strongly hierarchical and compartmentalized. Decision making tends to be slow and drawn out, designed to build consensus within a department of a firm. Data are painstakingly gathered, then communicated to the appropriate employees within the hierarchy. However, information often does not flow easily between departments, and a decision, once reached, may be difficult to change. Also, established operating procedures are followed carefully. These factors substantially reduce the firm's flexibility and responsiveness to rapidly changing conditions. The resulting inflexibility often hinders the performance of foreign subsidiaries of German MNCs, which have difficulty getting the home office to acknowledge that their operating conditions may differ from those in Germany."
3. **Evaluating Alternatives:** "Evaluating alternatives can also be affected by cultural phenomena. For example, an alternative that results in financial gain may be more attractive in an aggressive goal behavior culture than in a passive goal behavior culture, which may prefer an alternative that results in improved quality of work life. Uncertainty avoidance will also be a consideration; alternatives with varying levels of associated uncertainty may be perceived to be more or less attractive. Evaluating alternatives is further complicated in countries in which people tend to avoid taking responsibility for making decisions. China's economic policies, for example, have changed so quickly and drastically over the past five decades that those supporting today's economic policies may find themselves in political difficulties tomorrow. Indeed, within the Chinese culture there is a tendency for Chinese officials to avoid association with any decision that could haunt them later. Group decision making reduces the potential blame an individual bureaucrat may suffer."

4. **Selecting the Best Alternative:** "Cultural factors can affect the actual selection of an alternative. In an individualistic culture, for example, a manager may be prone to select an alternative that has the most positive impact on him or her personally; in a collectivistic culture, the impact of the alternative on the total group will carry more weight. Not surprisingly, a manager trained in one culture will often use the same techniques when operating in a different culture, even though they may be ineffective there. In one recent study comparing U.S. managers operating in the United States with U.S. managers operating in Hong Kong, the managerial behaviors of the two groups were found to be the same. These behaviors included managerial supportiveness of subordinates, problem solving, openness of communication, disciplining of subordinates, and so on. However, although these behaviors positively affected firm performance in the United States, they had no effect on firm performance in Hong Kong."
 5. **Implementation:** "In a power-respecting culture, implementation may be mandated by a manager at the top of the organization and accepted without question by others. But in a power-tolerant culture, participation may be more crucial to ensure acceptance. In an uncertainty-avoiding culture, managers may need to carefully plan every step of the implementation before proceeding so that everyone knows what to expect. In an uncertainty- accepting culture, however, managers may be more willing to start implementation before all the final details have been arranged."
 6. **Follow-Up and Evaluation:** "Follow-up and evaluation also have cultural implications, most notably regarding power orientation. In a power-respecting culture, a manager may be unwilling to find fault with an alternative suggested by a higher- level manager. Also, too much credit may be given to a higher-level manager purely on the basis of his or her position in the hierarchy. But in a power-tolerant culture, responsibility, blame, and credit are more likely to be accurately attributed."
9. Why are teams so important? What are the basic implications of teams for an international business?
- o "a *team* is a specific type of group that assumes responsibility for its own work. Because teams are so ubiquitous today and the term is so common among managers, we will use this term in our discussion. [...] If a team's role structure promotes efficiency, its norms reinforce high performance, it truly is cohesive, and its informal leaders support the firm's goals, then it can potentially reach maximum effectiveness. Sony's computer development group took on all of these characteristics, which no doubt helped contribute to the group's ability to reach its goal ahead of schedule. However, if the team's role structure is inefficient, its performance norms are low, it is not cohesive, or its informal leaders do not support the firm's goals, then it may become ineffective from the firm's standpoint."