



# **Fundamentals of Management**

## **SESSION N 5**

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# **Chapter 3**

## **Global Management**



# The Changing Global Environment

## **The Challenges of Global Competition**

- Establishing operations in a foreign country.
- Obtaining inputs from foreign suppliers.
- Managing in a foreign culture.

## **The Global Environment Is Open**

- Managers need to learn to compete globally.



# Parochialism

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



# Three global attitudes

## Ethnocentric Attitude

The parochialistic belief that the best work approaches and practices are those of the home country (where main offices are Located) Because of Lack of skills, expertise, knowledge & Experience, moreover lack of trust in key decision making.





## **Polycentric Attitude**

The view that the managers in the host country (where company is doing business) know the best work approaches and practices for running their business.

Managers believe operations are different (country to country) and difficult to manage.

Thus give authority to locals to run operations and Decision Making.

## **Geocentric Attitude**

A world-oriented view that focuses on using the best approaches and people from around the globe. Adaptation of best approaches and people. It denies Parochial attitude and encourages cross culture. Best approach to be successful in today's Era.



# Key Factors in the International Environment

## **Economic**

- Economic development and conditions
- Resource & product markets
- Per capital income
- Infrastructure
- Exchange rates

## **Sociocultural**

- Social values, beliefs
- Language
- Religion
- Formal education, literacy
- Time orientation

## **Legal-Political**

- Political risk
- Laws, restrictions
- Government takeovers
- Tariffs, quotas, taxes
- Terrorism, political instability



# Different Types of International Organizations

## **Multinational Corporation (MNC)**

Maintains operations in multiple countries.

## **Multidomestic Corporation**

Is a MNC that decentralizes management and other decisions to the local country. They reflect polycentric attitude.

## **Global Company**

Is a MNC that centralizes its management and other decisions in the home country. They reflect ethnocentric attitude.





## **Transnational Corporation (Borderless Organization)**

TNC differs from a traditional MNC in that it does not identify itself with one national home. TNCs spread out their operations in many countries sustaining high levels of local responsiveness and reflects a geocentric attitude\_(Purpose might to save tax, cheap labor, friendly laws etc)

## **Born Global /International New Ventures**

A business that, from start, seeks to get Significant competitive advantage from the use of resources and the sale of outputs in multiple countries. Focus internationally from its beginning. All resources deploy to achieve that purpose

# How Organizations Go Global





# Global Sourcing / Outsourcing

Purchasing materials or labor from around the world based on low cost. Purpose is to take advantage of low cost to be more competitive in market.

## Exporting & Importing

### **Exporting:**

Making Products locally and selling abroad.

### **Importing:**

Acquiring products made abroad and selling them domestically.



## Licensing OR Franchising

One organization giving another organization the right to use its brand name, technology or Product specifications in return for a lump-sum Payment used by manufacturing organization.

Licensing is used for manufacturing Concerns. Franchising is used for Service industry.



# Other Forms of Globalization

## **Strategic Alliances**

Partnerships between organization and a foreign company in which both share resources and knowledge in developing new products or building new production facilities.

## **Joint Venture**

A specific type of strategic alliance in which the partners agree to form a separate organization for some business purpose.

## **Foreign Subsidiary**

Directly investing in a foreign country by setting up a separate and independent production facility or office. Can be Multidomestic or centralized Company





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