



Comm1150 notes

Global Business Environments (University of New South Wales)

COMM1150

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WEEK 1: INTRODUCTION AND SUSTAINABILITY LENS

PRE-LEARNING MODULE

The business environment:

- The business environment includes everything that occurs outside the walls of the business that is relevant to the business
 - Includes economic activity, politics, culture, and the physical environment
- From COMM1100
 - Key external stakeholders – government, community groups, and advocates for environmental and indigenous cultural protection...
 - How the law informs business decisions
 - Stakeholder relations – see each stakeholder group as a homogenous group operating within one location
- The business environment is, however, neither homogenous nor static, and the decisions that managers must make must consider the extra layer of complexity around heterogeneity and change

The global business environment:

- Heterogeneity and change, however, can look different depending on perspective
- Also, how this view changes over time
 - Each pattern over time also offers a different piece of information that can be used to make important business decisions

4 lenses on the global business environment:

- Socio-cultural
 - The socio-cultural lens will help you think about and understand how culture works to produce the differences and similarities we share with others.
 - Will introduce the concept of culture and its implications for organisations and individuals working in global business environments.
 - Culture has many dimensions that specifically shape how people believe, think, and behave, including how we relate to one another, organise ourselves, and interact with our surroundings including the physical environment and nature.
 - provide insights relevant for successfully navigating global business environments in which we are likely to encounter people, practices, and products from diverse backgrounds and traditions.
- Political-legal
 - The importance of the political-legal realm in our lives cannot be overstated because
 - we often take it for granted—probably more so if we live in a country where the political and legal institutions are well-functioning
 - we can see first-hand what a capable government can do for its citizens in times of crises.
 - The political-legal lens will introduce you to the nation-state system underscoring the political and legal institutions that provide stability, predictability, and opportunities and present risks and threats for individuals and organisations including businesses.
 - The different systems of collective decision-making and resource allocation and the variety of systems of rules and regulations that shape the behaviours of individuals and organisations.
- Economic



- Businesses and individuals make decisions every day that depend on the economic environment.
- Differs across locations and changes over time.
- Will give you a framework to understand how individual economic decisions interact to determine what happens at the level of the economy as a whole and how both local and global economic shocks affect the economic environment.
- Apply the tools of macroeconomics—which focuses on economy-wide phenomena
- A successful business must not only be able navigate the economic environment in the place and time in which it now operates – must understand how the key elements of its own environment differ across locations and are determined by the broader economic environment.
- Sustainability
 - Sustainability is an ecological imperative that includes both environmental and social sustainability benchmarks as the necessary basis for beneficial growth.
 - Key concepts introduced in this lens are the circular economy, doughnut economics and an understanding of ecological systems.
 - Our businesses need to be ecologically sustainable to support flourishing societies and a future for our planet.

4 features of the global business environment:

- Multiple levels – We can look at the environment from a local, state, national, regional, or global level of analysis, and the composition of the environment looks differently depending on the level of analysis we look at.
- Multiple lenses – we can look at the enviro through a cultural, political, legal, economic, or physical environmental sustainability lens at any level of analysis
- Heterogeneity – there are differences in the environment at any level of analysis
- Change – the environment changes, and the change can be observed through any lens and can occur at any level of analysis

Threats and opportunities from the global environment:

- Threats and opportunities are changes in the environment or unforeseen features of the existing environment that require managers to consider a response.
- A change in the environment can also lead to opportunities associated with new markets, new technologies, or new solutions to existing normative issues relating to other stakeholders.
- There may also be new cultural trends that can be opportunities for some and threats to others.

- Some threats and opportunities are not easy to discover - important to look as far beyond the walls of the organisation as you can.
 - scanning and monitoring the environment is one of the most important activities that managers do.

Sustainability lens:

- takes a systems approach to the complexity of life in the Anthropocene
- recognise the interconnectedness of our social, economic, and political systems
- need to question biases, assumptions, and mental models underpinning some of what we see with other lenses
- dimensions of sustainability
 - interdependence
 - needs of present and future generations
 - valuing diversity
 - precautionary principle
 - limits to growth

Environmental sustainability:

- environmental sustainability draws on science and an understanding of Complex Adaptive Systems to address key survival issues and the use of ecosystem resources
- key issues include – ecosystem protection, resource availability and use, species extinction, and anthropocentric climate change

Social sustainability:

- linked to environmental sustainability – they are interdependent
- people have the capability to realise their full potential as a human being
- meeting people's needs (across and within societies and generations)
- social justice (intergenerational and intra-generational equity)
- flourishing societies

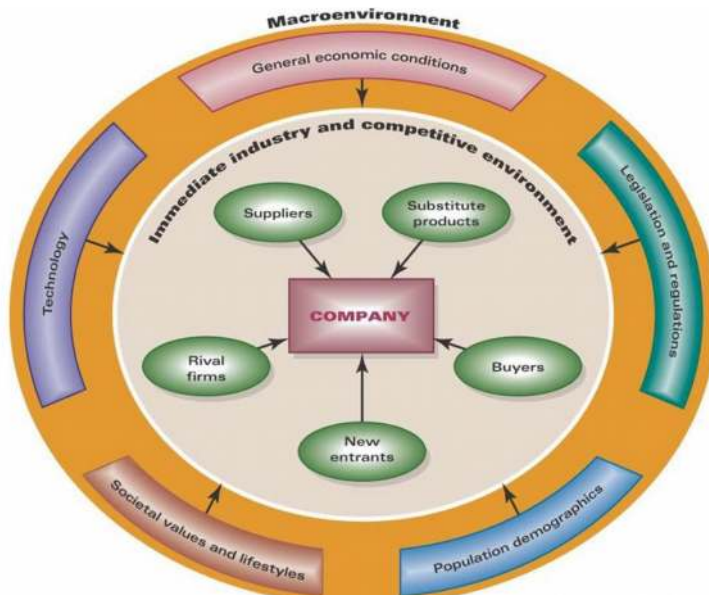
Sustainable development and SDGs

- Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs
- 2 key concepts;
 - The concept of need – the essential needs of the world's poor, to which overriding priority should be given
 - The idea of limitations imposed by the state of technology and social organisations on the environment's ability to meet present and future needs


- The Sustainable Development Goals are a call for action by all countries to promote prosperity while protecting the planet
 - 17 goals
 - They are specific, measurable, achievable, realistic, and time-bound



LECTURE



Level of Analysis



Global	eg	Carbon Emissions
Region	eg	Economic Integration
Nation	eg	Policies
State/Province	eg	Scope of societal change
Municipality	eg	Industry Agglomeration

What makes an organisation's business environment complex?

- Heterogeneity- different dimensions of the environment
- Heterogeneity- there are many macro-environments
- Levels- environments are layered and are embedded in larger environments from local, national, and to global
- Change dynamic- these different environments at different levels experience change and dynamic interaction

The many dimensions of global business environments

- Socio-cultural lens
 - Diversity of cultures; different beliefs, ways of living and doing things
 - Culture across different levels: global and local cultures and everything in between
- Political and legal lens
 - The basic structure of the contemporary global world: the world of nation- states
 - Political and legal systems: rules and regulation and their influences on individuals and organisations
- Economic lens
 - Economic trends and fluctuations that shape economic behaviour
 - Economic development and growth: labour supply and consumption
 - Fiscal and monetary policy

- Sustainability lens
 - The physical environment, interdependence and system view
 - The UN Development Goals

Closer look at the sustainability lens

Sustainability thinking:

- Start to recognise the interconnectedness of our social, economic, and political systems
- Need to question the biases, assumptions, and mental models underpinning much of what we see when we use other lenses
- Sustainability thinking argues that =:
 - The earth's resources are finite
 - The dominant market model with its emphasis on short-term profits has contributed to many problems faced by society

Dimensions of sustainability

- Interdependence
- Needs of present and future generations
- Valuing diversity
- Precautionary principle
- Limits of growth

Social sustainability

- People have the capability to realise their full potential as a human being
- Meeting people's needs
- Social justice
- Flourishing societies

Sustainable development

- Development that meets the needs of the present without compromising the ability of future generations to meet their own needs
- 2 key concepts
 - Concept of need - especially the needs of the world's poor, which overriding priority should be given
 - The idea of limitations imposed by the state of technology and social organisations on the environment's ability to meet present and future needs

Doughnut economics

- Begin economic analysis by seeing the big picture

- Economies, societies, and the rest of the living world, are complex, interdependent systems that are understood through the lens of systems thinking
- Human behaviour can be nurtured to be cooperative and caring

Circular economy

- Aims to value add through the product life cycle without wasting
- System-wide innovation redefines products and services to design waste out
- Minimise negative impacts

Becoming more sustainable - e.g., in the clothing industry

- Reduce environmental impact in fabric production and laundering
- Extend product life – customise, design
- Reduce landfill – recycle, upcycle
- Increase market demand for used goods

WEEK 2: SOCIO-CULTURAL LENS

PRE-LEARNING MODULE

Definitions of culture:

- Culture is the collective programming of the mind which distinguishes the members of one category of people from another
- Culture is a system of values and norms that are shared among a group of people and that when taken together constitute a design of living
- Culture is that complex whole which includes knowledge, belief, art, morals, law, customs, and any other capacities and habits acquired by a person as a member of society

Culture and business – key example: Starbucks:

- Australian coffee culture is different to American coffee culture – much variation in when, where, and how people drink coffee and the kinds of experiences
 - Failure to set up Starbucks in Australia because of this
- Food is an interesting topic for culture to see how food is produced, distributes, and consumed from each of the lenses
- Food is a big part of culture – we see different diets across the globe = heterogeneity
- The Starbucks example illustrates the importance of understanding the culture of the market or environment in which businesses operate
 - The relevance of culture extends well beyond understanding the preferences and behaviours of consumers, particularly regarding the 2 ideas we are exploring in the course – heterogeneity and change
- Heterogeneity – means people from different culture contexts or influences do not think, (inter)act, and live alike
 - Understanding the differences would be crucial to doing well in a market in a different cultural context
- Influence of culture on people – understanding how and why culture changes would help organisations to adapt to the dynamic environment
 - Associated changes could present opportunities or threats depending on one's awareness

LECTURE

Why is the global business environment important?

- Provides context for all business activities
- It can help you:

- Be successful in whatever arena you choose to work. Operate ethically and within the law
- See setbacks and disappointments as learning experiences, not failures
- Treat people with unconditional respect

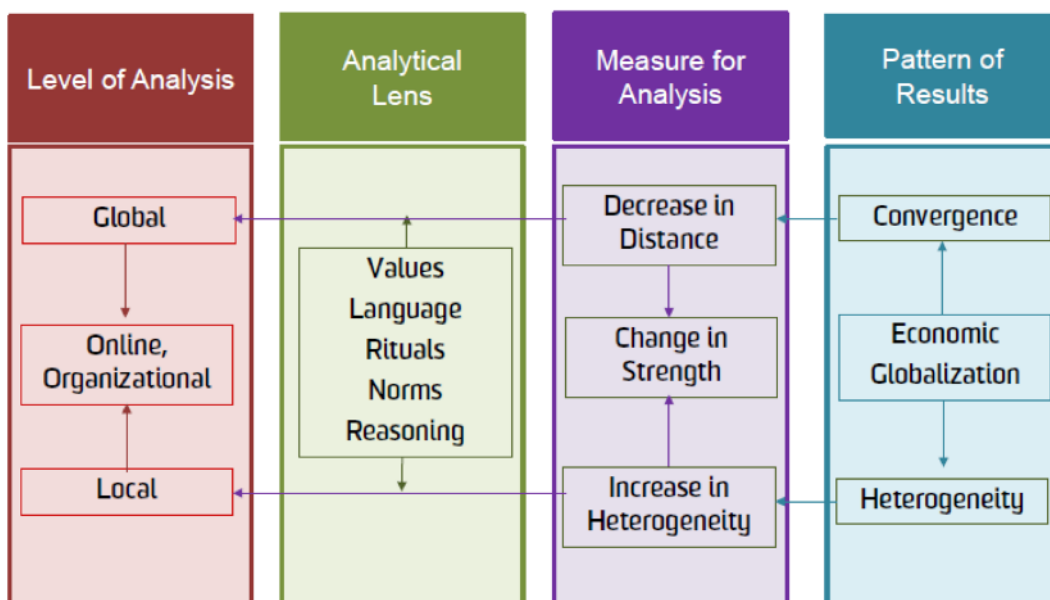
Three critical questions:

1. How much control do we have over our environment?
2. What is the impact of the environment?
3. What impacts environmental change?

Cross-cultural aspect of international business

- Business contracts
- Negotiations
- Communications
- Teamwork
- Organisational structure
- Decision-making
- Workplace norms
- Managing employees
- Performative incentives
- Product choice and promotion

LAMP model – sociocultural environment



What is culture?

- ‘The collective programming of the mind which distinguished the members of one category of people from another’
- “a learned, shared, compelling interrelated set of symbol whose meanings provide a set of orientations for members of society”

- “Everything that people have, think, and do as members of their society”
- “A system of values and norms that are shared among a group of people and that when taken together constitute a design for living”
- “That complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by a person as a member of society”

Characteristics of culture:

- Culture is shared – something a group has in common that is not accessible to those outside the group
- Culture is learned and enduring (nurture not nature) – build up over time and into institutions (religious beliefs, forms of marriage, land ownership, etc.) and passed down through generations
- Culture is interrelated and organised – mutually reinforcing
- Culture is dynamic – it changes and evolves
- Culture exists at multiple levels
 - Many ‘subcultures’ exist
 - National culture is only one type of culture
- Culture powerfully shapes behaviour but is largely invisible
 - Culture influences an individual’s behaviours (in particular and systematic ways)
 - Culture relates to an individual’s values and understanding of the world
 - Culture can be tight or loose
- Cultural blind spots - Sometimes what you don’t see is even more important than what you do see

Dimensions of culture

- Global / Regional
- National / Local
- Industry / Organisation
- Operating unit / Individual

When a language dies...

- We lose ‘the expression of a unique vision of what it means to be human’
- We lose memory of the planet’s many histories and cultures
- We lose some of the best local resources for combatting environmental threats
- Some people lose their mother tongue

World or global cultures:

- Culture is a set of distinctive spiritual, material, intellectual, and emotional features of society or a social group. It encompasses, in

addition to art and literature, lifestyles, ways of living together, values systems, traditions, and beliefs.

- Respecting and safeguarding culture is a matter of human rights
- Cultural diversity presupposes respect of fundamental freedoms, namely freedom of thought conscience, and freedom to participate in the cultural life of one's choice.

Culture and Global Business Environments

- Culture – heterogeneity of culture - organisations and individuals from different cultural backgrounds in global business environment
- Scholars have classified countries according to specific cultural characteristics or dimensions and group them into 'clusters' of countries that share similar cultural attributes

Hofstede's value dimensions:

Value dimension	Relevance to business context
Power distance (Distribution of Power)	Relations between superiors & subordinates; Degree to which less powerful accept power distribution
Uncertainty avoidance (Tolerance for Ambiguity)	Propensity for risk; threatened by unknown situations or ambiguity
Individualism vs. collectivism (Integration into groups)	Individual's identification with organization and group dynamics; Loose ties between individuals
Masculinity vs femininity (Achievement etc. vs. caring..)	Emotional gender roles are clear and distinct; men are supposed to be more assertive, tough, and focused on material success vs. emotional gender roles overlap and both men and women are supposed to be modest, tender, and concerned with quality of life.
Long vs short-term orientation	Oriented toward future rewards (perseverance and thrift) vs. present and past orientation; Time horizon for decision making

Collectivism and individualism in the workplace:

Collectivism	Individualism
<ul style="list-style-type: none"> • Education = learning how to do • Occupational mobility lower • Diplomas provide entry to higher level status • Employees are members of in-groups who will pursue their in-groups interest • Hiring and promotion 	<ul style="list-style-type: none"> • Education = learning how to learn • Occupational mobility higher • Diplomas increase economic worth and/or self-respect • Employees are 'economic men' who will pursue the employer's interest if it coincides with their self-

<p>decisions take an employee's in-group into account</p> <ul style="list-style-type: none"> • The employer-employee relationships is basically moral, like a family link • Management is management of groups • Relationship prevails over task 	<p>interest</p> <ul style="list-style-type: none"> • Hiring and promotion decisions are supposed to be based on skills and rules only • The employer-employee relationship is a contract between parties on a labour market • Management is management of individuals • Task prevails over relationship
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Power distance in the workplace:

Small power distance	Large power distance
<ul style="list-style-type: none"> • Inequalities should be minimised • Hierarchy = inequality of roles • Decentralisation • Narrow salary range • Fewer supervisory personnel • Subordinates expect to be consulted • Ideal boss = 'resourceful democrat' • Subordinate-superiors relations are pragmatic • Manual work has the same status as office work 	<ul style="list-style-type: none"> • Inequalities expected and desire • Hierarchy = existential inequality between lower and higher levels • Centralisation • Wide salary range • More supervisory personnel • Subordinates expected to be told what to do • Ideal boss = 'good father' • Subordinate-superior relations are emotional • White-collar jobs are valued more than blue-collar jobs

Dealing with culture and the organisational level:

External	Internal
<ul style="list-style-type: none"> • Negotiations with governments, other firms • Understanding different consumer preferences • Using local expertise e.g., distributors, joint venture partners 	<ul style="list-style-type: none"> • Managing a cross-cultural workforce • Cross-border communication • Expatriate management • Management orientation • Cross-cultural training • Adapting functions and operations; learning

Dealing with culture at the individual level:

- Cultural awareness, recognition of cultural differences
- Avoid:

- Ethnocentrism: a belief that one's own group is superior to others
 - Self-reference criterion, i.e., unconscious use of one's own culture to assess new environments
- Cross-culture literacy (including cross-cultural communication skills, sensitivity, etc)
- Making cultural adjustments is necessary

Key drivers of cultural change:

1. Environment
2. Technology

WEEK 3: POLITICAL-LEGAL LENS

PRE-LEARNING MODULE

The nation state system:

- The political structure of the world, or the nation-state system, fundamentally shapes how we think and talk about the world.
- The world is made up of what we call nation-states (or countries).
 - The nation-state is the fundamental political unit and building block of the world and constitutes the business environment whose socio-cultural, economic, and political-legal conditions and contexts shape organisations and individuals in significant ways.
- Environment at the national level is what we usually think about when it comes to the business environment.
- Internally, the nation-state encompasses various local levels of jurisdiction (state/provinces, cities, etc.).
- Externally, countries are embedded in the global system, which is represented as the global level.
- The nation-state system is fundamental to how we think and talk about the world
- In short, the political structure of the international system provides the basic vocabulary for describing and understanding the world.

Sovereignty:

- The international order based on the nation-state system rests on the principle of sovereignty.
- Sovereignty in the domestic context means that the supremacy of authority in a given country lies with its government, and individuals and organisations within that territory must respect the ultimate authority of the government.
- The government has a monopoly over the legitimate use of force (the military and the police, for example) and, therefore, enforces the laws.
 - The government also controls its borders by regulating who and what can come in and go out.
- Sovereignty in the international context means that all countries must respect the ultimate authority of other states and the supremacy of their authority within their borders.
 - i.e., sovereign countries recognise one another as such and do not interfere in the internal affairs of other sovereign countries.
 - This mutual recognition is manifested in the establishment of diplomatic interaction and relationships and in the membership in the United Nations.

The centrality of the state:

- The political-legal environment is a great source of heterogeneity and change in the global business environment, creating the conditions productive activities and shaping the opportunities and threats for organisations and individuals. Nationally, such basic things—basic only if they are reliably produced and reproduced for the benefit of society and economy—as running water and electricity to public education, health, and transportation as well as a more abstraction notion of rule of law—are the products of the political and legal structures and processes. Internationally, war and peace, the fight against climate change and pandemics, and bi-lateral and multi-lateral instruments and institutions to promote trade all concern this dimension of the global business environment.
- Central to all these basic ingredients of a functioning society and market and the globalizing world are political and legal institutions, particularly, the state. The capacity and effectiveness of the state vary significantly across the globe: some states are able to develop and support a thriving environment for their citizens. Changes in the political-legal realm, such as democratisation, the rise and fall of authoritarian regimes, and the enactment of particular laws and regulation (e.g., related to taxes and minimum wage) can fundamentally shape the opportunities and threats relevant for businesses. Moreover, collaboration among governments around the world has become ever more urgent. The grand challenges facing humanity and Planet Earth such as climate change, global inequality, modern slavery, and global health just to name a few require tighter relationship among countries.

Political risk and business:

- More specifically, the impact of the political-legal environment has become much more apparent in recent years. From the Russian invasion of Ukraine and the growing tension between China and the West, to the Brexit and the election of Trump in the United States, we have seen how unfolding geo-political events, predictable or not, could have disruptive influences in the global business environment. Of particular interest is political risk. Narrowly defined, political risk means the danger created by the actions of the state such as nationalisation of strategic industries and mismanagement of the economy or shifts in government policy (trade barriers or liberalisation, tax cuts etc) that could negatively impact businesses.
- Political risk could more broadly refer to the probability of any political action that could significantly—or more precisely negatively—impact businesses. This broad definition or understanding of political risk allows businesses (and us) to see beyond the state as the primary source of political risk. Of course, we are still living in the age of the nation-state system, and the states matter—both in

positive and negative ways. However, in a highly global, interconnected world with rapidly advancing information and communication technology, the list of potential risk generators is getting longer and is not limited to governmental entities. Of course, one would start such a list with governments, but from individual activists to social movement organisations to transnational terrorist groups to supranational institutions, new sources and generators of political risk are proliferating.

LECTURE

From socio-cultural lens to political-legal lens:

- Nations are politically organised as states (political entities or polities)
 - A nation-state combines a nation (cultural group) with a state (political entity)
 - The strict definition is on enation (usually ethnic or cultural group) and one state
 - Only about 10% of nation-states meet this definition
- The political legal lens:
 - Political systems
 - A system of government and collective decision-making and implementation
 - A set of institutions, organisations, and practices
 - Legal systems
 - A system of rules and laws that regulate behaviour and the process of enforcement
- Implications: we need a particular lens/ perspective for this dimension

The political structure in global business environment: the nation-state system

- Sovereignty:
 - The ultimate authority in a given territory lies with the state, backed by its monopoly over the means of coercion or violence (police and military)
 - The principles of equality among states and non-interventions in domestic/ internal affairs
 - In democratic political systems, the sovereign people via democratic processes give legitimacy to the government
 - When thinking about regional integration like the European Union, states are giving up sovereignty in certain areas

