

Management and Organizational Behavior

Global Dimensions of Management

Modern Managers and the Global Arena

- Resource supplies, product markets, and business competition are global.
- There is a growing interdependence of supplies, markets, and competition.
- Global managers must think and act globally.

European Union



- 15 countries
- Expected to expand to 25 countries

European Union

- Western European countries, except Switzerland and Norway
- Others interested include new republics which were part of Soviet Union

European Union EU

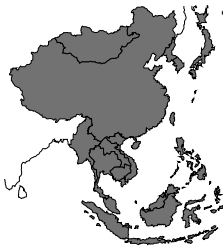
- Market created by favorable trade and customs laws
- Free flow of workers, goods and services and investments
- Euro – common currency

North American Trade Agreement NAFTA



- Free Trade of the Americas (FTAA) - Alaska to Chile - is a possibility

Asia and the Pacific Rim



- Asia-Pacific Economic Cooperation (APEC) is a growing regional economic alliance

Asia and the Pacific Rim

- Human rights and intellectual property issues
- The 4 Tigers
 - South Korea
 - Taiwan
 - Singapore
 - Hong Kong

Africa



- South African Development Community (SADC) links 14 countries in trade and economic development

Africa

- Beckons international business
- Increased attention to stable countries

Why engage in international business?

- Profits
- Customers
- Suppliers
- Capital
- Labor

World Trade Organization

WTO - based on an international accord which establishes a mechanism for monitoring international trade and resolving disputes among countries

Foreign Market Strategies

- Market entry strategies - involve the sale of goods or services to foreign markets but do not require expensive investments
- Direct investment strategies - require major capital commitments but create rights of ownership and control over foreign operations.

Market Entry Strategies

- Global sourcing
- Exporting
- Importing
- Licensing agreement
- Franchising

Direct Investment Strategies

- Joint ventures
- Wholly owned subsidiaries

Multinational Corporations (MNC)

A multinational corporation (MNC) is a business with extensive international operations in more than one country.



Types of Multinational Corporations (MNC)

- Ethnocentric MNC - exerts strict control over foreign operations
- Polycentric MNC - gives foreign operations more freedom to operate as separate entities
- Geocentric MNC - seeks total integration of global operations

Benefits for Multinational Corporations and Host Countries

- Shared growth opportunities
- Shared income opportunities
- Shared learning opportunities
- Shared development opportunities

Complaints of Host Countries

- Excessive profits
- Domination of local economy
- Interference with local government
- Hiring the best local talent
- Limited technology transfer
- Disrespect for local customs

Complaints of MNCs

- Profit limitations
- Overpriced resources
- Exploitative rules
- Foreign exchange restrictions
- Failure to uphold contracts

Ethical Issues

- Corruption - illegal practices that further one's business interests
- Sweatshops - employing workers at low wages, for long hours and in poor working conditions
- Child labor - full-time employment of children for work otherwise done by adults

Ethical Issues

- Sustainable development - meeting current needs without compromising future needs
- ISO 14000 – responsible environmental policies

Global Diversity

- Culture
 - The shared set of beliefs, values, and patterns of behavior common to a group of people.
- Culture shock
 - Confusion and discomfort a person experiences in an unfamiliar culture.
- Ethnocentrism
 - Tendency to consider one's own culture as superior to all others.

Dimensions of Culture

- Language
 - Low-context cultures
 - high-context cultures
- Use of space
- Time orientation
 - Monochronic cultures
 - Polychronic cultures
- Religion
- Role of contracts

Values and National Cultures
(Hofstede)

- Power distance
- Uncertainty avoidance
- Individualism-collectivism
- Masculinity-femininity
- Time orientation
