

Principles of Management
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Lecture - 27
Styles of Management - II

In this lecture we will discuss about the types of international organizations. I will differentiate between international corporation, multinational corporation, global corporation, transnational corporation. Let us start with the first definition of international corporation. *A domestic firm that builds on its existing capabilities to penetrate overseas market is an international organization or international corporation.*

Multinational organizations have operating units that is, subsidiaries located in foreign countries. Global corporations are a type of multinational corporation that maintains control over its worldwide operations through a centralized home office. Transnational corporations provide autonomy to independent country operations, but brings these separate operations together into an integrated whole through network structure.

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Different Types of International Organizations

- **Multinational Corporation (MNC)**
 - Maintains operations in multiple countries.
- **Multidomestic Corporation**
 - Is an MNC that decentralizes management and other decisions to the local country.
 - Example: **Nestle**
- **Global Company**
 - Is an MNC that centralizes its management and other decisions in the home country.
 - Example: **Sony**

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So, multinational companies maintain operations in multiple countries, multi domestic global company. So, first one that is multi domestic in a MNC that decentralizes management and other decisions to the local country or the host country for example, Nestle. Nestle is a multinational company which has its origin in Switzerland, but in each

country, they have decentralized the management and other decisions based on the local countries needs.

Global company is a multinational company that centralizes its management there is a centralized management like Sony. Sony has the parent company in Japan. So, it has centralized the decision making or centralized its management and other decisions in the home country.

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Different Types of International Organizations (cont'd)

– Transnational Corporation (Borderless Organization)

- Is an MNC that has eliminated structural divisions that impose artificial geographic barriers and is organized along business lines that reflect a geocentric attitude.
- Example Ford, ABB etc.

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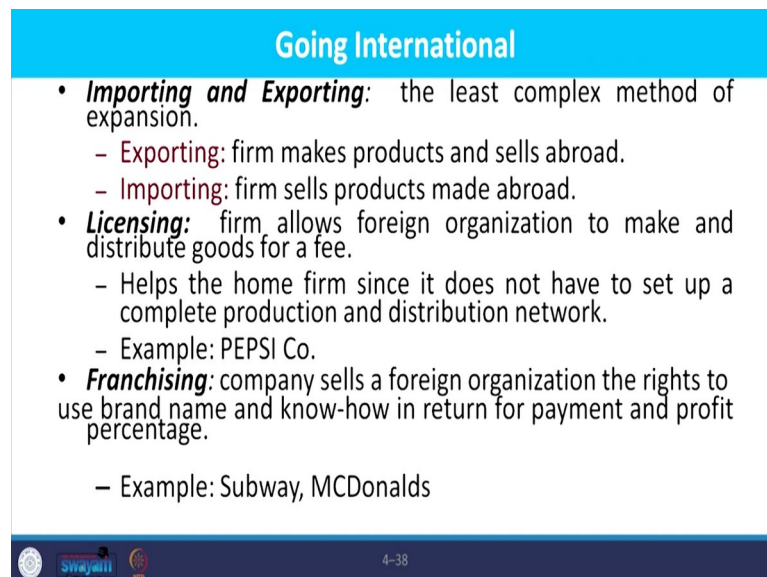
Transnational corporations are borderless organizations. If an MNC has eliminated structural divisions, there is no structural barrier that impose artificial geographical barriers and is organized along business lines that reflect a geocentric attitude. So, for example, Ford or ABB, they have adopted geocentric attitude, adopting the global best practices the global talent.

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Then how does an organization go global? Minimal global investment to significant global investment. So, there is a shift from global sourcing to strategic alliances, joint ventures, foreign subsidiaries sometimes through export, import, licensing and franchising.

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What is going global or going international? Importing and exporting. The least complex method of expansion is through import and export. Exporting firms make products and

sell abroad. What is export? Exporting is when firms make products and sell them abroad. Import is when firms sell products which are made abroad.

Licensing is when firms allow foreign organizations to make and distribute goods for a fee. Helps the home firm since it does not have to set up a complete production and distribution network for example, PEPSI Co, Cola. Franchising: Company sells a foreign organization the rights to use brand name and know-how in return for a payment and profit percentage, for example, Subway, McDonalds.

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Going International

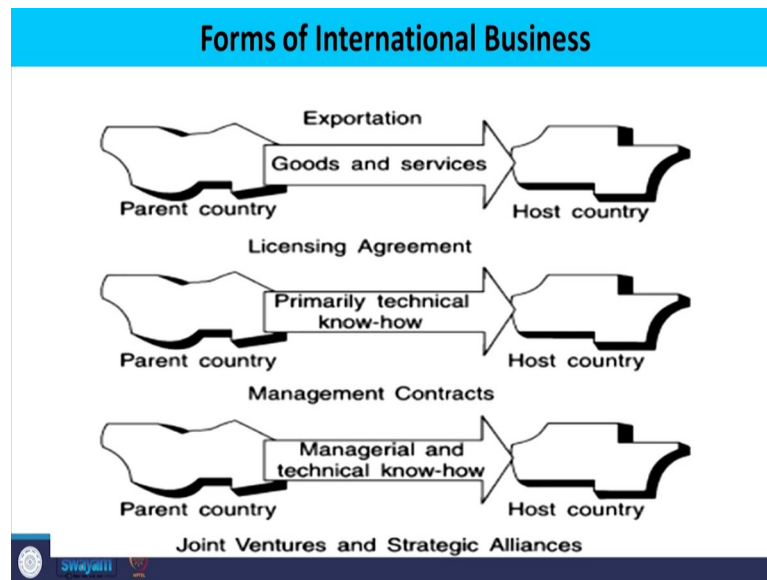
- Strategic Alliances
 - Partnerships between an organization and a foreign company in which both share resources and knowledge in developing new products or building new production facilities. E.g Dewan Motors as distributor of BMW in Pakistan
- Joint Venture
 - A specific type of strategic alliance in which the partners agree to form a separate, independent organization for some business purpose.
- Foreign Subsidiary
 - Directly investing in a foreign country by setting up a separate and independent production facility or office
 - Multidomestic or global.

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Then what is strategic alliance? Partnership between an organization and a foreign company in which both share resources and knowledge in developing new products or building new production facilities. For example, BMW in Pakistan, Dewan Motors is a distributor of BMW in Pakistan.

Joint venture: A specific type of strategic alliance in which partners agree to form a separate, independent organization for some business purpose is called a joint venture. Foreign subsidiary: Directly investing in a foreign country by setting up a separate and independent production facility or office for example, multi domestic or global.

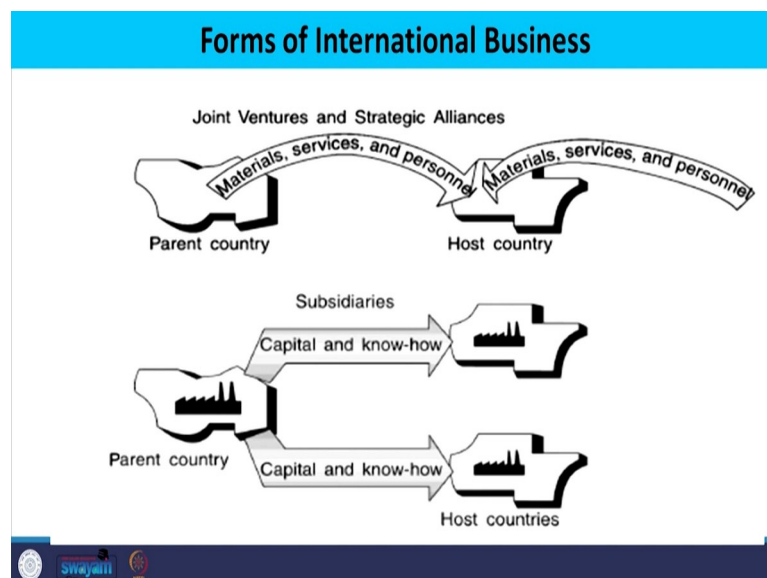
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So, there are different forms of international business: export, licensing agreement, management contracts, managerial and technique technical know-how, sharing with the parent and the host country, primarily technical know-how. So, let us see the difference in exports goods and services are exchange between the parent and the host country.

Licensing agreement primarily technical know-how will be shared between the parent and the host country. Whereas, in management contract managerial and technical know-how is shared.

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In joint ventures and strategic alliances, material, service and personnel are exchange or shared between the parent and host country. Subsidiaries: there is a sharing of capital and know-how between the parent and the host country.

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Managing in a global and specific environment. Forces which are yielding opportunities and threat in a global specific environment, competitors, suppliers, distributors and customers.

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Suppliers & Distributors

- Managers buy products from global suppliers or make items abroad and supply themselves.
 - Key is to keep quality high and costs low.
- **Global outsourcing**: firms buy inputs from throughout the world.
 - GM might build engines in Mexico, transmissions in Korea, and seats in the U.S.
 - Finished goods become global products.
- **Distributors**: each country often has a unique system of distribution.
 - Managers must identify all the issues.

So, suppliers and distributors: managers buy product from global suppliers or make items abroad and supply themselves. Key is to keep quality high and costs low. Global outsourcing firms by inputs from throughout the world.

General Motors' might build engines in Mexico, transmissions in Korea, and seats in United States. Finished goods become global products. Distributors: each country often has a unique system of distribution like managers must identify all the issues.

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Customers & Competitors

- Formerly distinct national markets are merging into a huge global market.
 - True for both consumer and business goods.
 - Creates large opportunities.
- Still, managers often must customize products to fit the culture.
 - McDonald's sells a local soft drink in Brazil.
- Global competitors present new threats.
 - Increases competition abroad as well as at home.

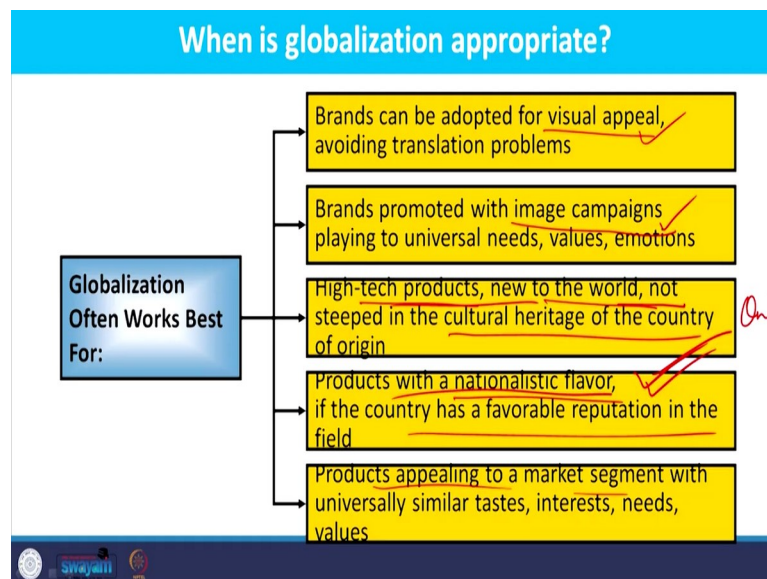
Customers and competitors formerly distinct national markets are merging into a huge global market. True for both customers and business goods. Creates large opportunities; still managers must customize products to fit the culture. McDonalds sells a local soft drink in Brazil; Coke sells a product which is made in India to the Indian customers. Global competitors present new threats, increases competition abroad as well as in home.

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There are some global brands like Chrysler, Gillette; when is globalization appropriate?

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Globalization works best when brands can be adopted for visual appeal, avoiding translation problems. When the brands promoted with image campaigns playing to universal needs, values and emotions. High-tech products new to the world not steeped in the cultural heritage of the country of origin.

When the products have a nationalistic flavor; if the country has a favorable reputation in the field, products are appealing to a particular market segment with universally similar

tastes, interest need and values. Brands which are promoted with image campaigns like the ad which has been shown in the previous slide, the image advertising of the Chryslers product or the automobile maker Chrysler.

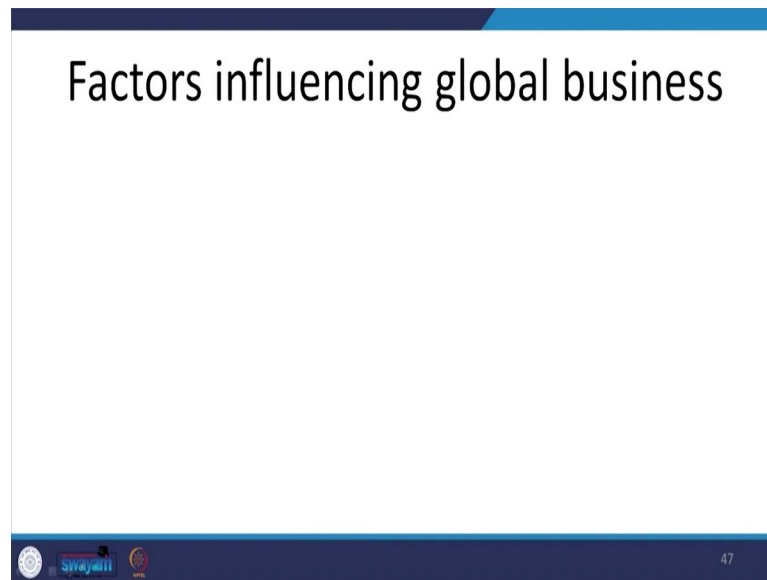
High-tech products: when the product is a high-tech product which is new to the world and not steeped in the cultural heritage of the country. Unlike the products which are made by Sony, Panasonic which have a rich cultural heritage associated with the product. Products with a nationalistic flavor, if the country has a favorable reputation in the field, products appealing to market segment with universally similar taste, interest, needs, values.

So, what we discussed is, globalization is appropriate when the product is having a visual appeal or the brands can be adopted for visual appeal. Brands promoted with image campaigns, high tech products, new to the world, when the products have a nationalistic flavor, like most of the products manufactured or marketed by the Japanese companies Sony, Panasonic etcetera they have a nationalistic fervor associated with them.

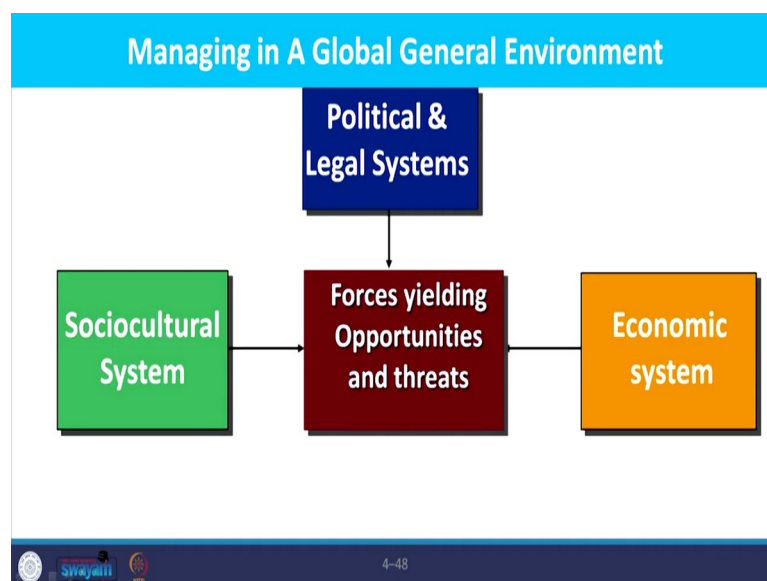
If the country has a favorable reputation in the field, known for its quality products like Toyota, which is a product associated with quality and which is also which has an origin from Japan.

So, we will discuss in details how the quality management practices can be incorporated or quality management practices can also give a favorable competitive edge to the company in the latter half of the of this discussion. Products appealing to a market segment with universally similar tastes, interest, similar values.

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What are the factors influencing global business? Managing in a global general environment. Earlier we discussed what are the factors influencing the specific environment of the global business, now discussing about the global general environment political and legal systems, social cultural system, economic system factors yielding opportunities and threat.

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Political-Legal Forces in Environment

- The Legal Environment
 - Stability or instability of legal and political systems
 - Legal procedures are established and followed
 - Fair and honest elections held on a regular basis
 - Differences in the laws of various nations
 - Effects on business activities
 - Effects on delivery of products and services





The legal environment: political legal forces stability or instability of legal and political system. Legal procedures are established and followed, fair and honest elections held on a regular basis, the home country's political and legal environment influences the multinationals. Differences in the laws of various nations effects business activities, effects on delivery of products and services.

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Political-Legal Forces

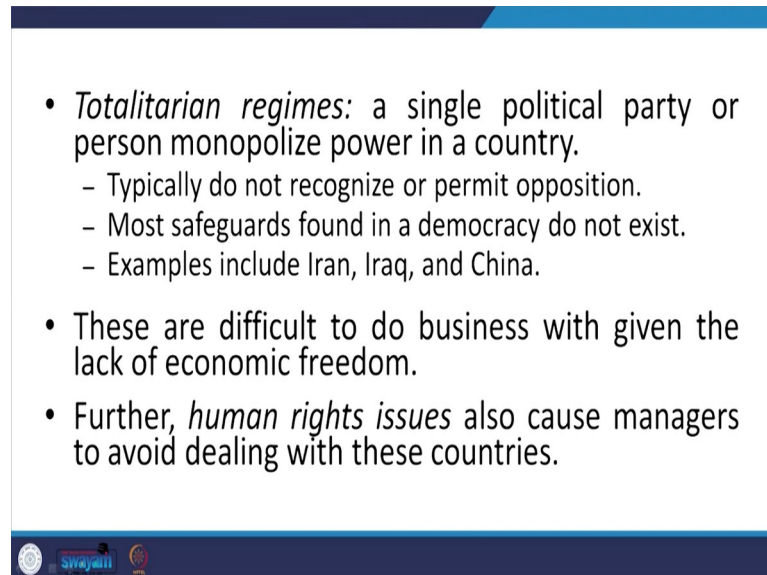
- Results from diverse and changing nature of each countries' political system.
- *Representative democracies:* such as the U.S., Britain, Canada.
 - *Citizens elect leaders* who make decisions for electorate.
 - Usually has a number of safeguards such as freedom of expression, a fair court system, regular elections, and limited terms for officials.
 - *Well defined legal system* and economic freedom.



Results from diverse and changing nature of each of the country's political system. Representative democracies such as U.S., Britain, Canada; citizens elect leaders who

make decisions. Usually has a number of safeguards such as freedom of expression, a fair core system, regular elections, limited term of officials, well defined legal system and economic freedom.

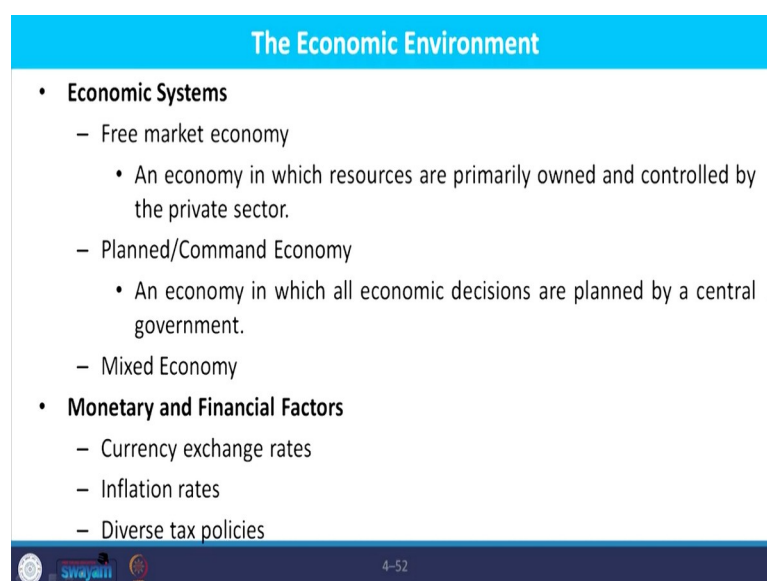
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- *Totalitarian regimes*: a single political party or person monopolize power in a country.
 - Typically do not recognize or permit opposition.
 - Most safeguards found in a democracy do not exist.
 - Examples include Iran, Iraq, and China.
- These are difficult to do business with given the lack of economic freedom.
- Further, *human rights issues* also cause managers to avoid dealing with these countries.

These totalitarian regimes: a single political party or person monopolize power in a country. There are difficulties to do business with lack of economic freedom. Further human rights issues also cause managers to avoid dealing with these countries.

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The Economic Environment

- **Economic Systems**
 - Free market economy
 - An economy in which resources are primarily owned and controlled by the private sector.
 - Planned/Command Economy
 - An economy in which all economic decisions are planned by a central government.
 - Mixed Economy
- **Monetary and Financial Factors**
 - Currency exchange rates
 - Inflation rates
 - Diverse tax policies

The economic environment of the country also influences the global trait, economic system, free market economy and economy in which resources are primarily owned and controlled by the private sector. Planned economy and economy in which the economic decisions are planned by the central government like in France, mixed economy where there is both government as well as the private control. Monetary and financial factors currency exchange rates, inflation, diverse tax policies.

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Economic Systems

- *Free market economy*: production of goods and services is in private ownership.
 - Production is dictated by supply and demand.
- *Command economy*: decisions on what to produce, how much, done by the government.
 - Most command economies are moving away from the command economy.
- *Mixed economy*: certain economic sectors controlled by private business, others are government controlled.
 - Many mixed countries are moving toward a free enterprise system.

Free market economy: production of goods and services is in private ownership; production is dictated by supply and demand. Command economy: decisions on what to produce, how much to produce, what is to be done, everything the decision is taken by the government.

Most command economies are moving away from the command economy. Mixed economy: certain economic sectors controlled by private business; others are government controlled. Many mixed countries are moving towards a free enterprise system.

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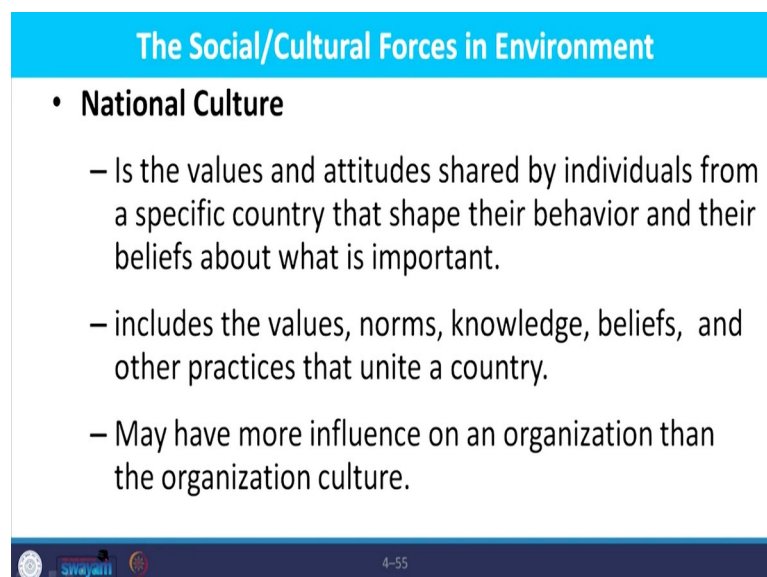
Recent Trends

- Current shift away from totalitarian dictators toward democratic regimes.
 - Very dramatic example seen in the collapse of the former Soviet Republic.
 - Also very pronounced in Latin America and Africa.
- With this shift, has come a strong movement toward free market systems.
 - This provides great opportunities to business managers on a global level.
 - Many businesses are investing millions in former totalitarian countries to seize these opportunities.

Swajati

There are certain recent trends which have been reported: current shift from the totalitarian dictators towards a democratic regime. Very dramatic example seen in the collapse of the former Soviet Union. Also very pronounced in Latin America and Africa, this shift has come to come a strong movement towards free market systems. This provides great opportunities to business managers on a global level. Many businesses are investing millions of former totalitarian countries to seize these opportunities.

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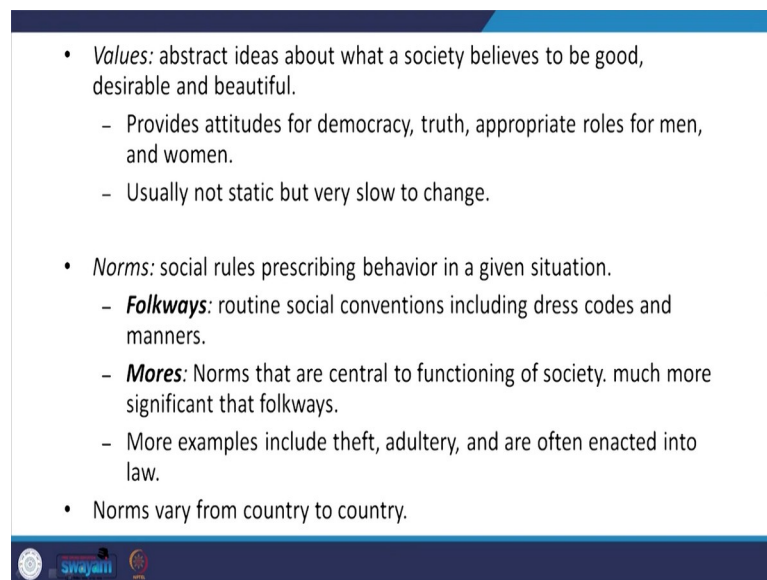
The Social/Cultural Forces in Environment

- **National Culture**
 - Is the values and attitudes shared by individuals from a specific country that shape their behavior and their beliefs about what is important.
 - includes the values, norms, knowledge, beliefs, and other practices that unite a country.
 - May have more influence on an organization than the organization culture.

Swajati 4-55

Then we will discuss about the national culture and its impact on global trade. It is the values and attitude shared by individuals from a specific country that shape the behavior and their belief about what is important. Includes the values, norms, knowledge, beliefs and other practices that unite a country.

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- **Values:** abstract ideas about what a society believes to be good, desirable and beautiful.
 - Provides attitudes for democracy, truth, appropriate roles for men, and women.
 - Usually not static but very slow to change.
- **Norms:** social rules prescribing behavior in a given situation.
 - **Folkways:** routine social conventions including dress codes and manners.
 - **Mores:** Norms that are central to functioning of society. much more significant than folkways.
 - More examples include theft, adultery, and are often enacted into law.
- Norms vary from country to country.

May have more influence on an organization than the organization's culture. So, what are the values? What are the norms? We will see that the *values are the abstract ideas about what a society believes to be good, desirable and beautiful*. Provides attitude for democracy; truth appropriate roles for men, and women.

Usually not very static, but very slow to change. *Norms are social rules which prescribe the behavior in a given situation like how the people should behave, these are some routine social conventions about the dress code, the mannerisms, the norms vary from country to country.*

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Exhibit 3 What Are Americans Like

- very informal.*
- direct.*
- competitive.*
- achievers.*
- independent and individualistic.*
- questioners.*
- dislike silence.*
- value punctuality.*
- value cleanliness.*

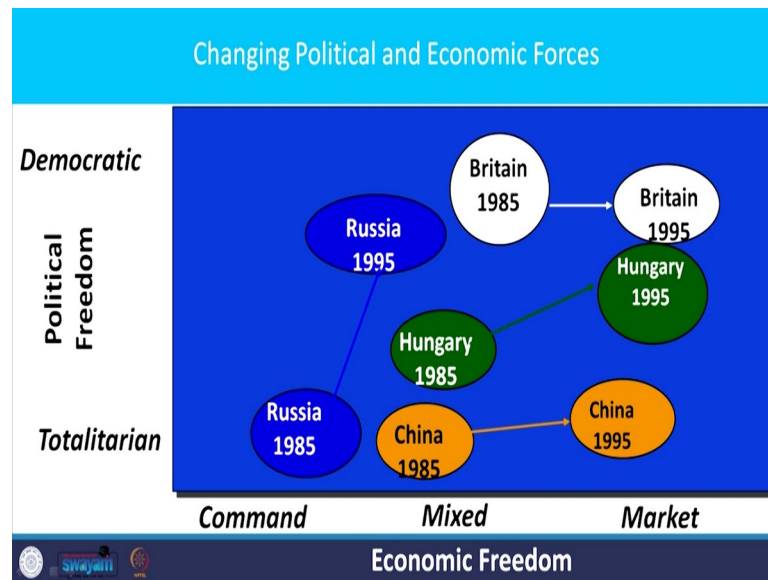
Sources: Based on M. Ernest (ed.), *Predeparture Orientation Handbook: For Foreign Students and Scholars Planning to Study in the United States* (Washington, DC: U.S. Information Agency, Bureau of Cultural Affairs, 1984), pp. 103-05; A. Bennett, "American Culture Is Often a Puzzle for Foreign Managers in the U.S.," *Wall Street Journal*, February 12, 1986, p. 29; "Don't Think Our Way's the Only Way," *The Pryor Report*, February 1988, p. 9; and B.J. Wattenberg, "The Attitudes behind American Exceptionalism," *U.S. News & World Report*, August 7, 1989, p. 25.

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For example, you describe Americans with their cultural association like the Americans are very informal, direct, they are competitive, they are achievers, independent, and individualistic, they keep questioning, they dislike silence, value punctuality, value cleanliness. So, these are some interpretations about Americans.

Similarly, Indians can be perceived as someone who maintains power distance, who is low in risk taking, who prefer to be more informal, who prefer to maintain relationship, family orientation. So, these are some kinds of cultural connotations associated with a group of individuals.

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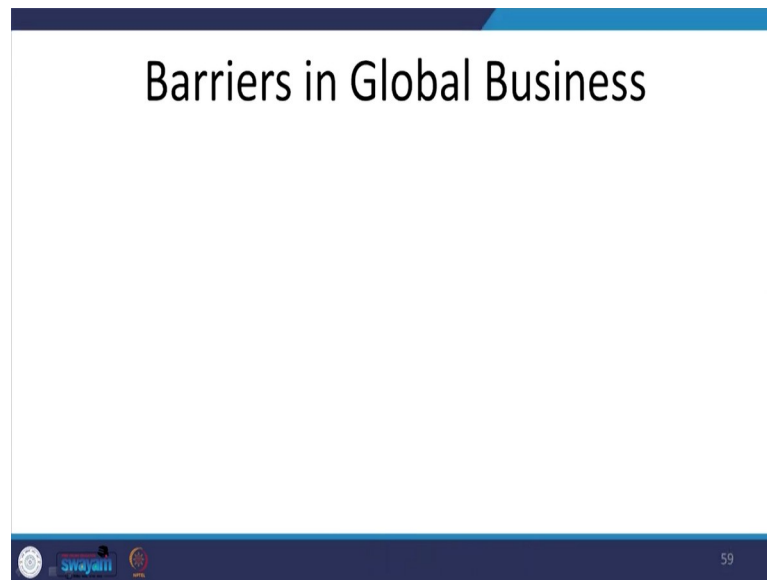


Next, we will discuss about changing political and economic forces like the economic if you plot the difference or if there is economic freedom on one axis and political freedom on the other axis. So, we move from the command to the mixed and market economy and on the other hand totalitarian to democratic approach. So, the countries can be plotted on different quadrants.

Russia in 1985 was more in the totalitarian and command economy. Later half or in later 1990s or 1995 there was a shift from totalitarianism to democratic approach and the market was more mixed. Similarly, Britain in 1985 was democratic and it maintain its democratic approach in the 1995 also.

Hungary was having totalitarian approach and it has the mixed economy towards a market-based economy in 1995. So, also China, China also had shifted from the command economy to a market-based economy. So, with this we can see a difference in the difference in the global trade across different countries.

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And **what are the barriers in global trade?** We will discuss about the trade barriers or tariff barriers. Tariff is a barrier to trade.

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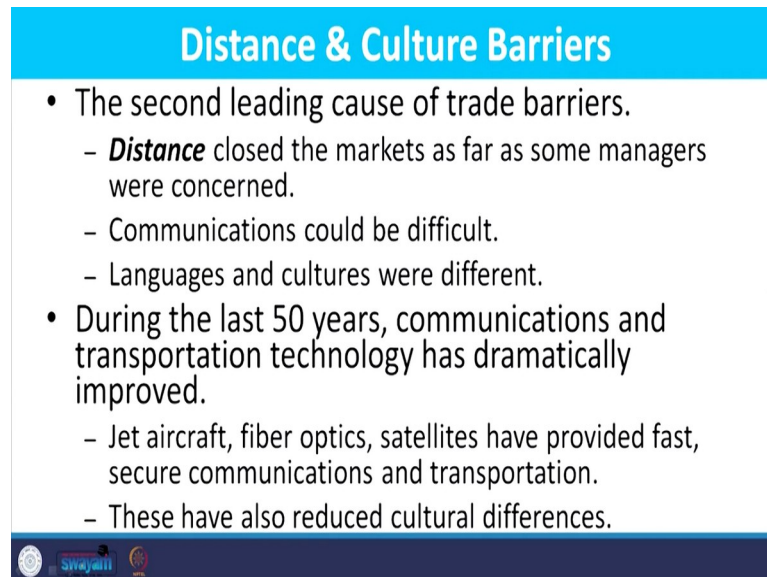
A presentation slide with a blue header and footer. The title 'Tariff Barriers' is centered in a white, sans-serif font. The main content area is white and contains a bulleted list. To the right of the text is a small, stylized globe icon showing the Americas. The footer contains three small circular logos on the left and the number '59' on the right.

- A **tariff** is a barriers to trade.
 - Tariffs are taxes levied upon imports.
 - These seek to protect jobs in the home country.
 - Other countries usually retaliate.
- **Free trade:** in a free trade agreement, each country seeks to specialize in things they make most efficiently.
 - If India is more efficient in making textiles, and the USA in making computer software, then each country should focus on these.

Tariffs and taxes levied upon imports. If a Japanese company intends to sell its product in America and there is a 25 percent of trade barrier or tariff barrier in imposed. So, there be difficulty in selling the product. *Tariffs are taxes which are levied upon imports these seeks to protect jobs in the home country.*

Other countries usually retaliate. Free trade is a trade agreement each country seeks to specialize in things they make most efficiently. If India is more efficient in making textile and U.S. is good in making computer software, then each country should focus on the free trade.

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Distance & Culture Barriers

- The second leading cause of trade barriers.
 - **Distance** closed the markets as far as some managers were concerned.
 - Communications could be difficult.
 - Languages and cultures were different.
- During the last 50 years, communications and transportation technology has dramatically improved.
 - Jet aircraft, fiber optics, satellites have provided fast, secure communications and transportation.
 - These have also reduced cultural differences.

The slide features a blue header with the title 'Distance & Culture Barriers'. The content is presented in a white box with a blue border. At the bottom of the slide, there is a dark blue footer containing three small logos: a circular logo on the left, a 'Swayam' logo in the center, and a circular logo on the right.

Distance and culture barriers: The second leading cause of the trade barriers is distance, closed the markets as far as some managers were concerned. Communications could be difficult; languages and culture were different. During the last 50 years, communication and transportation technology has dramatically improved. Jet aircraft, fiber optics, satellites have provided fast, secure communication and transportation have also reduced cultural differences.

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Free Trade

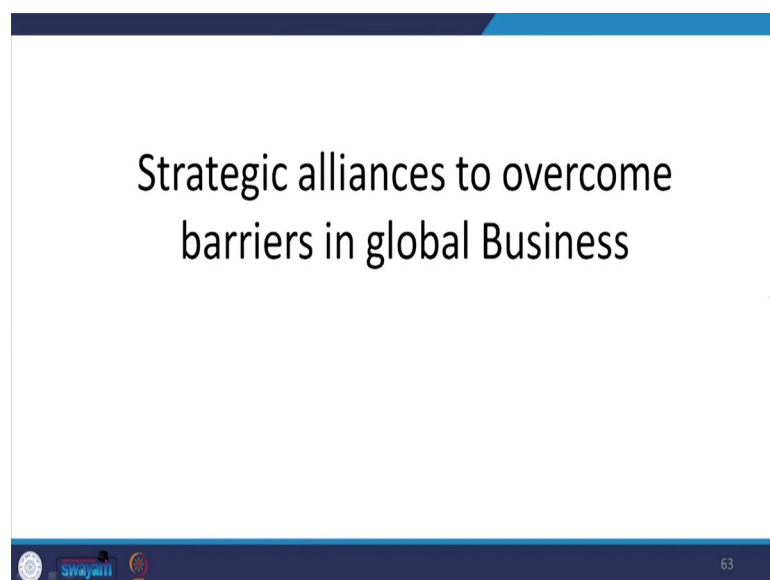
NAFTA: North American Free Trade Agreement.

- **Abolishes most tariffs** on goods traded between Mexico, Canada and the U.S.
- Allows unrestricted cross-border flows of resources.
- Many U.S. firms have now invested in Mexico.
- This is a manufacturing opportunity.
 - Wage costs are lower in Mexico.
 - Can serve Mexico with a plant in Mexico and reduce freight.
- Managers face new opportunities and threats.

The slide features a blue header with the title 'Free Trade'. The content is in black text on a white background. At the bottom, there is a dark blue footer bar containing logos for 'Swayam' and 'U.S. Trade Representative'.

Free trade: **North American Free Trade Association**: Abolishes most tariff on goods traded between Mexico, Canada and U.S. It allows unrestricted cross border flow of resources. Many U.S. firms have now invested in Mexico. This is the manufacturing opportunity; wage costs are lower in Mexico; it can serve Mexico and reduce freight. Manager face new opportunities and thread.

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Strategic alliances to overcome
barriers in global Business

The slide has a white background with a blue header bar at the top. The title is centered in a large, black, sans-serif font. At the bottom, there is a dark blue footer bar containing logos for 'Swayam' and 'U.S. Trade Representative', and the number '63' on the right side.

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Regional Trading Agreements

- The European Union (EU)
 - A unified economic and trade entity
 - Belgium, Denmark, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, the United Kingdom, Germany, Austria, Finland, and Sweden



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Strategic alliance to overcome barriers in global trade: Regional Trading Alliance or trade agreements, European Union: a unified economic and trade entity Belgium, Denmark, France, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdoms, Germany, Australian, Finland and Sweden.

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Regional Trading Agreements

- U.S.-Central America Free Trade Agreement (CAFTA)
- Free Trade Area of the Americas
- Southern Cone Common Market (Mercosur)
- Association of Southeast Asian Nations (ASEAN)
 - Trading alliance of 10 Southeast Asian nations
- African Union
- South Asian Association for Regional Cooperation (SARRC)

swayam

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Regional Trading Agreements like US Central American Free Trade Agreement CAFTA, free trade areas of America, a Southern Cone Committee Market Mercosur, Association of Southeast Asian Nations, trading alliance of 10 South Asian nations,

Southeast Asian nations, African Union South Asian Association of Regional Cooperation or SARRC countries.

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So, these are some of the regional trading agreements. Asian member's member countries are Myanmar, Laos, Thailand, Vietnam, Cambodia, Philippines, Brunei, Malaysia, Singapore, Indonesia.

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The World Trade Organization (WTO)

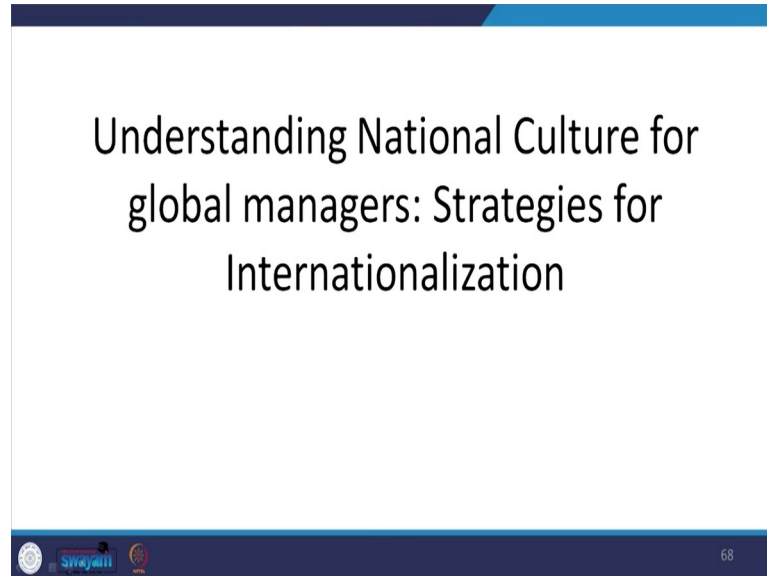
- Evolved from the General Agreement on Tariffs and Trade (GATT) in 1995.
- Functions as the only global organization dealing with the rules of trade among nations.
- Has 149 member nations and 32 observer governments.
- Monitors and promotes world trade.

The slide footer includes logos for Swayam and a slide number "4-67".

World Trade Organization evolved from general agreement on tariffs and trade in 1995, functions as the only global organization dealing with rules of trade among nations. It

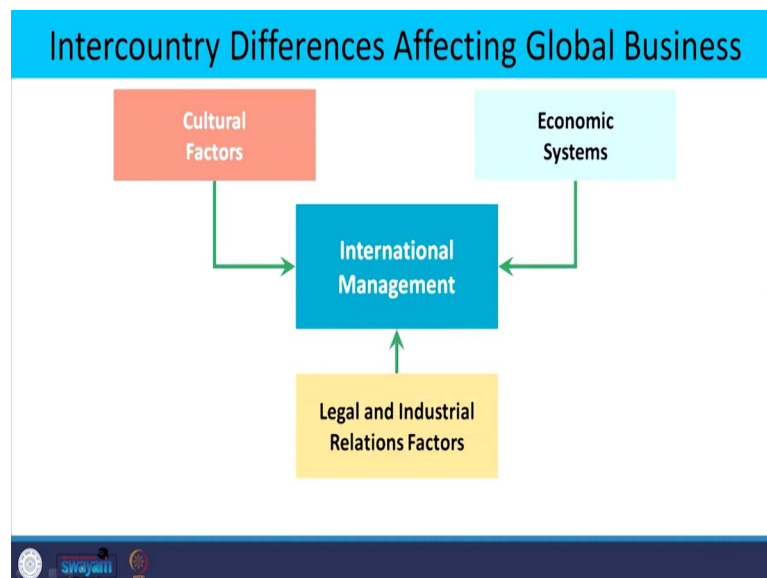
has 149 member nations and 32 observer governments, monitors and promotes world trade.

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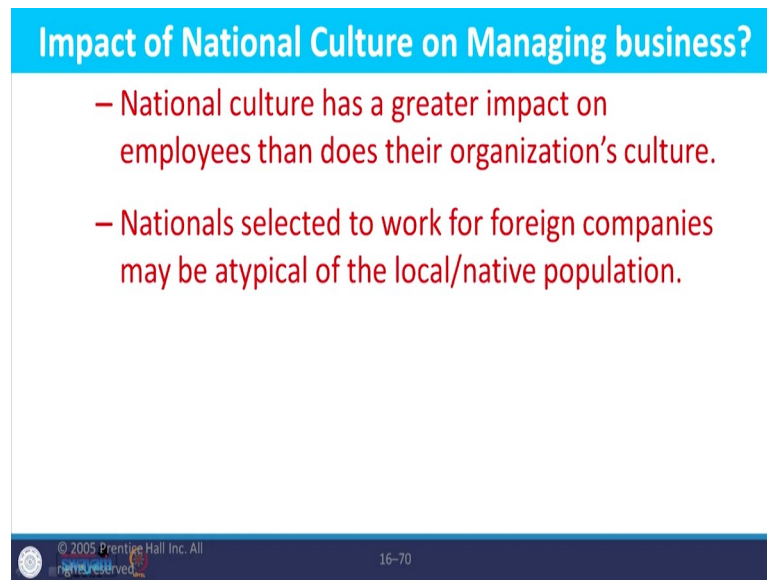
So, understanding national culture is important for global managers, strategies to set or to design strategies for international organizations.

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Next we will discuss about **inter country differences which are affecting global business**. Cultural factors, economic system and legal and industrial relations influence international management.

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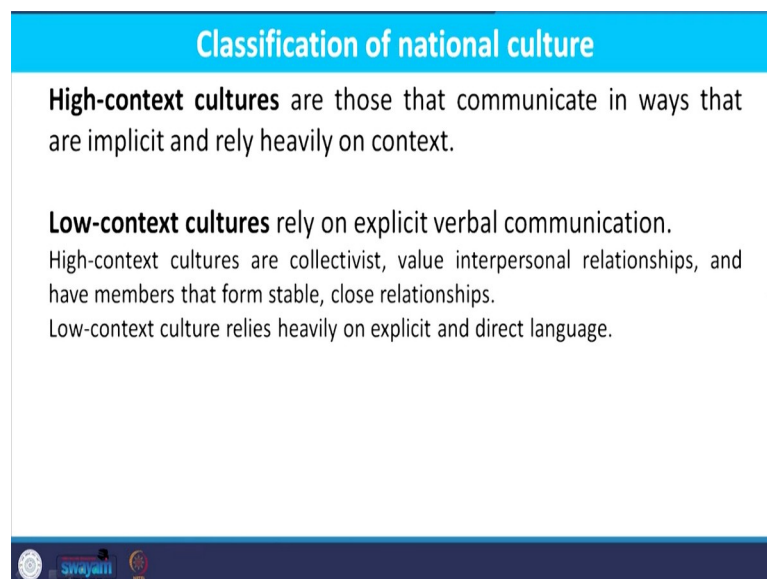
Impact of National Culture on Managing business?

- National culture has a greater impact on employees than does their organization's culture.
- Nationals selected to work for foreign companies may be atypical of the local/native population.

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With a specific emphasis on impact of national culture on managing business: I will lead the discussion about what is national culture. **National culture has a greater impact on employees than does the organizations culture.**

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Classification of national culture

High-context cultures are those that communicate in ways that are implicit and rely heavily on context.

Low-context cultures rely on explicit verbal communication.

High-context cultures are collectivist, value interpersonal relationships, and have members that form stable, close relationships.

Low-context culture relies heavily on explicit and direct language.

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National selected to the work for foreign companies and maybe a typical for the local or native population. With this we will discuss about the classification of national culture, a high context culture and a low context culture. What is the high context culture? Culture

where communication happens in ways that are implicit and relies heavily on the context or background.

Low context culture relies on verbal communication, explicit verbal communication. *High-context cultures are collectivists, value interpersonal relationship and have members that form stable, close relationship.* In a low-context culture it relies heavily on explicit and direct language.

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High Context or Low Context? ¹	
High Context	Low Context
A high context culture values formality, face-saving communication, relationships and the slower pace needed to develop relationships	A low context culture values informality, direct communication, results, fast pace, and punctuality
<ul style="list-style-type: none">• Conduct business through development of relationships• Nonverbal communication is important• Contracts are the basis of relationships• Time is fluid and schedules tend to be flexible	<ul style="list-style-type: none">• Relationships interfere with business• Precise verbal agreements are important• Contracts are binding and exist apart from personal relationships• Time is treated as a commodity and schedules are carefully observed

¹ Herbig, Paul, *Handbook of Cross-Cultural Marketing*, The International Business Press, Birmingham, New York, 1998.

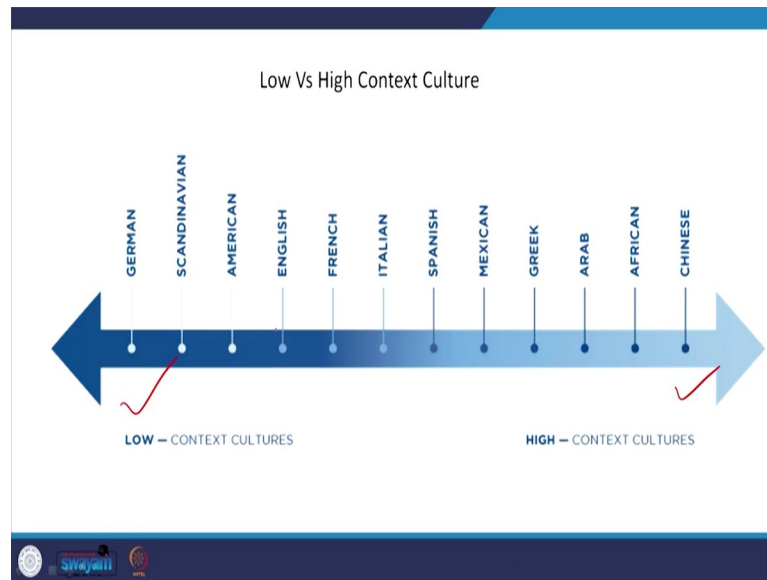
So, let us just discuss about low context and high context culture. A high context culture values formality, face-saving communication, its emphasis on relationship and slower pace needed to develop relationship. So, there is high emphasis on relationship building, formality and face to face communication.

On the other hand, *a low context culture values informality, informal discussions, informal interactions, which is not bound by any rules and regulations, direct communication directly interacting with each other fast pace and punctuality.* So, what are the attribute of the high context and low context culture? In a high context culture business is conducted through development of relationship whereas, in a low context culture, relationship interfere with the business.

Nonverbal communication is important in high context culture, verbal agreements are important in low context culture. Contracts are on the basis of relationship in a high

context and contracts are binding and exist apart from personal relationship. Time is fluid and schedules tend to be flexible. So, there is more flexibility, relationship orientation, there is rigidity and careful observation, go by the terms and conditions, time is related to commodity and schedules are carefully observed.

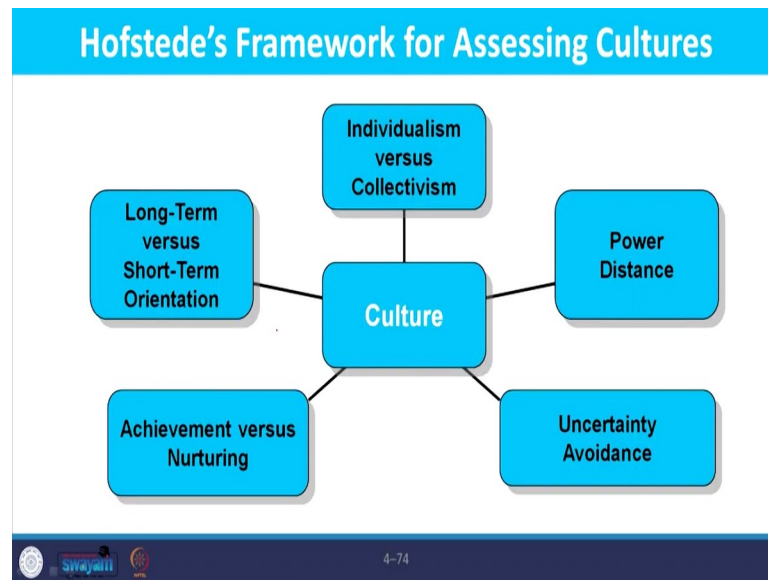
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So, we will see how the countries vary across the definition of high and low context culture. Germany has a low context culture whereas, Chinese have a high context culture. Scandinavians they are on the low context culture Americans then.

So, in terms of gradation we can see Germany, Canadian, America, English, French, Italian, Spanish, Mexican, Mexican, Greek, Arab, Africa and Chinese. So, Chinese are on a high context culture and German, Americans, English they are on the low context culture.

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Hofstede has also defined culture on a five dimension that is individualism verses collectivism, power distance, uncertainty avoidance, achievement versus nurturing, achievement orientation long and short-term orientation.

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Individualism v. Collectivism

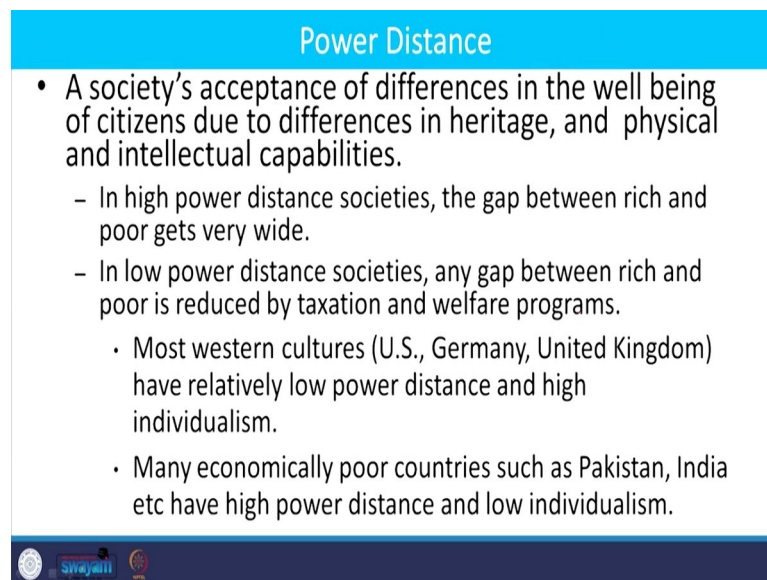
- Individualism: world view that values individual freedom and self-expression. ✓
 - Usually has a strong belief in personal rights and need to be judged by achievements. ✓
- Collectivism: world view that values the group over the individual.
 - Widespread in Communism.
 - Prevalent in Japan as well. ✓
- Managers must understand how their workers relate to this issue.

So, I will discuss about what are these dimensions in more details. Individualism means where there is freedom for expression, when individual has a freedom for to express self. Usually has a strong belief in personal rights, people have a belief on the personal rights

and need to be judged by their own achievements. Collectivism is a world view that values on group over individual achievement.

So, individualism and collectivism: individualism emphasizes on self-oriented values; collectivism emphasizes on group-oriented values. So, collectivism is widespread in communism prevalent in Japan, China. Managers must understand how workers relate to this issue or dimension of individualism and collectivism.

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Power Distance

- A society's acceptance of differences in the well being of citizens due to differences in heritage, and physical and intellectual capabilities.
 - In high power distance societies, the gap between rich and poor gets very wide.
 - In low power distance societies, any gap between rich and poor is reduced by taxation and welfare programs.
 - Most western cultures (U.S., Germany, United Kingdom) have relatively low power distance and high individualism.
 - Many economically poor countries such as Pakistan, India etc have high power distance and low individualism.

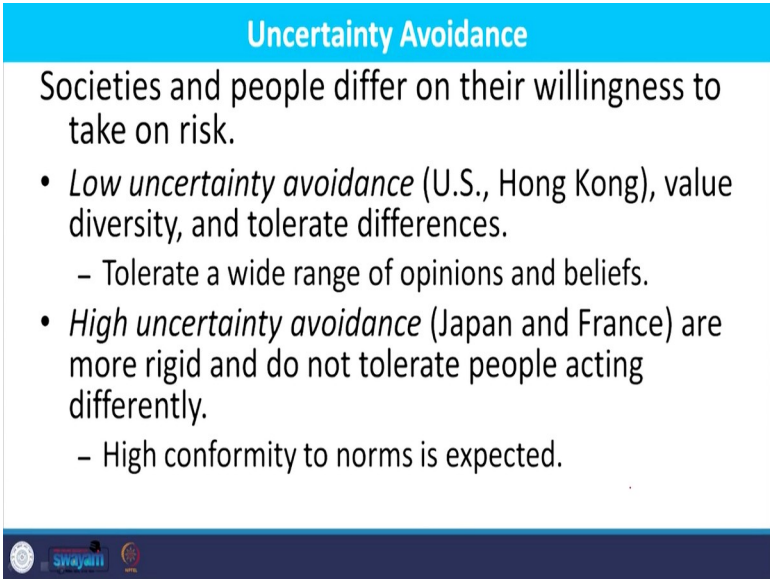
So, based on this difference of individualism and collectivism, we can find that in workplace people from a different cultural background prefer to work independently. In some like Americans, Germans they are more independent; they would not prefer to work in groups whereas, people from China, Japan and India, there is more focus on collectivism, there is more emphasis on group orientation even in the workforce.

So, understanding this cultural difference is a must for the global managers because while deploying manpower in different positions, this must be taken care of. The next point to be highlighted is the power distance. *What is power distance? A society's acceptance to the difference of power or to the difference in position or the position power.*

A societies acceptance of difference in power or power differential or the gap between the rich and the poor in the distance with gap between the gap between the senior and the junior must be recognized.

And some countries are having a higher power distance, where as some other countries have low power distance. So, this must be acknowledged in the global trade. The U.S., Germany, UK, they have relatively low power distance and high individualism many countries like India, Pakistan they have high power distance and low on individualism.

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Uncertainty Avoidance

Societies and people differ on their willingness to take on risk.

- *Low uncertainty avoidance* (U.S., Hong Kong), value diversity, and tolerate differences.
 - Tolerate a wide range of opinions and beliefs.
- *High uncertainty avoidance* (Japan and France) are more rigid and do not tolerate people acting differently.
 - High conformity to norms is expected.

The slide features a blue header with the title 'Uncertainty Avoidance'. Below the header, the text 'Societies and people differ on their willingness to take on risk.' is followed by two bullet points. The first bullet point describes 'Low uncertainty avoidance' with examples (U.S., Hong Kong) and characteristics (value diversity, tolerate differences, and a sub-bullet 'Tolerate a wide range of opinions and beliefs.'). The second bullet point describes 'High uncertainty avoidance' with examples (Japan and France) and characteristics (more rigid, do not tolerate people acting differently, and a sub-bullet 'High conformity to norms is expected.'). At the bottom of the slide, there is a dark blue footer containing three small logos: a circular emblem, the word 'Swayamini' in a stylized font, and a small red and yellow logo.


Societies and people differ in their willingness to take on risk. Low uncertainty avoidance, value diversity and tolerate difference. Uncertainty avoidance means avoiding risk taking, complexities or uncertainties value these individuals the value diversity and tolerate differences.

Tolerate a wide range of opinion and belief. Japan and France are more rigid because they do not tolerate people acting differently, high conformity to norms is expected. They abide by the rules and regulations, there is a more preference for certain rules regulations to be followed in the workplace and not being very ambiguous.

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Long Term Outlook

- *Long-term outlook* is based on values of saving, and persistence.
 - Taiwan and Hong Kong are cultures that are long-term in outlook.
- *Short-term outlook* seeks the maintenance of personal stability or happiness right now.
 - France and the U. S. are examples of this approach.



Long-term and short-term orientation or long term and long-term outlook. Long-term orientation is based on values of saving and persistence. Taiwan and Hong Kong are cultures that are long-term in outlook short term orientation seeks to maintain personal stability or happiness.

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Exhibit 4 Hofstede's Five Dimensions of National Culture

(1) **Individualistic** — people look after their own and family interests
Collectivistic — people expect group to look after and protect them

Individualistic ← Japan → Collectivistic
United States, Canada ← Mexico, Thailand →
Australia

(2) **High power distance**—Accepts wide differences in power, great deal of respect for those in authority
Low power distance—Plays down inequalities: employees are not afraid to approach nor are in awe of the boss

High power distance ← Low power distance
Mexico, Singapore, Italy, Japan → United States, Sweden



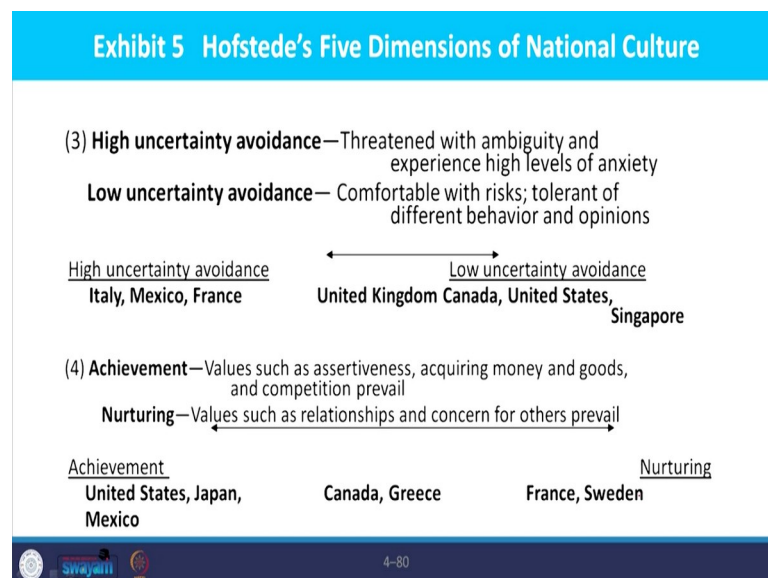
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France and U.S. are examples of short-term orientation. Hofstede's dimension of national culture. Individualistic: that is people look after their own and family interest,

collectivistic where people expect group to look after and protect them. Individualistic countries are United States, Canada and Australia.

Collectivistic approach is found in Mexico, Thailand, Japan. High power distance accepts wide difference in power, greater deal of respect for those in authority in position, wide difference between the rich and the poor. Low power distance plays down inequalities, employees are not afraid to approach nor are in awe of the boss. High power distance countries are Mexico and Singapore, low power distance countries are United States and Sweden.

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Then what is high uncertainty avoidance? Threatened with ambiguity and experience, high levels of anxiety. Low uncertainty avoidance is comfortable with risk, tolerant of different behavior and opinion. High uncertainty avoidance countries are Italy, Mexico and France. Low uncertainty avoidance is in United Kingdom's, Canada, United States and Singapore.

Achievement: Achievement value are assertiveness, acquiring money and goods concern for materialistic values, competition and being very competitive. Nurturing values to be more relationship oriented, concern for others prevail, showing concern or to be nurturing oriented.

So, the countries which are high on achievement orientation, United States, Japan and Mexico and countries which are high on nurturing are France, Sweden.

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Exhibit 6 Hofstede's Five Dimensions of National Culture

(5) **Long-term orientation**—People look to the future and value thrift and persistence

Short-term orientation — People value tradition and the past

<u>Short-term thinking</u> Germany, Australia, United States, Canada	<u>Long-term thinking</u> China, Taiwan, Japan
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The last dimension of the five-dimension framework of Hofstede is long term and short-term orientation. Long term is people look for future and value thrift and persistence; short term orientation is people value tradition and the past; they wish to be in the associated with the past. Short-term thinking companies like Germany, Australia, United States and Canada and long-term thinking like China, Taiwan and Japan.

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Exhibit 7 GLOBE Highlights

Dimension	Countries Rating Low	Countries Rating Moderate	Countries Rating High
Assertiveness ✓	Sweden ✓ New Zealand Switzerland	Egypt ✓ Ireland Philippines	Spain ✓ United States Greece
Future orientation	Russia ✓ Argentina Poland	Slovenia ✓ Egypt Ireland	Denmark ✓ Canada Netherlands
Gender differentiation	Sweden ✓ Denmark Slovenia	Italy ✓ Brazil Argentina	South Korea Egypt ✓ Morocco ✓
Uncertainty avoidance	Russia ✓ Hungary Bolivia	Israel United States Mexico	Austria Denmark Germany
Power distance	Denmark Netherlands South Africa	England France Brazil	Russia Spain Thailand
Individualism/collectivism*	Denmark Singapore Japan	Hong Kong United States Egypt	Greece Hungary Germany
In-group collectivism	Denmark ✓ Sweden New Zealand	Japan ✓ Israel Qatar	Egypt ✓ China Morocco
Performance orientation	Russia ✓ Argentina Greece	Sweden ✓ Israel Spain	United States ✓ Taiwan New Zealand
Humane orientation	Germany Spain France	Hong Kong Sweden Taiwan	Indonesia Egypt Malaysia

*A low score is synonymous with collectivism.

Source: M. Javidan and R. J. House, "Cultural Acumen for the Global Manager: Lessons from Project GLOBE," *Organizational Dynamics*, Spring 2001, pp. 185-205. Copyright © 2001. Reprinted with permission from Elsevier.

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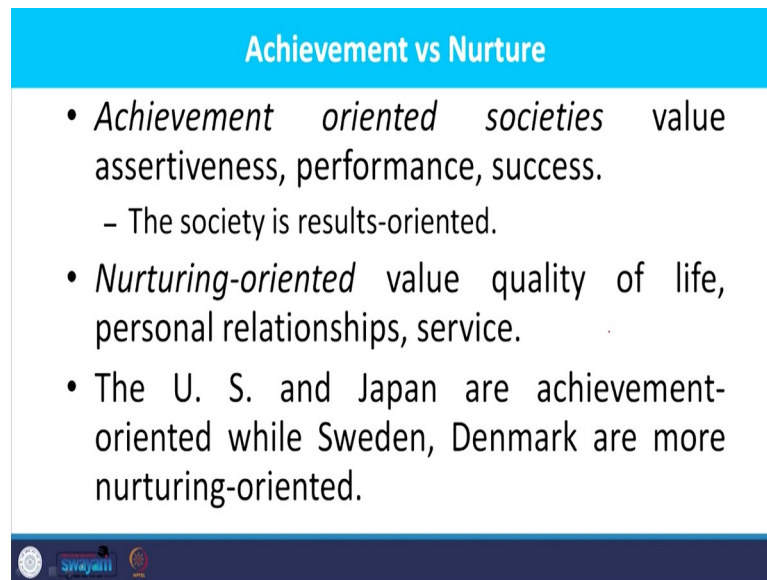
So, across the globe if you make a comparison, there are some dimensions which we can discuss quickly that is assertiveness. Countries which are low or high on this dimension: Sweden is low on assertiveness whereas, Spain is high on assertiveness and the moderate countries is Egypt. Future orientation countries which are low on future orientation Russia and which are high on or which are moderate on future orientation Slovenia and high on say future orientation is Denmark.

Similarly, gender differences. Countries which emphasize on gender differences like Sweden, which is low on gender difference whereas, country which is high on gender difference are Egypt and Brazil or Italy is low on is moderate on gender difference. Uncertainty avoidance Russia is having a low uncertainty avoidance, high uncertainty avoidance in Mexico. The counties which are low on uncertainty avoidance; that means, they are they do not like ambiguity, they are clearer, they are less on risk taking.

Similarly, collectivism; the companies which are low on in group collectivism Denmark, moderate is Japan and high is Egypt. And performance-oriented culture: Russia is low on performance oriented and United States is high on performance orientation and Sweden is moderate on performance orientation.

So, we are giving a holistic view of how countries are rated on these dimensions of future orientation, gender differences, uncertainty avoidance, power distance, individualistic and collectivistic values, group orientation, performance orientation and human orientation. So, these understandings are important for a global manager or a manager working in a global firm so, that they can identify what type of management practices would be important how to culturally adopt to the management practices in global firm.

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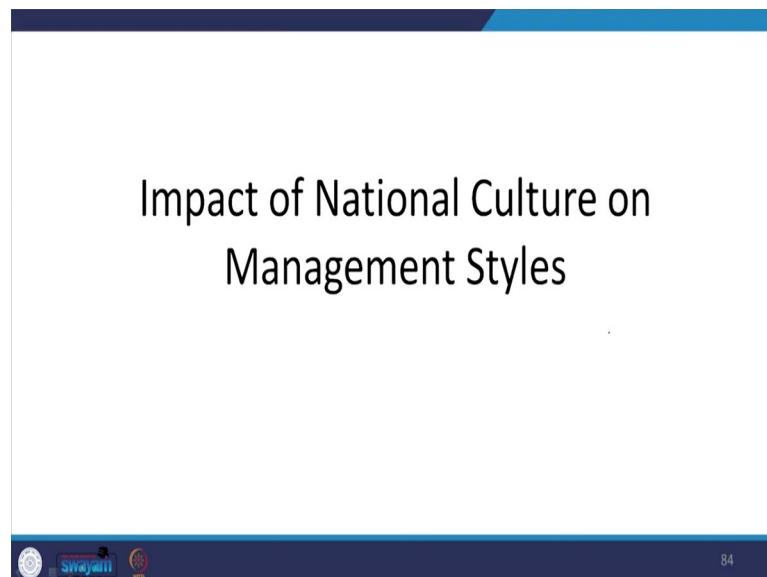
Achievement vs Nurture

- *Achievement oriented societies* value assertiveness, performance, success.
 - The society is results-oriented.
- *Nurturing-oriented* value quality of life, personal relationships, service.
- The U. S. and Japan are achievement-oriented while Sweden, Denmark are more nurturing-oriented.

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Achievement oriented society's value assertiveness performance, success. The society emphasizes on result orientation, nurturing oriented societies emphasize quality of life, personal relationship, emphasis on service. So, U.S. and Japan are achievement oriented while Sweden, Denmark are more nurturing oriented.

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Impact of National Culture on Management Styles

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So, what we have discussed is the impact of national culture on management styles. In this lecture we discussed about national culture, broadly categorized into high context and low context culture, then we discussed about Hofstede's dimension of national

culture, those dimensions are long- and short-term orientation, uncertainty avoidance, low and high achievement and nurturing orientation, then individualistic and collectivistic orientation, high power distance and low power distance and with this I would like to conclude the session here.

Thank you.