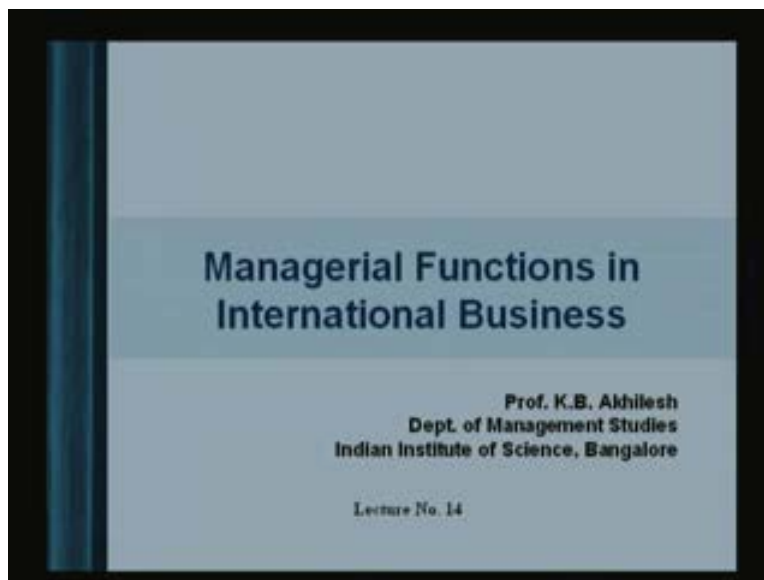


**Concept of Management and Evolution of Management Thought**  
**Prof. K. B. Akhilesh**  
**Department of Management Studies**  
**Indian Institute of Science, Bangalore**

**Lecture - 14**

Hello, everybody in the last several lectures, we have examined how management concepts have evolved, we also examined the various functions of management from planning, organizing, coordination, control and various things and also we looked at different forms of organization and issues of management and management principles in different kinds of organizations.

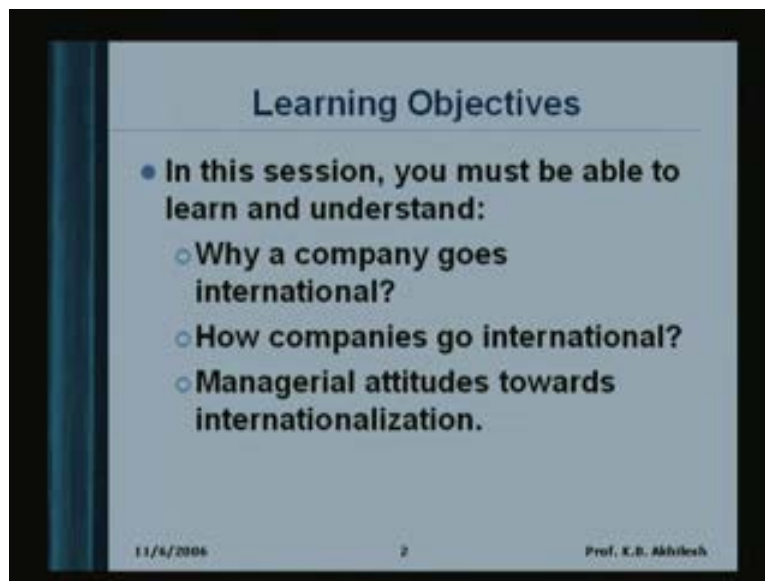
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So today, we will examine the managerial functions in international business as you all know international business provides an important kind or specific narration of application of management principles. In this session, you must be able to learn and understand why a company goes international, how companies go international, managerial attitude towards internationalization, what do you understand by this multinational enterprises, potential benefit of multinational enterprises, impacts of

multinational enterprises on host countries and impacts of multinational enterprises on home countries and managing in a multinational environment and we will also examine the management processes. Towards this, we can start with to look at why do the companies go international.

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**Learning Objectives**

- **In this session, you must be able to learn and understand:**
  - **Why a company goes international?**
  - **How companies go international?**
  - **Managerial attitudes towards internationalization.**

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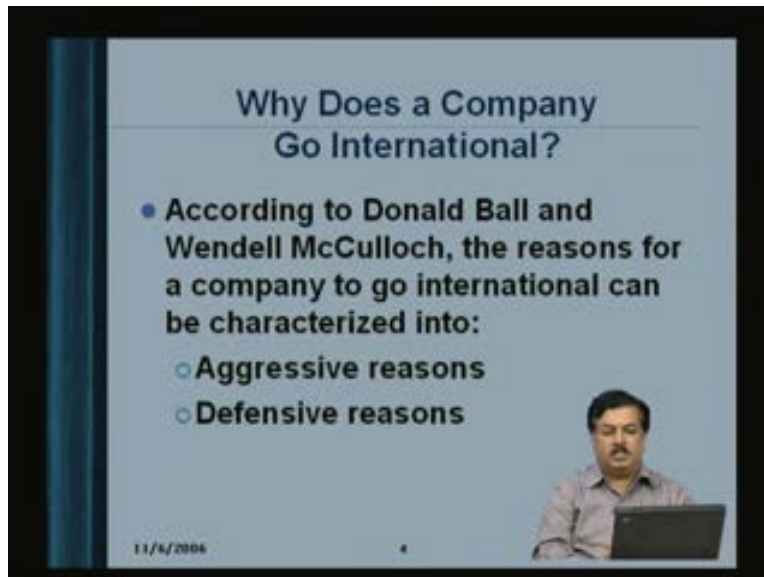
A presentation slide with a light blue background and a dark blue vertical bar on the left. The title "Learning Objectives (Contd.)" is centered at the top. Below it, a list of six bullet points covers topics such as "Multinational Enterprises", "Potential benefits of Multinational Enterprises (MNEs)", "Impacts of MNEs on Host Countries", "Impacts of MNEs on Home Countries", "Managing in a Multinational Environment", and "The Management Process." The footer contains the date "11/4/2006", the slide number "3", and the name "Prof. K.B. Abhishek".

**Learning Objectives  
(Contd.)**

- **Multinational Enterprises.**
- **Potential benefits of Multinational Enterprises (MNEs).**
- **Impacts of MNEs on Host Countries.**
- **Impacts of MNEs on Home Countries.**
- **Managing in a Multinational Environment.**
- **The Management Process.**

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Why Does a Company Go International?

- According to Donald Ball and Wendell McCulloch, the reasons for a company to go international can be characterized into:
  - Aggressive reasons
  - Defensive reasons

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Why Does a Company Go International?  
(Contd.)

- Aggressive reasons:
  - Support an attempt to increase profits, sales and markets.
  - Examples:
    - Open new markets.
    - Obtain greater profits.
    - Acquire products for the home country.
    - Satisfy management's desire for expansion.

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So there are many authors who have examined this particular aspect according to Donald and others, the reason for a company to go international are many for but two important things become very relevant and important either they are very aggressive or it is defensive. The aggressive reasons are to go to the new markets to be first mover in new

circumstances and sometimes it is to defend the markets, defend the technology things like that. So the aggressive reasons or the defensive reasons also could be in combination when the organization move towards becoming a global company or a multinational company.

So if you look at in detail, what this aggressive reasons could be, see it is to support essentially an attempt to increase these profits, sales and markets, you look at the global companies Gillette, for example or you look at the the Coke, the PepsiCo, you know the Pepsi. So many of these they get in to the newer markets and then they stabilize and then they go further aggressive lead to build a required growth and that helps to ensure through profits sales and the marketing

So it is essentially to see the open up the new markets, new markets introducing new variance to different markets. So gradually the organization may adopt a kind of a staircase approach. So they establish a product in a particular market and then they understand the difficulties the nuances the medias and the the various actors and then takes some of those experiences and introduce the same variant into the newer markets. It could be all of you are very familiar like Gillette, this twin blades or they the experiences of introducing variants towards the general.

So the point is that the one markets saturation helps to explore the newer market opportunities, use one market experience in the other context. So the organizations always try and adopt these things to establish newer opportunities as a part of the growth strategy and also the newer markets provides greater profit margins. So the you also see whether there is a pull in certain markets people have... products and services and when organizations are able to understand these dimensions at the market place then they are able to capture and acquire newer markets and achieve the required profits and profit margins. The acquire products for the home country, sometimes you also go to the other markets to get the required raw materials the required supplied chain and also definitely the final bottom line is to satisfy managements desire to expand and grow.

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The defensive reasons as I said that it could be in combination but at essentially the same it is to protect. So you are saturated you are not able to grow, you are not able to achieve the required diversification I think that is the point where the the going to the other places other markets, other countries takes care of the essentially the requirements of this protection **the**, to make sure that you are present to make sure that your products are sold products are serviced. So you need to move to the other countries.

So when we examine in detail how these strategies are supported then you will get different alternatives, what organizations will get into guarantee a supply chain of this raw materials. So when you see that is lot of variations are coming from your supply chain then whether you be present in that particular country and then source, when the cost become very very critical. So then you go to that particular country where you get that material either you source people or you source competencies, you also source the best of the materials available.

So the sometimes you will you know beyond sourcing the material, it is also acquiring the technologies you buy those companies where they have innovative capabilities and

they do a technologies and sometimes you also make sure that you also require political stability and as you know some countries are prone to social disharmonies and social disharmonies relate the releasing a kind of negative energy for the organization to sustain and grow in a particular environment.

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Why Does a Company Go International?  
(Contd..)

- Guarantee a supply of raw materials.
- Acquire technology.
- Seek politically stable bases for new operations.

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Why Does a Company Go International?  
(Contd..)

- The reasons for going abroad may also vary by industry.
- The nationality of a company will also affect its motives in going international.
- Recently, U.S. companies have begun to look to Japan for new ideas in management.

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So, usually the organizations going to other countries to provide that required stability which is very essential for the future growth of the organizations and if we start seeing further the reasons for going abroad may also vary from industry to industry as we are seeing in some of the IT technologies that is the cost competitiveness has made several companies to move but beyond cost competitiveness, we have also seen that organizations are able to source the best of the talents sometimes, it is the scalability that you are able to get the required number of people to work and perform and deliver.

So organizations do get in to different countries they move to different market places to ensure that the the required talents and the competencies are available that is true for IT industry but it is not necessarily true for the other sectors. The other sector it may be the service quality the kind of people who are able to understand the required standards, it could be in the fashion technology or it could be in term of the the required technologies.

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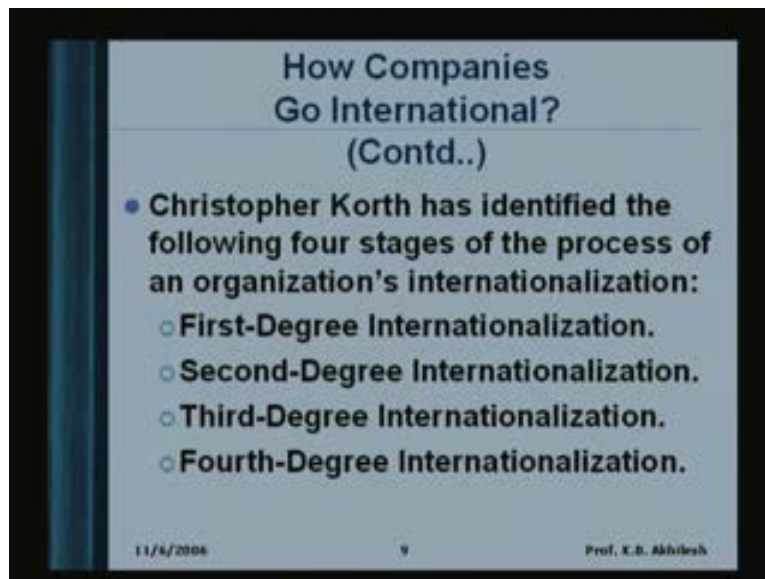


So that is the time variant where you have to move where such technologies are available and then you try and be present around those technologies to learn and then develop your own capabilities in that field and sometimes the nationality of a company will also affect

it is motives in going international. In other words, you would like to see that you own people are available, so that it is close and make thing it is an UK based company could always think of moving to other English speaking regions because they are, they are much more comfortable and similarly, we have also seen the companies which would like to learn the culture of other countries the US companies have moved to Japan to learn the ideas of management, how they are able to achieve the required levels of productivity.

We have examined the cross cultural dimensions and particularly the Japanese style of management earlier so it is these requirements of the organization to learn and build that required sustainable competitive advantage at different levels in the organization makes them to be present in such competitive scenarios. The going international is also has been classified by several authors Christopher, for example, has tried to look at different levels from first degree, second degree, third degree to first degree of internationalization if you start seeing what this could mean.

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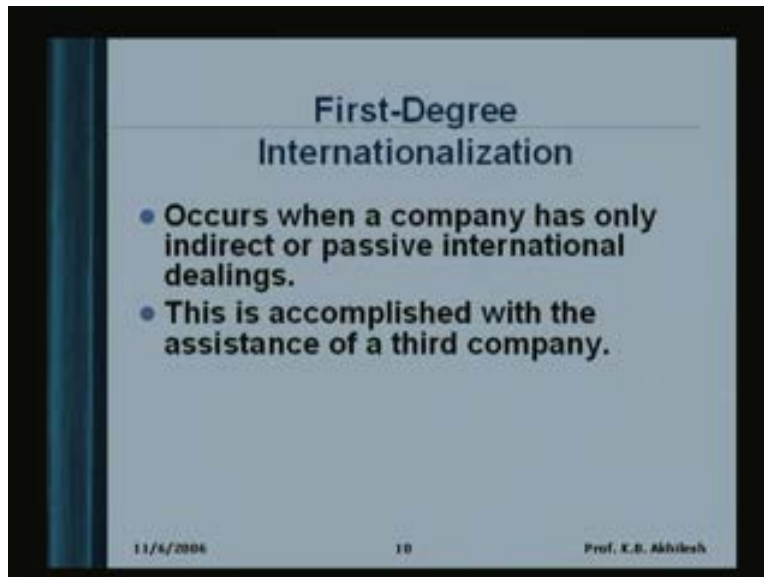


So it is essentially the curve one kind of an approach is pretty passive. The passive thing is that you are trying to look at other markets and then you try and take the help of



another company typically one of the companies located in Kenya is looking for some markets may be in China or may be in market in Germany. So what you do you try and seek some help from the local person and the local person would help you.

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**First-Degree Internationalization**

- Occurs when a company has only indirect or passive international dealings.
- This is accomplished with the assistance of a third company.

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**First-Degree Internationalization (Contd..)**

- Internationalization is handled by existing departments.
- Has traditional domestic organizational structure.
- Type of international activity : Foreign trade of goods and services.

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So it is a kind of a presence in another market, in another place through the help of another organization. I think one can, one can think in terms of this as a very first level of internationalization but as you try and see in this. So the typically you try and see whatever as worked in your domestic market place, you try and do the similar things, you work out the similar margins and you expect that the establishments are run according to the to the same level of efficiency whatever has been done in the home country.

So you try and see what best could be done, so the focus is on the trading trading of goods and services but when you see in the second degree of internationalization. So it is definitely have much more actively involved, it deals with overseas concerns and the companies and sometimes you retain them as agents. So they become your sole representatives, they also represent not only your product but also represent your organization and also sometimes the philosophy of service.

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**Second-Degree Internationalization**

- **Company deals with its overseas concerns.**
- **Retains some of its foreign trade agents and seeks out for more in an active manner.**
- **Company will create an important export department.**

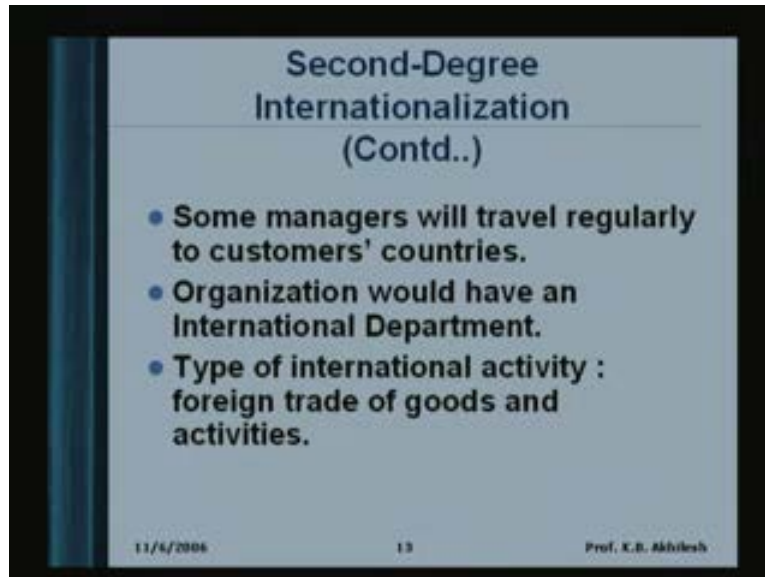
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So the if you look at activity and the intensity is much more and then company also interacts with them to the very focus departmentation. So within the company you see a dedicated set of staff actively working with those identified agents and sometime you

also travel to the customer site, you also go through this your agents and then look at the markets understand the country, understand what this specific requirements are?

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**Second-Degree Internationalization (Contd.)**

- Some managers will travel regularly to customers' countries.
- Organization would have an International Department.
- Type of international activity : foreign trade of goods and activities.

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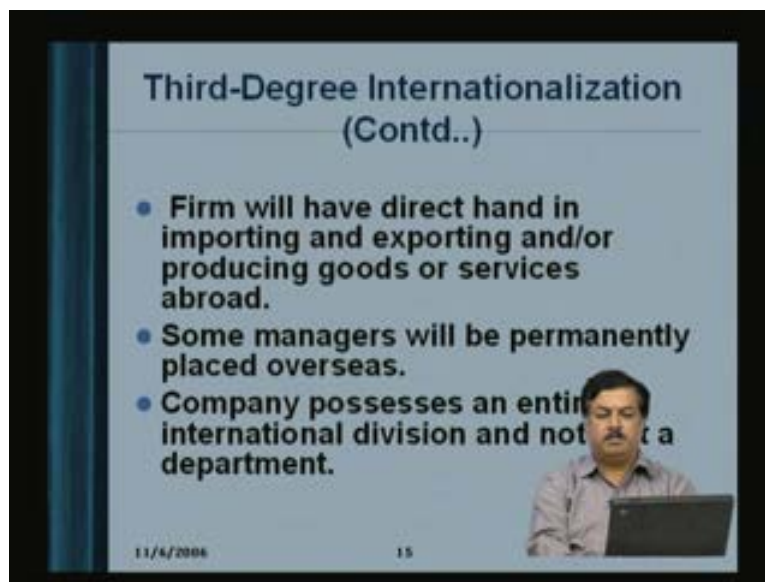
**Third-Degree Internationalization**

- It is reached when international concerns of the company are of much higher importance to its overall makeup.
- The firm still remains domestically oriented in this stage.

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So it is usually done through this an international department and then the, you are focusing on the trade of goods and also the required activities to sustain that. But, when you look at the third degree of internationalization. So the concerns are much more within the organization already that there is a clear identifiable kind of an importance attached to the particular market or the product or the services in a newer context or in another country.

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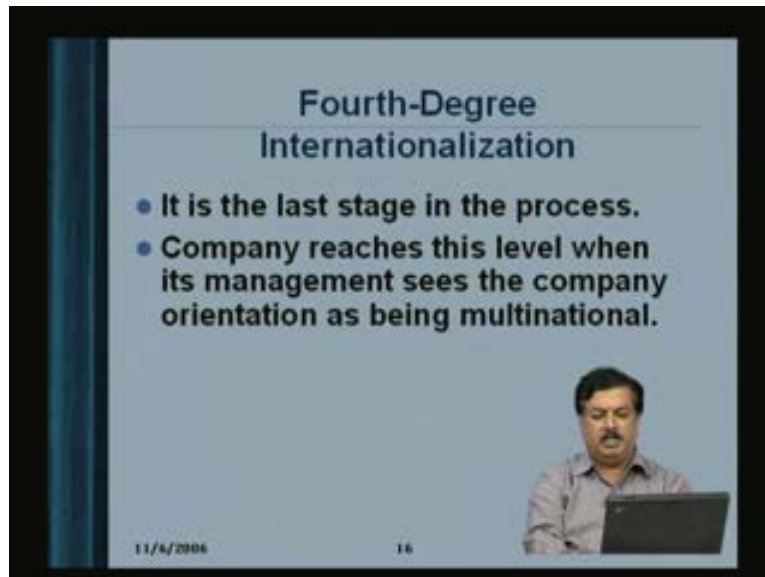
**Third-Degree Internationalization  
(Contd..)**

- **Firm will have direct hand in importing and exporting and/or producing goods or services abroad.**
- **Some managers will be permanently placed overseas.**
- **Company possesses an entire international division and not just a department.**

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So it is you still you are orientated to that domestic market and you are known in the domestic market but you actively pursue the newer opportunities. So the firm will have a direct hand in in both importing and exporting and then you are trying to do this trading goods and services but you will see that there is more permanency where managers are placed in that country. So they actively house, there is group of people and there is a focused activity and then there is a strategy to be present in that particular country particular market place. So it is, it is not just set of interest, it is not just one more department but there is a physical presence of the people from the organization and then they actively look at newer opportunities in through that kind of a presence.

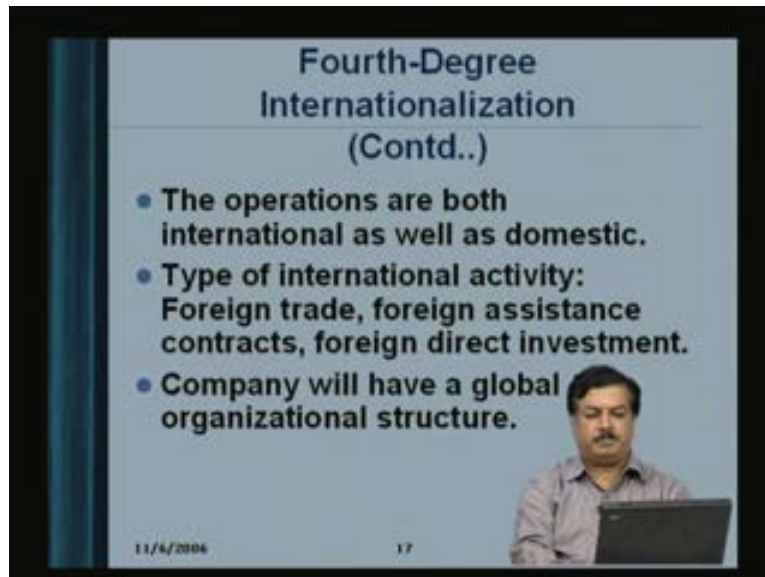
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So it is when you look at the fourth stage it is your conceal these whole processes are matured and the company believes that the work standards there is very much comparable to whatever you do in the home country. So the companies is that truly multinational so they are beyond their own country in fact some organizations start seeing where their primary identification is, it is look at company which operate in like DaimlerChrysler, so the, so they are truly German but also they are American.

So then when they are start operating in other places they cannot identify over a period of time, they see the parent company in Germany but they try and look at opportunities adaptability adaptation in every other country. So the fourth degree of you know internationalization should be understood in terms of the organization reaches a level where they see their parent country or their home country also but they have an active presence in any other place where organization, you know the country persons are not able to differentiate with respect to their own local companies. So the fourth degree of internationalization that they have a very strong domestic operation but also they have an international presence.

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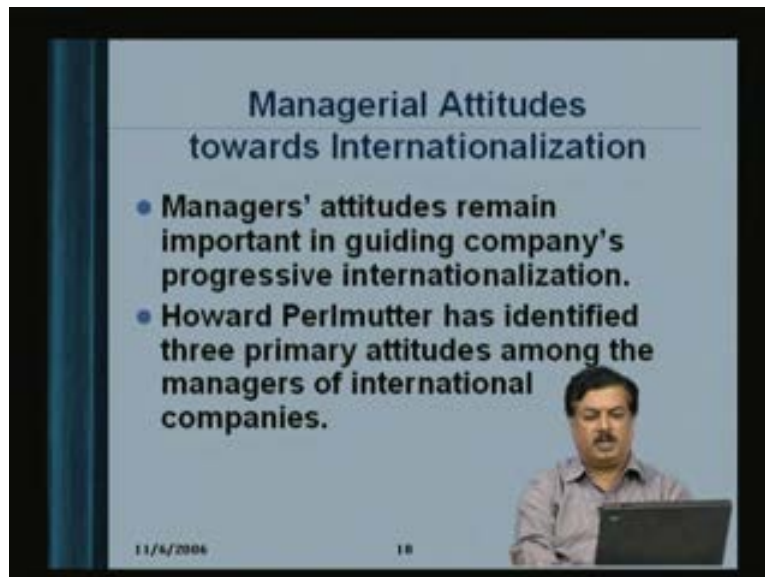
**Fourth-Degree Internationalization (Contd.)**

- The operations are both international as well as domestic.
- Type of international activity: Foreign trade, foreign assistance contracts, foreign direct investment.
- Company will have a global organizational structure.

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**Managerial Attitudes towards Internationalization**

- Managers' attitudes remain important in guiding company's progressive internationalization.
- Howard Perlmutter has identified three primary attitudes among the managers of international companies.

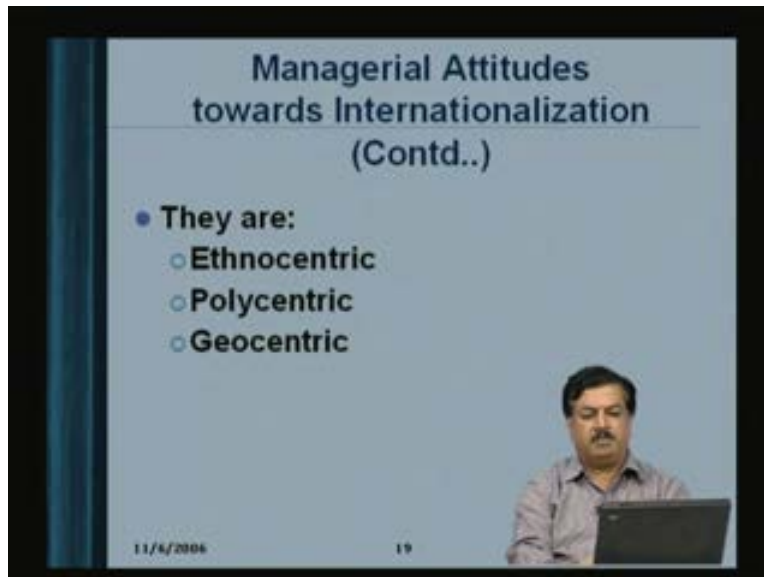
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So it could be the foreign trade, it is the foreign assistance contracts, it is then you know direct investment in the other country establishing facilities and manufacturing processes and also they have an organizational structure which truly represents, the presence of the home country as well as the detailed structuring of activities in other places as well. Let

us look at some of the attitudes, the managerial attitude towards internationalization, if you see there are several studies the but it is extremely important how the leadership perceives and peruse this internationalization.

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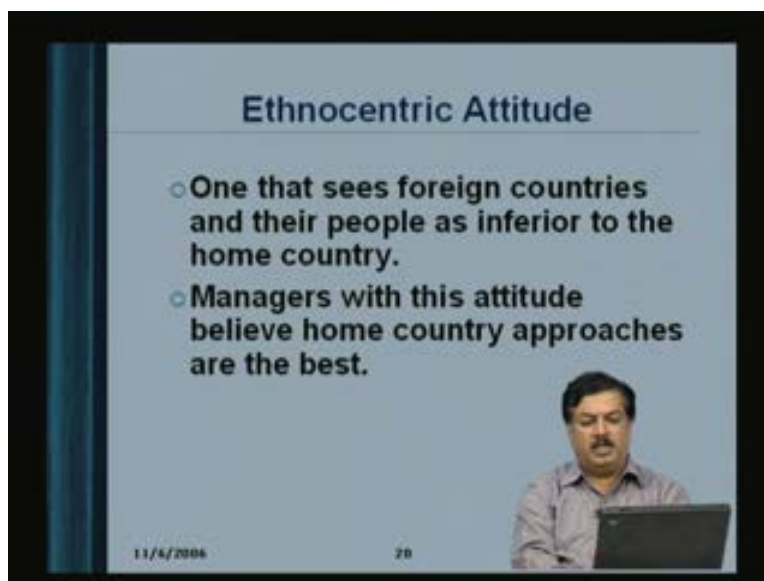
**Managerial Attitudes towards Internationalization (Contd.)**

- They are:
  - Ethnocentric
  - Polycentric
  - Geocentric

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**Ethnocentric Attitude**

- One that sees foreign countries and their people as inferior to the home country.
- Managers with this attitude believe home country approaches are the best.

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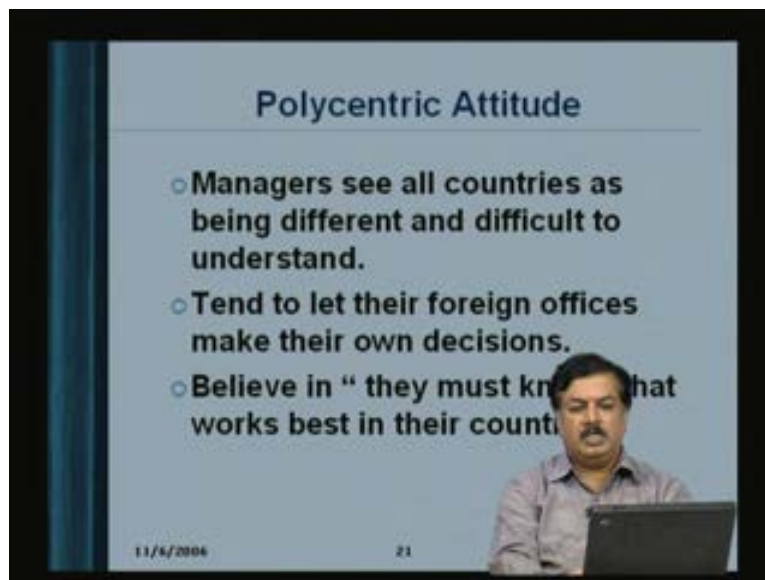


So there are many primary attitudes among their managers particularly the Howard and others have identified but it can be classified broadly into ethnocentric, polycentric and geocentric and if you start examining this quickly, see the ethnocentric kind of a thing where one that sees foreign countries and the people as inferior to the home country.

So that means you will feel, well superior about yourself, your company, your products, your services in the new place and then, the, you know they so they always think whatever have worked in the home country their approaches are the best.

So that means they try and transfer some of their practices into the new country situation if Japanese company can you know they move to India. So they will feel that whatever they practices they have adopted in Japan should be the best and they also believe that the it is best irrespective of the country wherever they operate. So an ethnocentric thing, so when they come to a newer place or an India, they would like to follow the same methodologies, may be about the uniform, may be about the rewards, may be about the way they work as a team and team members.

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**Polycentric Attitude**

- **Managers see all countries as being different and difficult to understand.**
- **Tend to let their foreign offices make their own decisions.**
- **Believe in " they must know what works best in their country"**

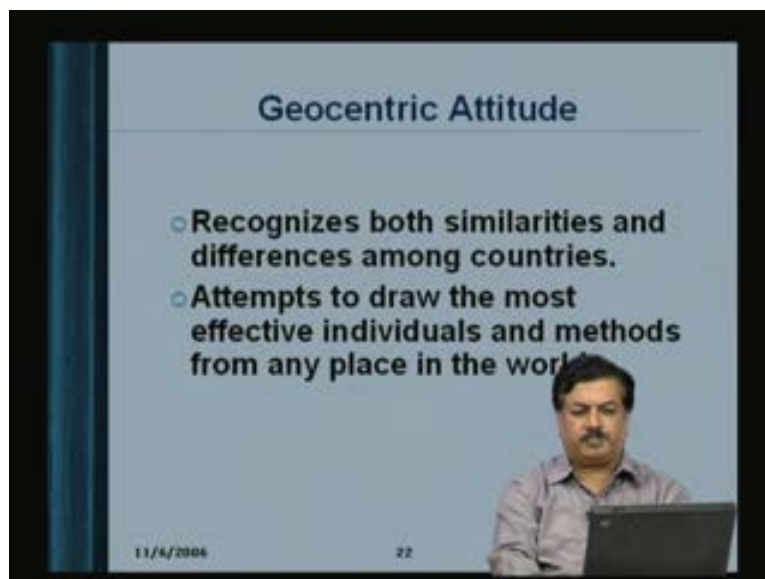
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So they would like to enforce they would like to evolve their own country practices in the newer situations. The other one is in terms of the polycentric kind of an attitude which is in contrast to the previous one, they see that the countries as being different and also they understand it is very difficult to evolve or identify set of practices. So what they allow is basically the foreign officers to make their own decisions.

So we have our practices and our approaches but they were like to deal those as separate profit centers or the cost centers and then they know their country and let them evolve whatever the best practices as, so they would like to leave the managerial activities to their country persons or their country representatives particularly, when you do not know the language, when you do not know the governance structure and practices, when you do not know how the political systems have evolved in that particular state. So normally the organizations get into this focus of polycentric attitudes but the the geocentric attitude is recognizes both similarities and differences among countries.

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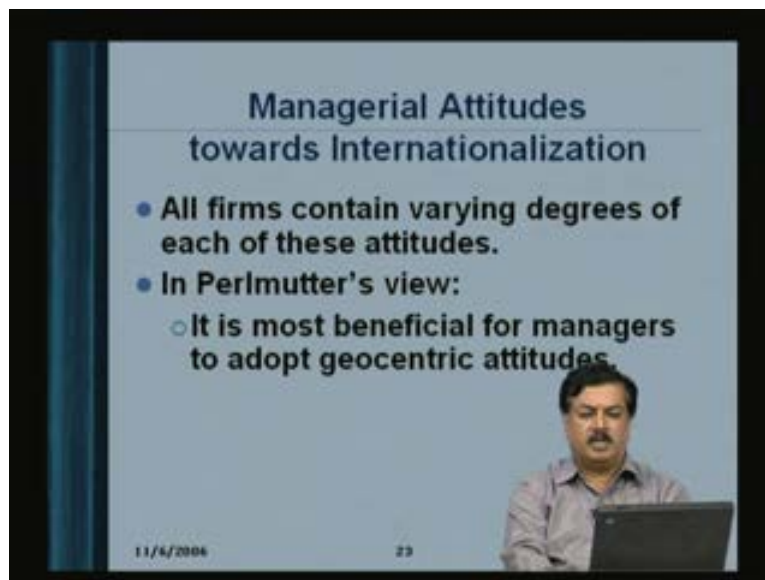


So you try and draw the best of the things, what is effective to the individuals and methods but does not matter from where it has evolved. So many multinationals today

they are highly focused on performance, highly focused on quality, highly focused on delivery, highly focused on innovation. So delivery, innovation, performance when all these things do better, so what is they think, the best approach is whatever has worked whatever has worked best what ever has given set of results, I think try and see whether we can use and adopt it. I think that is where the multinational companies have contributed to the growth of management literature as well through evolving, adopting and transferring some of the best practices from one country to the other from one situation to the other.

So the geocentric attitude is much more developmental, much more transferred driven and would believe what best has worked out in some place can also be practiced and implemented but they recognize that there are issues of implementation. So as we are talking about these different kinds of attitudes and then, so it is the, it is always important to see that managers should adopt this geocentric attitudes. So as we are trying to see that after companies this all these 4 degrees of internationalization.

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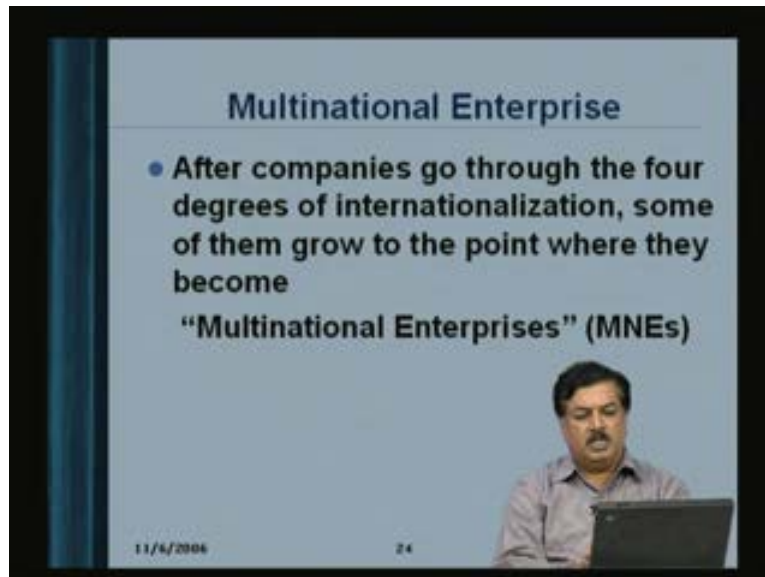


**Managerial Attitudes  
towards Internationalization**

- All firms contain varying degrees of each of these attitudes.
- In Perlmutter's view:
  - It is most beneficial for managers to adopt geocentric attitudes.

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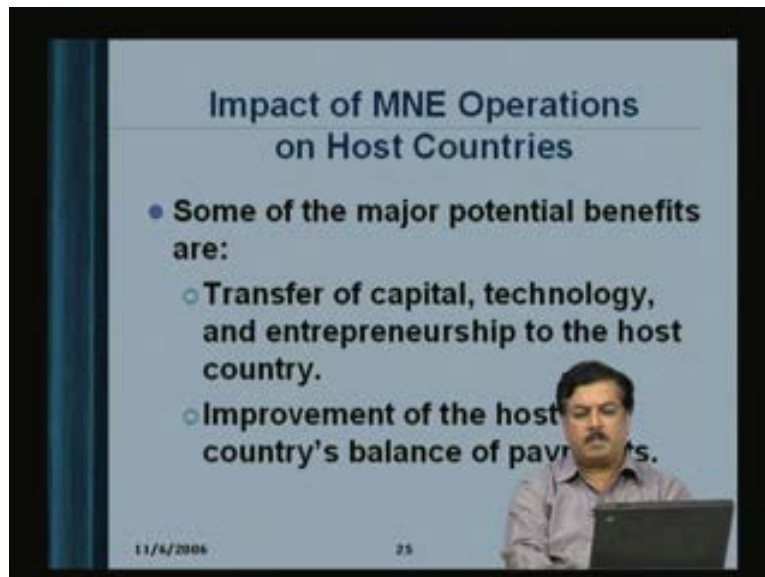
**Multinational Enterprise**

- After companies go through the four degrees of internationalization, some of them grow to the point where they become **“Multinational Enterprises” (MNEs)**

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**Impact of MNE Operations on Host Countries**

- Some of the major potential benefits are:
  - Transfer of capital, technology, and entrepreneurship to the host country.
  - Improvement of the host country's balance of payments.

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So really they go beyond the presence in other country but they get this characteristics and features of this multinational enterprises and when you see this multinational enterprises, you must see what impact it has on the host countries currently, we have heard this terms like globalization. So that you do get companies and when they enter

your markets sometimes you you have talked about what is known as the level playing field.

So the local companies do get in to the issues of what these new companies are going to do sometimes you get affected about the kind of culture it is going to bring, the new consumerism which is going to develop in that particular society. So the closed societies have always will have some problems about the MNCs bringing new culture new standards but you must examine both in terms of the benefits as well as some challenges and difficulties.

So you will see the transfer of capital, they **they** get you get in terms of the investments and the investments leading to your opportunities, the technology the skills and talent what they bring and also the kind of risk taking. So the host country benefits all these things and also you that because of the investment because of the infrastructure development, it also builds that capacity in the companies also in the country towards the balance of payments. So that means they are able to import as well as they are able to export.

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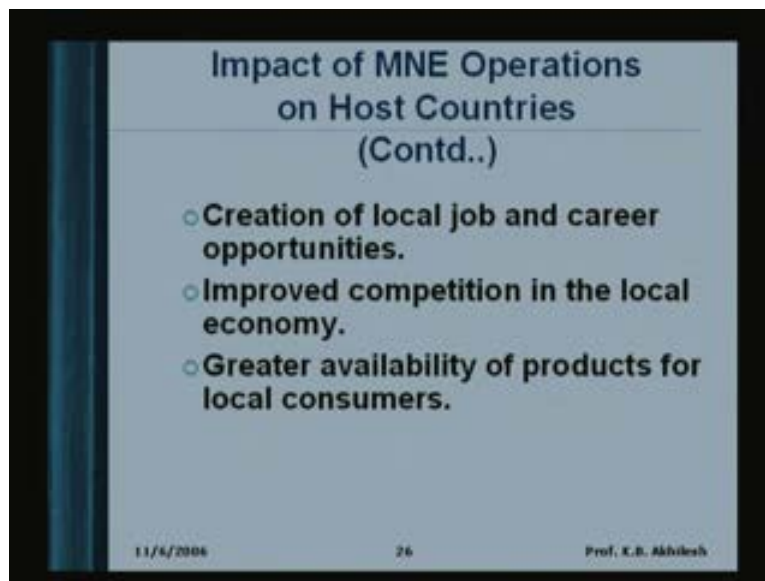
**Impact of MNE Operations  
on Host Countries  
(Contd.)**

- **Creation of local job and career opportunities.**
- **Improved competition in the local economy.**
- **Greater availability of products for local consumers.**

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Very clearly, it creates local job and career opportunities and then you will also see the improved competition in the local economy. So if the competition results in, in what, in basically it competition results in consumer, consumerism and many people have analyzed that it is only going to benefit the consumers.

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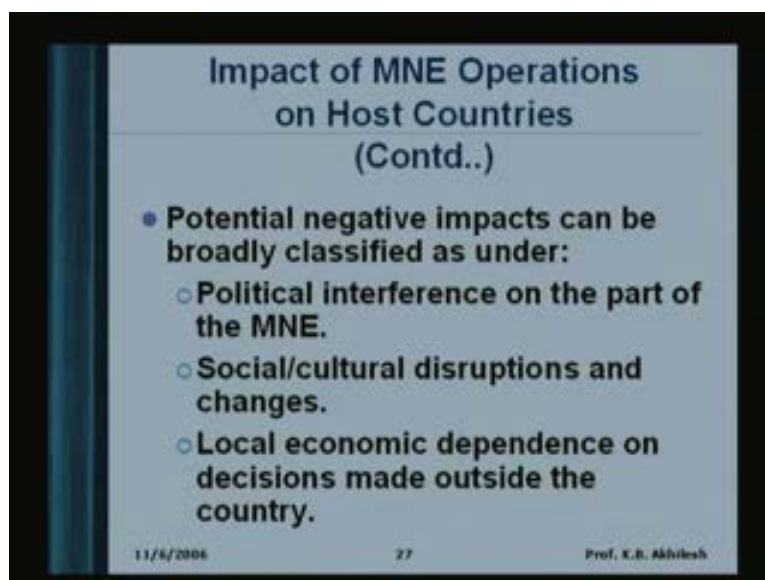


**Impact of MNE Operations on Host Countries (Contd.)**

- **Creation of local job and career opportunities.**
- **Improved competition in the local economy.**
- **Greater availability of products for local consumers.**

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**Impact of MNE Operations on Host Countries (Contd.)**

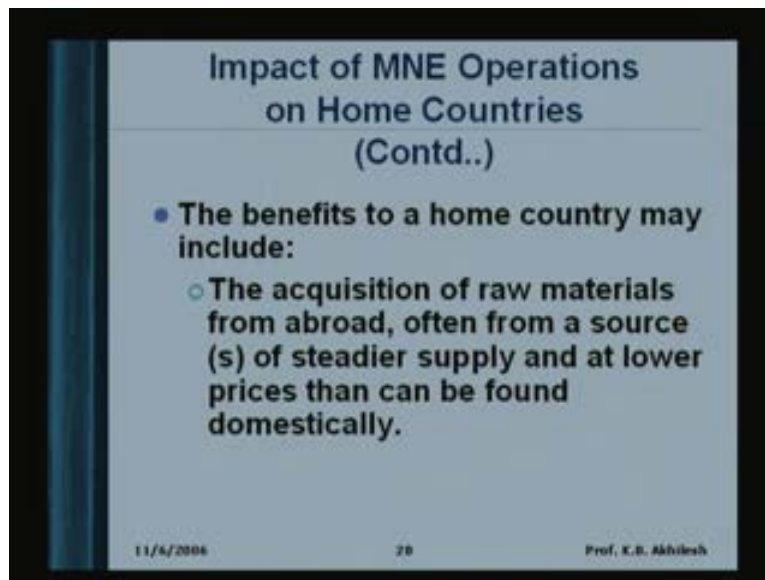
- **Potential negative impacts can be broadly classified as under:**
  - **Political interference on the part of the MNE.**
  - **Social/cultural disruptions and changes.**
  - **Local economic dependence on decisions made outside the country.**

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You have seen in India whether it is two wheelers or four wheelers, when the competition was sudden when more and more people came here to sell their products and services suddenly, we saw the standards went up people got more choices. So the choices, the standards and then through that the whole industry itself expands and then develop newer, newer scales, newer **standards**, you know the in terms of bringing newer technologies and also providing opportunities.

So all these would help developing a kind of an vibrant economy, so the greater availability of products for local consumers have been considered as one of the best things have happened because of the many, you know the multinational operations in the host countries but we must also recognize that there are several negative things, negative things can be thought in terms of political interference and the part of the MNEs.

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**Impact of MNE Operations  
on Home Countries  
(Contd.)**

- **The benefits to a home country may include:**
  - **The acquisition of raw materials from abroad, often from a source (s) of steadier supply and at lower prices than can be found domestically.**

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So whatever they, the resources they have, the muscle power they have, they may try and use and flex and then see, you know interfere in the political situation and there are also the social cultural disruptions and changes and the conservative societies when people promote newer durables and they may not care for the local cultures, local values they

may disrupt the **the** several nice practices and good practices in any society and then also many a times you also depend upon the decisions made in the other countries.

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**Impact of MNE Operations on Home Countries (Contd.)**

- The export of components and finished goods for assembly or distribution in foreign markets.
- An inflow of income from overseas profits, licensing fees and management contracts.

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A man with a mustache, wearing a light-colored shirt, is sitting in front of a laptop, presenting the slide. The slide content is partially obscured by his head and the laptop.

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**Impact of MNE Operations on Home Countries (Contd.)**

- The export of components and finished goods for assembly or distribution in foreign markets.
- An inflow of income from overseas profits, licensing fees and management contracts.

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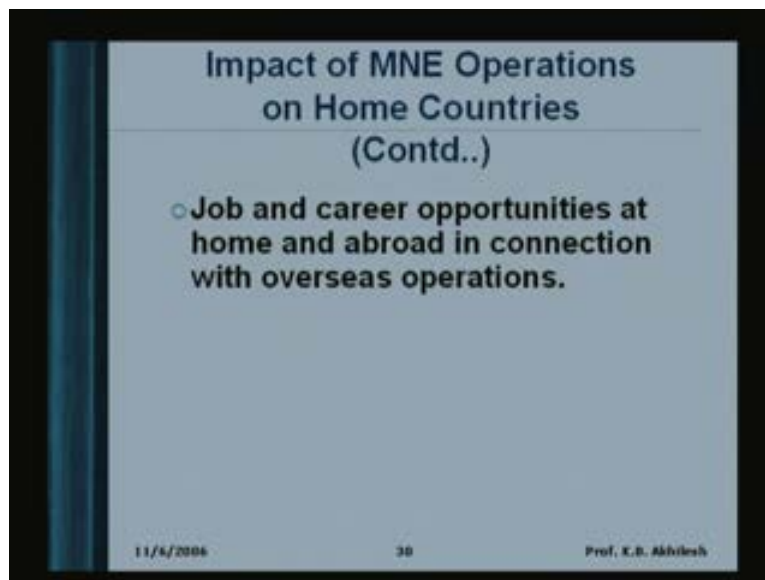
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If suddenly MNCs, the multinational enterprises if they decide to withdraw from one place to the decide to move to the other place, the decisions have made somewhere else but the job loss can create a chaos in a particular society or in a particular regional or a place. So similarly, when you see the home country advantages, the home country advantages are the acquisitions of the resources particularly, raw materials from other countries where you can establish very steady supply and sometimes lower prices than found domestically, this is being seen in the coal sector sometimes this is being seen in the silk when people go to the other places and import from other places to push their own trade performance in the local markets.

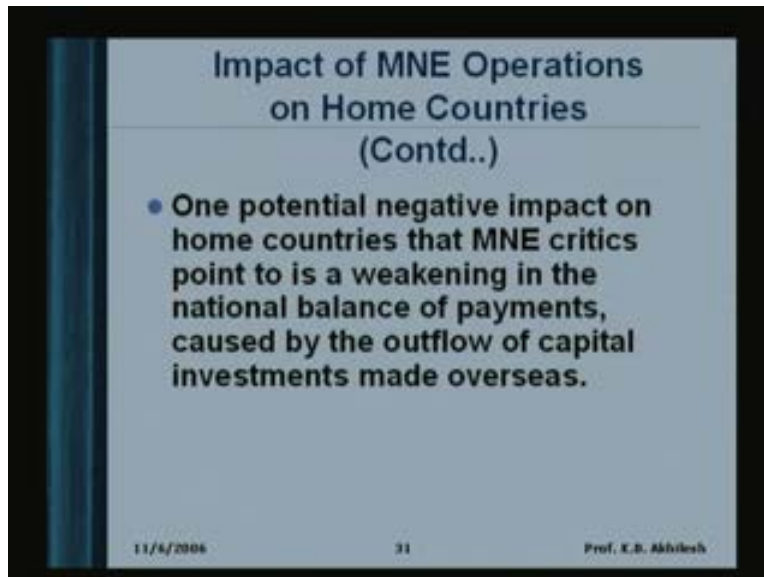
The export of components and finished goods are also see if you are able to do it then the multinational presence will help for the distribution in the other markets. So you are getting into the newer opportunities as I mentioned earlier and the income from the overseas profits and also the licensing fees and then establishing newer management contracts all these things are created advantage to the home country.

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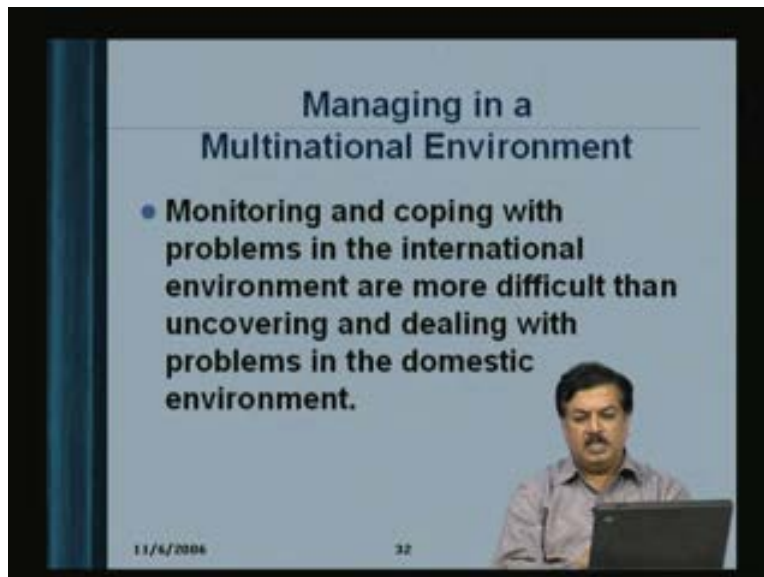


**Impact of MNE Operations  
on Home Countries  
(Contd.)**

- **One potential negative impact on home countries that MNE critics point to is a weakening in the national balance of payments, caused by the outflow of capital investments made overseas.**

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**Managing in a  
Multinational Environment**

- **Monitoring and coping with problems in the international environment are more difficult than uncovering and dealing with problems in the domestic environment.**

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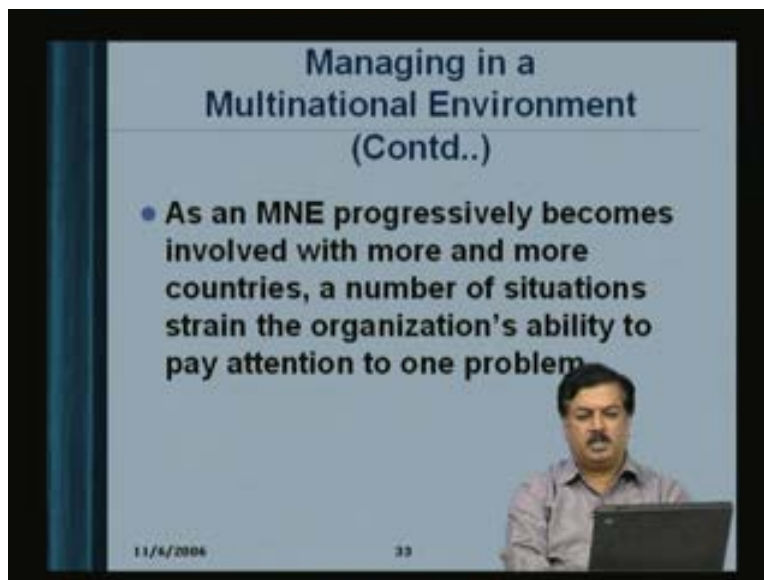
So in other words MN, multinational corporations or multinational enterprises provide several opportunities you know the including the job and career opportunities for the home people and then able to understand the culture, the way they could operated but the negative impact can always look at as a very as a critical point but sometimes you will

also see that how much of your own resources are being taken out and invested in other countries.

So you would be wondering why not in the local area and for helping the local community so at times you see the balance of payments get affected because there is more outflow of capital and then sometimes, it is also difficult to control and understand what exactly is their dealings and issues are, so compare to the domestic environment.

So the companies operating in the domestic environment are much more controllable but in a free trade situations it become extremely difficult to see and control, supervise these multinational enterprisers.

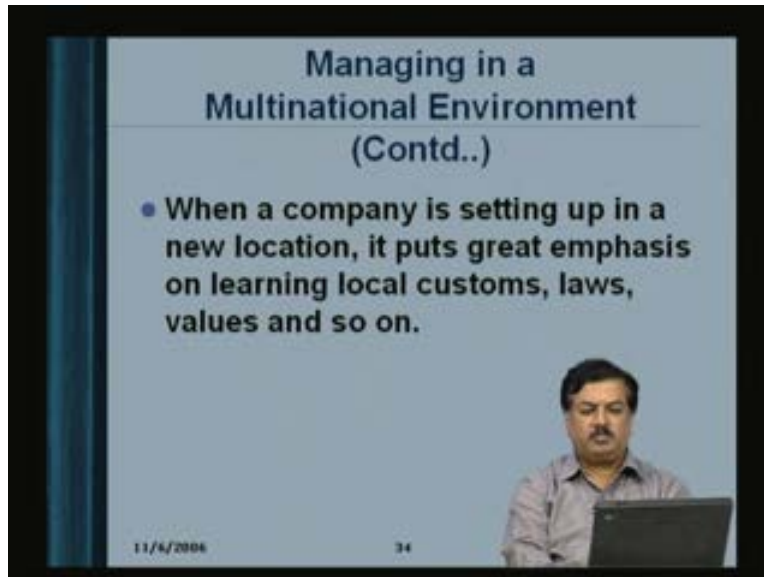
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So but with more and more countries involvement grows the MNEs become much more powerful. So the the organizations also suffer sometimes ability to pay attention to one problem that is if one country problem and if you also see the managing in an multinational environment the as you are establishing facilities in newer location, you have to put lot of emphasis on learning local customs local laws local values and so on

unless you have managers, who are sensitive to the diversities, who are able to respond to the cultural things it becomes very problematic for the organization.

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**Managing in a Multinational Environment (Contd..)**

- **When a company is setting up in a new location, it puts great emphasis on learning local customs, laws, values and so on.**

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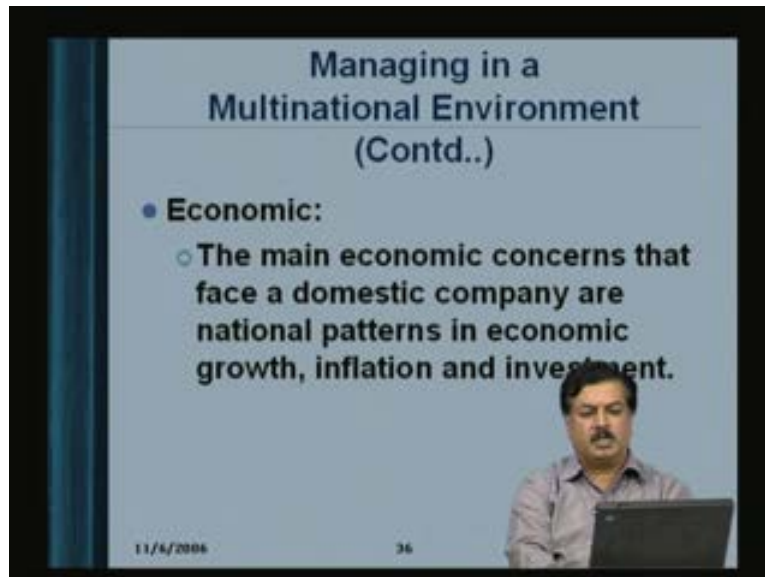
**Managing in a Multinational Environment (Contd..)**

- **Four major areas of international environment:**
  - **Economic.**
  - **Political-legal.**
  - **Socio-cultural.**
  - **Technological.**

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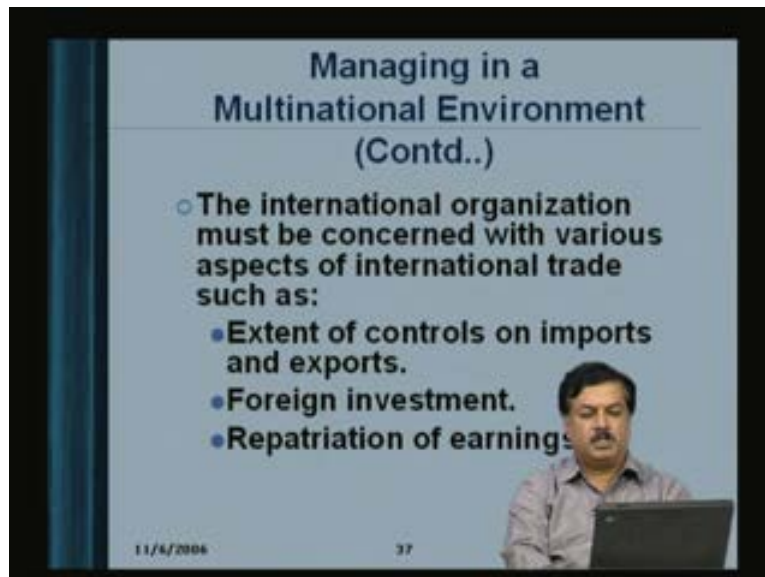
Managing in a  
Multinational Environment  
(Contd.)

- **Economic:**
  - The main economic concerns that face a domestic company are national patterns in economic growth, inflation and investment.

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Managing in a  
Multinational Environment  
(Contd.)

- The international organization must be concerned with various aspects of international trade such as:
  - Extent of controls on imports and exports.
  - Foreign investment.
  - Repatriation of earnings.

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A man with a mustache is visible in the bottom right corner of the slide, sitting at a desk with a laptop.

So the multinational environment means it is a real managerial challenge. So it is to look at the **the** various things from purely an economic point of your to a political legal to socio cultural and also technological. So if you run through these issues little more in detail, so the basic issue would be to manage in a multinational environment from an

economic point of view is the to see the domestic company to a to a patterns in in terms of the economic growth inflation and investments.

So the international organization they have to see what are the extent of controls on imports and exports, what is the issues and concerns of the host country or the home country about the foreign investments and what about the repatriation of earnings or there any sealing or there any controls and as you run through this economic issues one also need to examine in detail the political and legal dimensions, MN, MNCs, MNEs either enterprises or corporations have mainly concerned with the stability of a foreign country's political system.

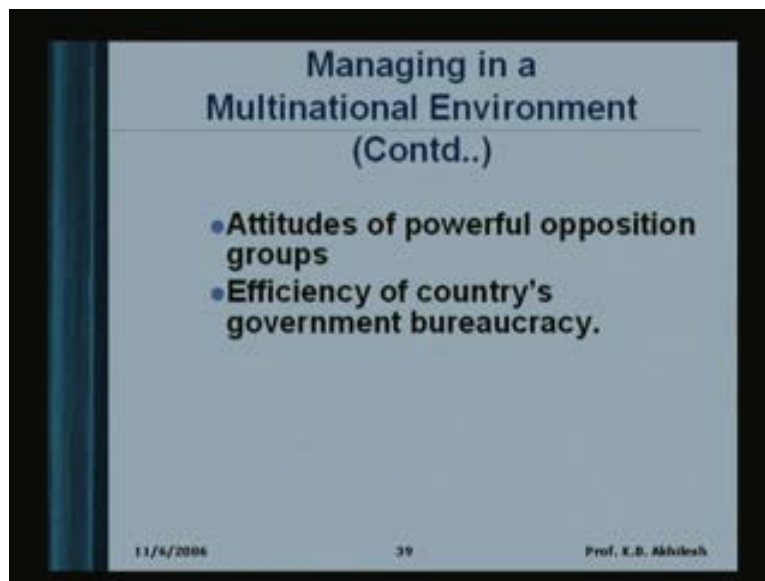
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So the leadership of that particular political system is extremely critical. So the economic and political philosophy of the group in office must be matching with the country's orientation. In other words, MNCs can also get in to issues with the local host countries that is where one need to sensitize the managers about the political as well as the legal system, the kind of justice system, the kind of compliant systems, the kind of punishment system of what is acceptable in your home country, is it also acceptable in other country

all these things must be understood carefully. It is issues about the gift, issues about the bribing and many of these things can land people into real problems, if it is not understood and implemented properly and sometimes if many people takes this view what is not acceptable in their own home country may be acceptable in other place.

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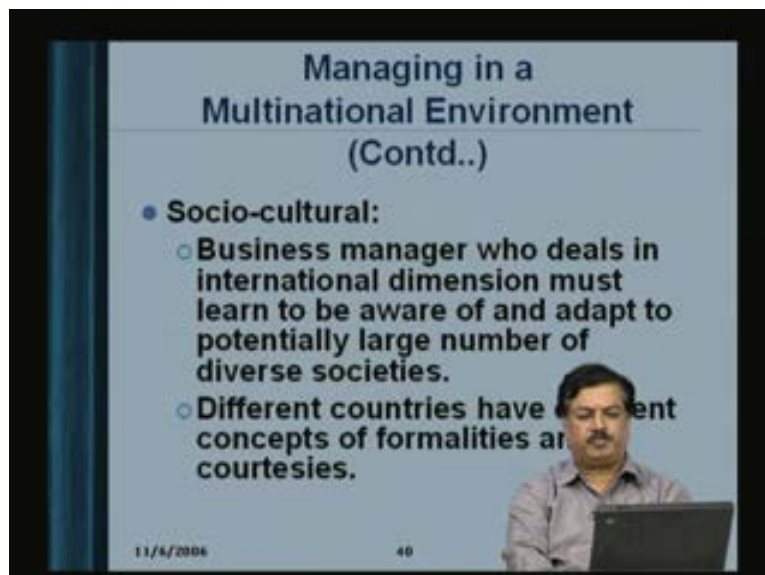


Managing in a  
Multinational Environment  
(Contd..)

- Attitudes of powerful opposition groups
- Efficiency of country's government bureaucracy.

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Managing in a  
Multinational Environment  
(Contd..)

- Socio-cultural:
  - Business manager who deals in international dimension must learn to be aware of and adapt to potentially large number of diverse societies.
  - Different countries have different concepts of formalities and courtesies.

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Certainly, not so the one need to see a very clearly sensitize the managers towards the issues both ends as well as means are important. So managing a multinational environment, it is also to be seen in terms of what are the attitudes of powerful opposition groups, how they are integrated and also in terms of the bureaucracy not only it is the political leadership but also how they bureaucracy functions, is it too time taking, is it too rigid it is too responsive non responsive. So many of these things need to be seen both political as well as the governance structures but when it comes to the social cultural dimensions apart from economic and political things.

So the business manager who deals in international dimension must I think you read these words must learn to be aware and to adopt to potentially large number of diverse societies. Today, you see the the great advantage for a good global manager or a global business manager is to be present in typically different culturally diversified kind of an environment and then, enjoy those diversity as well. But if you do not enjoy but then if you have a if you have a negative orientation towards diversity then it will also be a problem for the manager and for the organization.

So what is formal, what is courtesy, what is gift, what is the respect I think these do their own do vary across the cultures and then it is extremely important to see, how society is organized many managers coming from other countries to India do not understand what are this caste system, how can by birth somebody's social strata can be define.

So similarly the ethnic groups, so they are not into one is one is not in the comfortable position to understand unless you live and take part and many of the culturally, cultural activities and culturally sensitive events, it is very difficult to appreciate and similarly, the the divide and the differences between the east and the west and what color could mean the dress code all these things are important and then good manager is culturally sensitive and managing a multinational environment means this, the index where you are really are able to understand the differences and also they appreciate these differences to the advantage of the corporation.

Similarly, the technological sensitivity is another important thing managers must be aware that the advancement of technology the implementation of the technology varies from one country to the other rural, agrarian kind of an economy like India requires sometime the technology which is sustainable, which is energy efficient, which is cost competitive.

So unless one understand the technology drivers technology demands of a particular society, the international managers find it very difficult to establish to presence and then establish market and the services. For example, when BMW was planning to come to India like the car was priced anywhere between 35 to 70 lakhs and several times it goes beyond a crore, so it is very difficult for the company to look at the market and the market opportunities.

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**Planning**

- **When a company is multinational, there are at least three additional factors that make strategic planning essential:**
  - **The scope of multinational management task – the many and varied tasks required to run a global organization.**

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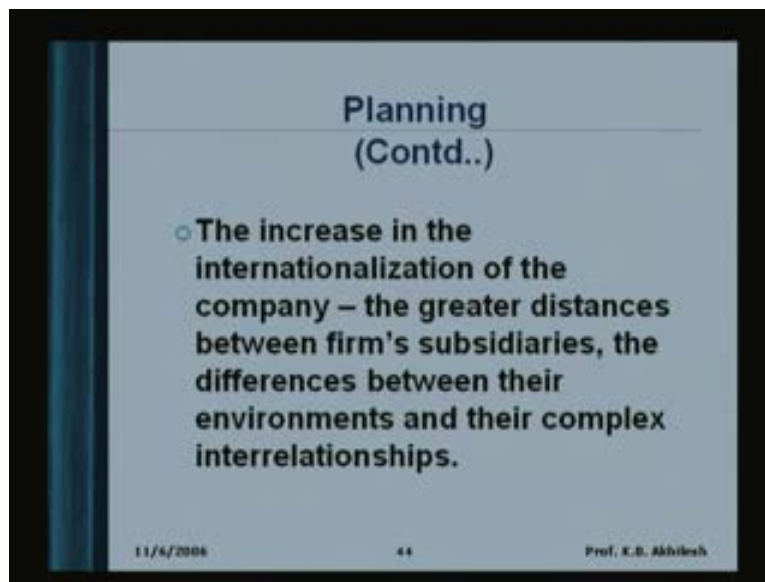
So then you have to understand the kind of people who can afford and then whether you have to identify whether you are able to sustain such kind of an activities which is often, difficult and particularly when the, so the new the technologies are introduced but you



know which are outdated and when it is brought to the other country, the countries the home country technology people also can react to those things.

So in other words, the management process need to be sensitive to all this economic, political, cultural as well as technological and the way these things are implemented particularly in terms of our own managerial practices and principles must have a good fit with respect to the environmental and cultural context in which the corporation is going to provide the services and the products. Look at for example planning, we have discussed these things in in the past but when a company is multinational right.

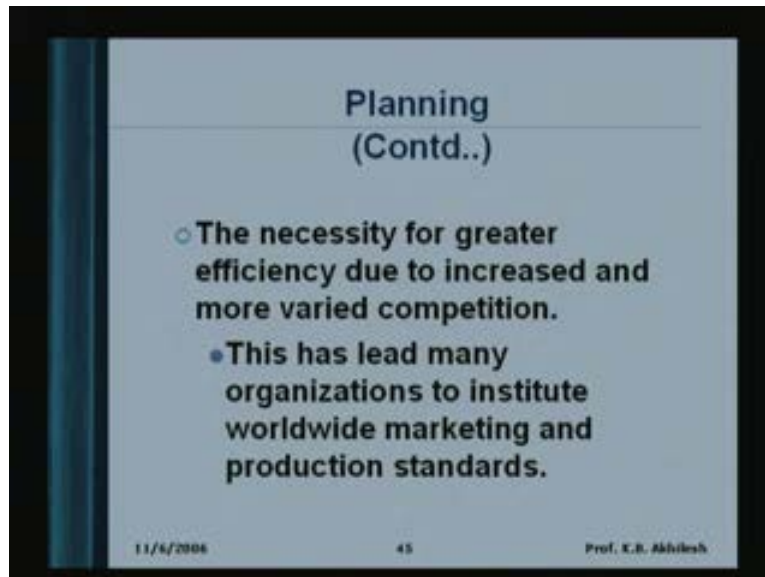
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So there are any number of factors which will influence but these are only illustrative the multinational management task and the you know if you look at the variety will increase and then to run a global organization right, the complexities will increase and then because of that it is the greater distances between the firm's subsidiaries and the also there are differences between their environments and also the kind of interrelationships. So when you see the planning how do you provide to resources, how do you look at the exchange rates, what is good in terms of the compensation in one country in hold to the

other places as well, what is inflation how this are going to influent from country one to the other. So any of these factors if you see the planning becomes much more complicated task.

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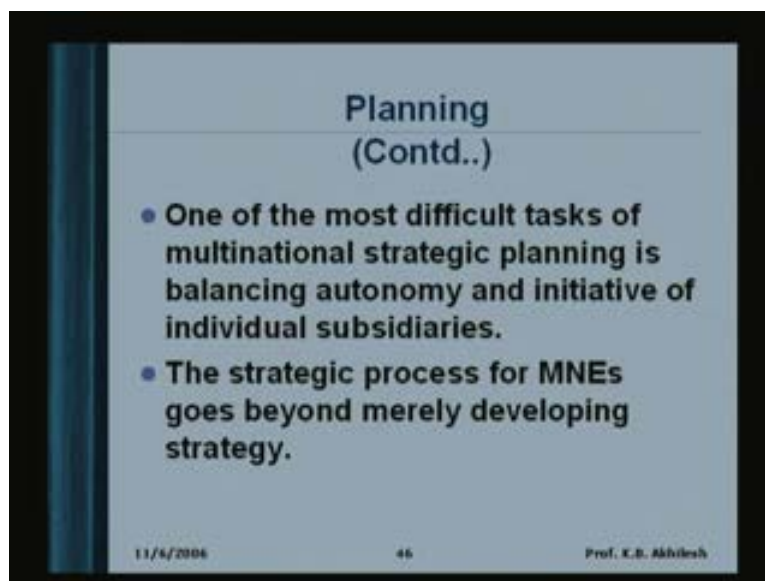


**Planning  
(Contd.)**

- **The necessity for greater efficiency due to increased and more varied competition.**
  - **This has lead many organizations to institute worldwide marketing and production standards.**

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**Planning  
(Contd.)**

- **One of the most difficult tasks of multinational strategic planning is balancing autonomy and initiative of individual subsidiaries.**
- **The strategic process for MNEs goes beyond merely developing strategy.**

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So that means there is there is an important step to project at the corporation level but also you must take in to consideration the variations coming in planning at each of the country specific levels. So the necessity for greater efficiency also you must see and also the kind of competition and the varieties of competition in each of the each of the countries where the organization is present. So many companies today get in to the marketing intelligence and also called as business intelligence and then also establish this production standards with the planning again one of the most difficult task of multinational companies is to do that required strategic planning in terms of balancing autonomy and the kind of initiatives you must leave it for the individual subsidiaries.

So the individual subsidiaries may be demanding technology at times, individual subsidiary is may demand people and who have greater understanding of the culture at some point of time. So the question is that who should decide, who can enforce who how much is this control versus this autonomy, I think that is what you know the planning stage has to adopt. The strategic process of MNCs really, really if you see it goes beyond just developing a strategy but adopting to the the specific situations.

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**Planning  
(Contd..)**

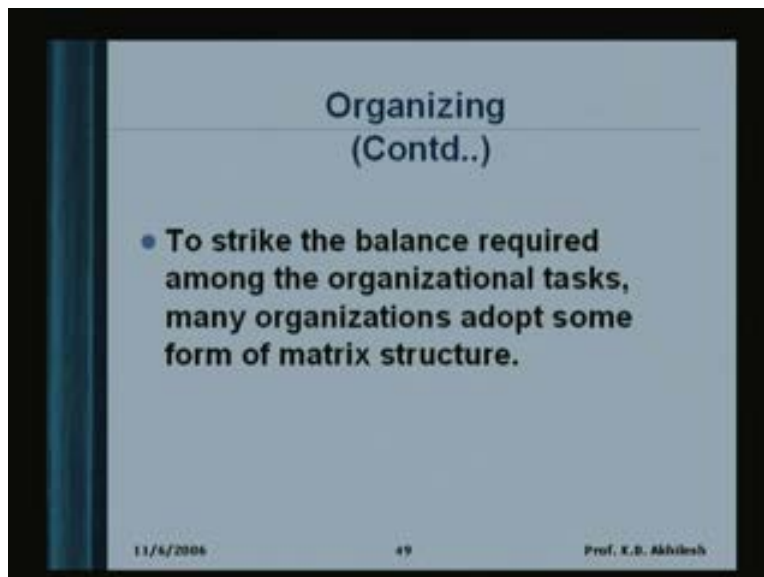
- **Three or four activities that received relatively high effort :**
  - **Aiding corporate management in formulation of strategy, goals and objectives.**
  - **Integrating operational and strategic planning.**
  - **Improving quality of thinking of management.**

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So people are talking about people in the sense the authors have talked about the three or four activities that really that you know received high effort one is aiding corporate management in formulation of strategy goals and objectives another is integrating operational and strategic planning to see the different demands coming because of the societal and contextual factors and also improving quality of thinking of management, at the local level as well as at the corporate level and the working through a kind of an harmony between these two levels if you look at organizing whatever we said about the planning is true for the organizing as well, the balance is again very clearly between the departmentalization or the departmentation and also the coordination of the work.

So how much of this specialized people you create at the corporate level may it be for the training and development about the quality or about the financial budgeting and controlling. So as you create specialized departments at the corporate level or at the home country level and as you are implementing these standards and practices at different places and different countries, one of the challenges is to make sure that all these things are working at different places, the coordination is the challenge.

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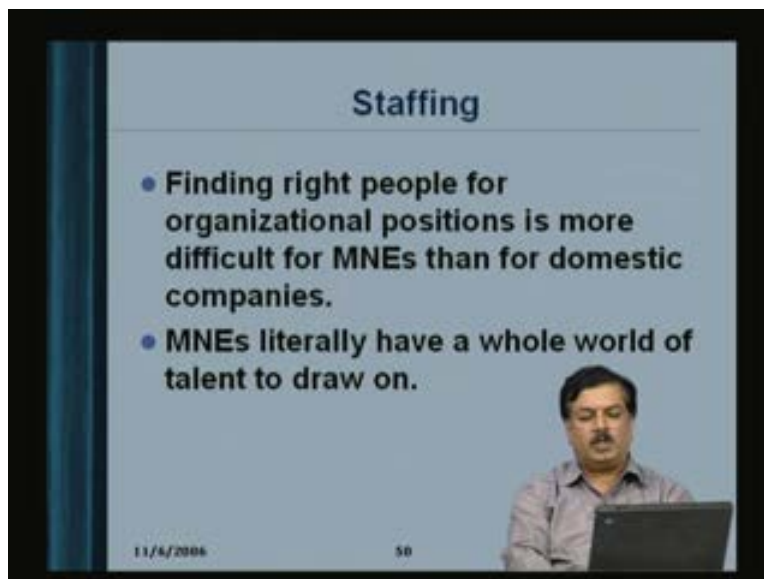
**Organizing  
(Contd..)**

- **To strike the balance required among the organizational tasks, many organizations adopt some form of matrix structure.**

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So how much specialization specialized groups to be created at the corporate level, how much of the coordination to be established at the country specific production and service facilities. So the balance is really one of organizing task and then what people say that they try and adopt this matrix structure that means you have loosely coupled relationships, the dotted lines strong lines simple lines. So there are multiple relationships, multiple stakeholders for every position. Matrix structure brings it is own issues of collaboration, it is own issues of coordination, if you see the staffing and the talent management becomes another important consideration in the multinational enterprises. Finding right people for organizational positions is much more challenging and difficult one, imagine for example a Bangalore based company would like to have a presence in Italy.

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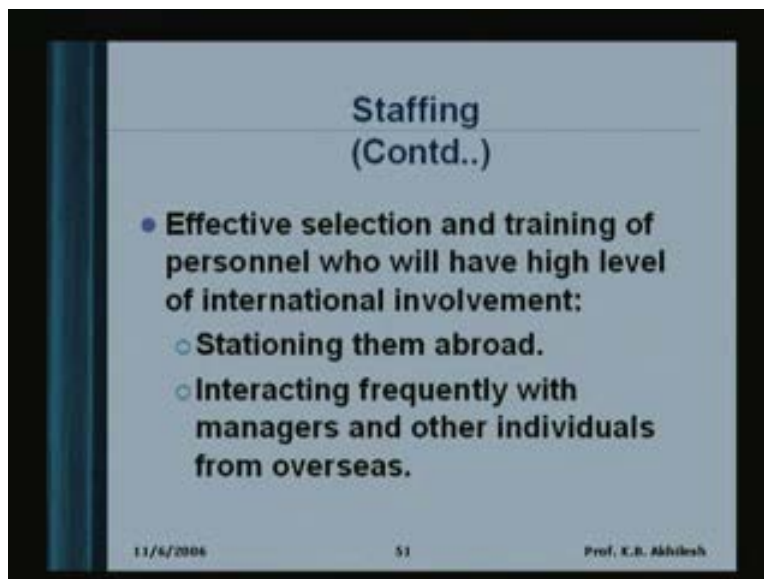


So the question is that who knows the language, who knows the kind of governance regulatory requirements of of hire and fire or lifelong employment or what is it like in that particular country, what are the set policies and procedures of establishing a company and what would be the locational advantage, what are the logistic support, what are the government controls and taxation. So when you see you know looking and each of

these issues then you must see how many generalist are required, how many specialist are required.

So when you see you also have to see that who within the organization, who within the enterprise and how can you draw different talents from one group to the other. So the great advantage for multinational enterprises is literally you can have a whole world of talents to drop. So it is it is a challenge at some point of time but as the organizations grow and then it also becomes an opportunity to draw seamlessly the talent available and also capture the new products and service in different countries you look at for example, how can we establish selection and training of personnel and particularly, they will have a high level of international involvement.

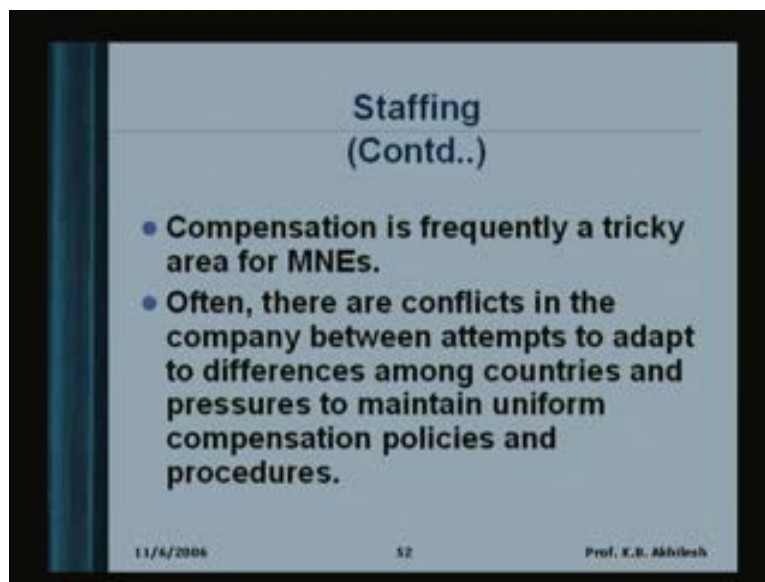
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So the, so the selection and training of these people and also this stationing when they have to they leave their families here, when they have to leave their home countries and then go and establish their activities in some other country and the compensation. so many companies today they will see hey how much I should give the per diem, should they stay in a hotel or should they in an apartment, should they move from from the one

place to the other, you know in a on a regular basis, should they be station for a long period of time. So when you start seeing that staffing in another place that from small companies to a larger company, there are different kinds of issues will come with respect to the staffing and **the** what should be the kind of an interaction. So many multinational companies today are becoming kind of a global teams, global teams also interacting on a virtual basis.

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So we are hearing these terms called the virtual global teams that means, they work in an asynchronous manner continuously being present in different market places learning and transferring their understanding from one place to the other in a seamless manner. I think that is what is going to be the kind of a staffing model of to the know to the future but the issues are fundamental basic that how can we deploy people who can understand, who can respond to the local market situations. One of the challenges is been in terms of the compensation, compensation is frequently has been a kind of very very tricky area for MN, MNCs, MNEs how, what is good what acceptable, what is reasonable, what is fair?

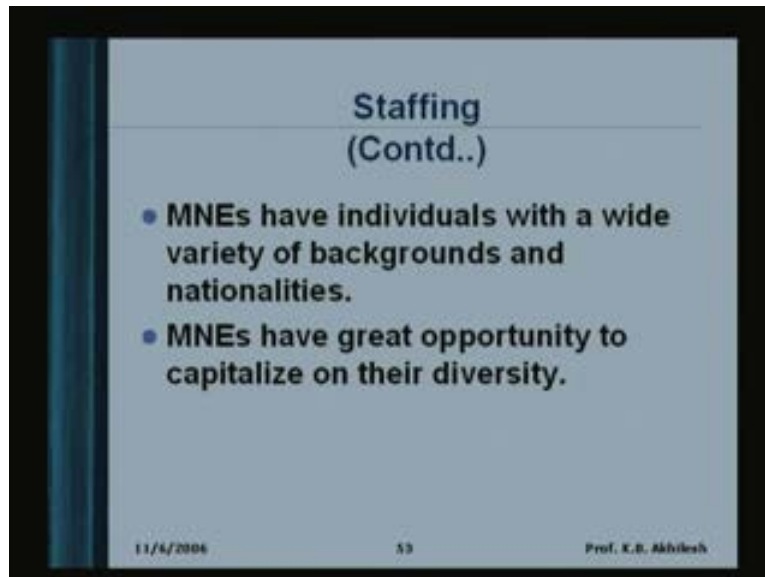
So when person grasp much much more than the local person salary, is it acceptable. So the question is that you imagine that when we get an MNC person or they are from developed country, so what would should be his compensation package. So you bring is compensation package of his home country and then the local managers how do they react. So will you match local managers' salary is to those of these people who have coming from the home countries and then you see the kind of differences, if the differences are in the range of one is to two or one is to three sometime you can accept it but there are situations where it is from anywhere 10 times to 40 times kind of a difference that means if the local manager is drawing a salary, who is comparable competent then and if he gets let us say about a 50,000 rupees per month but then know you have an equivalent person which is very comparable but draws not 5 lakhs but sometimes it is about 20 to 25 lakhs, so then there are issues for the local persons.

So then the you know the issues of how much to give the facilities, how much the local people versus the other should get all these things will relieve to only conflicts. So in the company to adopt to the differences among countries their life styles and also evolve a kind of an uniform compensation policies and procedures and at particularly, when you compare countries from very advanced very developed to evolving and also the poor then it becomes much more challenging and many at times what is practical what could be the best can only be evolved through, through either force or through a kind of a **kind of a** passive acceptance of the people.

So still compensation has been a kind of a major issue which is to be linked to the cost of living which should be linked to the kind of performance and productivity which is to be linked in terms of how much people demand and also the kind of a capacity to pay. So several of these things need to be integrated and then manage people at different levels and also of different ethnicity and different regions. You also see the staffing issues also can come because of people, people backgrounds and the nationalities. So at times people may bring their superiority complexes, people also bring their inferiority complexes, people accept, people accept certain, **certain** levels, certain authorities from certain regions then the organization runs into it is own set of issues.



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So building a culture which is focused toward performance and delivery which is focused towards quality and performance. I think that versus you see the cultural dominance, cultural dogmas adding the organizations particularly, operating in different countries will have to resolve MNEs if you see they have one of the difficult areas cut out for themselves is to achieve that required degrees of this cultural differences making it and aligned towards organizational performance.

But the greatest opportunity for multinational enterprises is to tap on this diversity and then build a global presence through very competent pool of managers who can understand deliver in different context, different speeds with degrees of quality and performance built into particularly, if you see controlling, you know the the question is that really one should centralize every aspect of the management or you make decisions only at the headquarters or leave the decisions to the to the local units.

So many of the MNCs have seen that it could be very inefficient and sometimes it is also impractical this is impossible to make all the decisions at the highest level. So how can you will how can you look at this control at different levels. So the you know decision

making and control processes if you see necessarily have to be distributed between the company headquarters and the subsidiaries in each nation. So but there are factors that influence where decisions to be made, so one need to see what we have discussed in the past to standardization and the tailoring of products and equipments to the local conditions.

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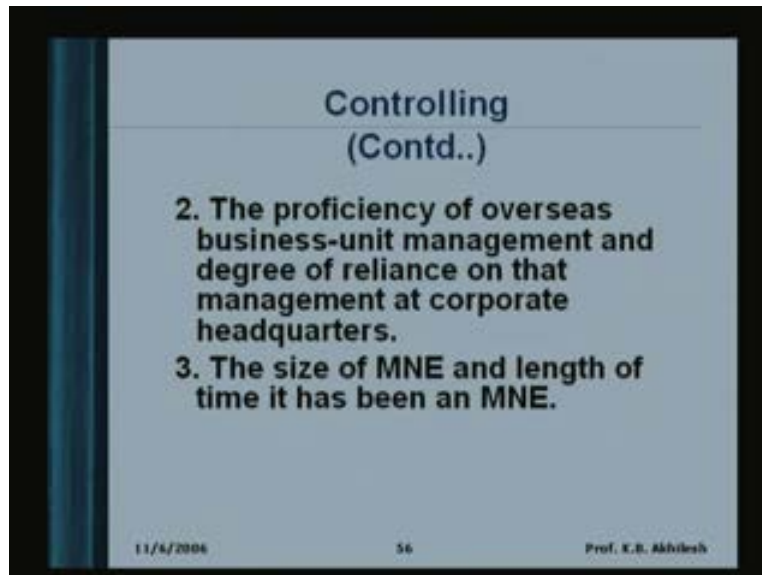
**Controlling**

- **Theoretically, MNE could centralize all aspects of control and organizational decision-making at its headquarters.**
- **But, this is highly inefficient and impractical.**

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So what is the thing whether you have to give one product to all places or to what extend you will take care of the local demands and the local pulls or pressures and also the proficiency of overseas business unit management and degree of reliance on that management to deliver consistently to the expected corporate standards established by the headquarters and also the how long and what is the size of this multinational enterprise, and how long are you present as a multinational enterprise. So that you can have a pool of talent to understand and deliver and the need for individual units to make sacrifices for the benefit of the international enterprises as a whole.

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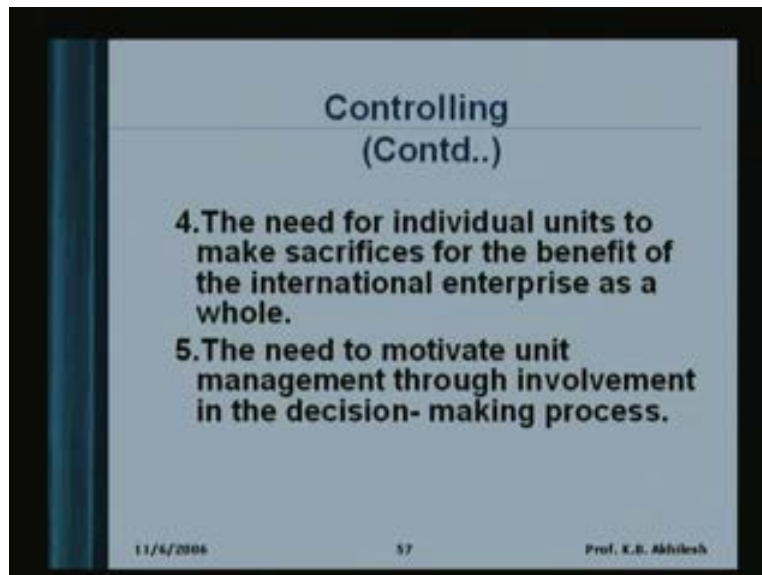


**Controlling  
(Contd.)**

- 2. The proficiency of overseas business-unit management and degree of reliance on that management at corporate headquarters.**
- 3. The size of MNE and length of time it has been an MNE.**

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**Controlling  
(Contd.)**

- 4. The need for individual units to make sacrifices for the benefit of the international enterprise as a whole.**
- 5. The need to motivate unit management through involvement in the decision-making process.**

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**Summary**

So far, we have had a close look at the following topics:

- Why a company goes international?
- How companies go international?
- Managerial attitudes towards internationalization.

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**Summary**

So far, we have had a close look at the following topics:

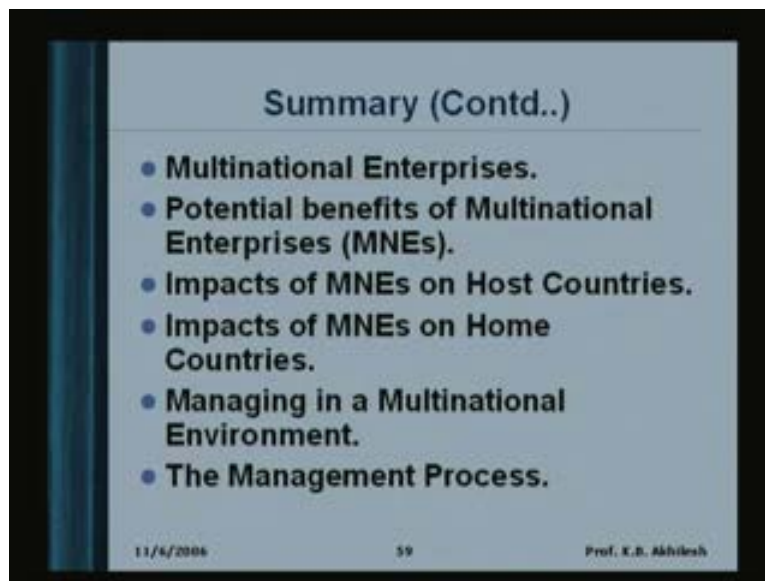
- Why a company goes international?
- How companies go international?
- Managerial attitudes towards internationalization.

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So what is that capability of the local units and then how can you involve and motivate all the local units to the global requirements and the standards. I think all these would definitely decide what needs to be the kind of a controlling process. So as you are seeing that as the multinational enterprises evolve from first degree to the second degree to the

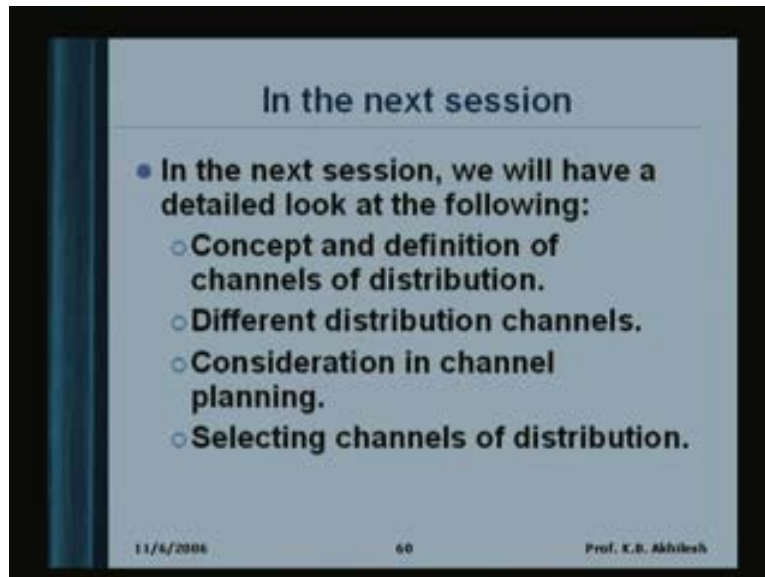
next level then, you see the complexities are also evolving as complexities are evolving the dimensions of the economic, the socio cultural, the political and the technological dimensions become much more relevant and then organizations have to adopt principles and practices which are best suited, what is workable in specific country situations.

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So that is what it is we have seen so far **at the you know** the various aspects of why do companies go international and then how these companies go international in terms of products and services, we also looked at the managerial attitude towards internationalization and what is desirable is to have the geocentric approaches and then we have tried to see what are the potential benefits and what impact MNCs have on the host countries and then the also the home countries and very specifically, what are some of the challenges of managing in a multinational environment and the kind of required the management or managerial processes.

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**In the next session**

- **In the next session, we will have a detailed look at the following:**
  - **Concept and definition of channels of distribution.**
  - **Different distribution channels.**
  - **Consideration in channel planning.**
  - **Selecting channels of distribution.**

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Overall, the multinational enterprises is an important tool in the context of globalization and as we are trying to integrate ourselves into the global cultures many multinational enterprises will operate in our country and several of our companies we have seen Infosys, Wipro, TCS to several in the FMCG areas will go global and they will have a global presence and global management principles are different from what one can think of operating at the local level as we try and establish, good MNEs practices and we will be able to strengthen capacities at different levels, we should be able to help the economy in our own country in terms of balance of payment things like that and definitely in the next session we will try and think about the concept and definition and channels of distribution, different distribution channels, consideration in channel planning, selecting channels of distribution and the related things, I hope it was useful to you.