



# GLOBAL Management



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# PREFACE

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Pick up any newspaper or magazine, any popular business book or academic text, and you will find attention being paid to the global dimensions of business and management. The world's economies are so interdependent that events in far-off locations must be considered by managers no matter where a particular business is situated.

The interdependence of world economies can be illustrated by almost any major event. Consider two unrelated events in 1992: in September, the United Kingdom (U.K.) pulled out of the European Monetary Union; and shortly thereafter Canada engaged in a major constitutional debate. The effects of these events were felt by businesses around the world:

- The British pound (U.K. currency) dropped in value in reaction to its withdrawal from the monetary union, and short-term investments in the U.K. sought alternative locations. High interest rates in Germany encouraged currency movements to that country, but other investors were concerned about the well-being of the European Community and chose to invest in countries outside of the European Community—including in Canada.
- Canada's debate over changes to the Canadian constitution became a major media event in Canada shortly after the U.K.'s action. Investors from Asia, Europe, and the U.S. evaluated the uncertainty associated with this process in Canada and adopted a "wait and see" attitude toward investments in Canada. To a large degree, this countered the potential increases in investment in Canada associated with the U.K.'s withdrawal from the European Monetary Union. The capital that would have come to Canada, because of the U.K.'s withdrawal from the monetary union, moved elsewhere—often to the rapidly expanding markets of the Far East.

These two unrelated events on opposite sides of the Atlantic encouraged investors to consider the Pacific Rim as a potential investment site. Many investments were initially short-term, but because of the attractive returns, some remained. In turn, these investments have helped fuel growth in the Far East.

These events exemplify why managers in the 1990s and the twenty-first century need to be aware of global issues and understand their impact on management. The interrelated nature of today's world makes it essential for managers to think globally—effective managers in this environment are not limited by national boundaries. At the same time, a global approach means that opportunities and challenges come from a variety of nations—the impact of the differences arising from inter national transactions is also important to success. Excellent firms of the coming decades will have managers who think globally while valuing diversity.

We have called this book *Global Management* to focus students on the need for global thinking. We recognize that global thinking results in inter national business, and much of the specific material in the book deals with diversity, and the differences that are encountered by managers in different national environments. Our aim throughout the book is to stress global approaches—encompassing the entire world—while acknowledging the importance of diversity—found around the world.

Any organization that participates in business activities that take place across national boundaries is, in essence, involved in international business. The critical factor that distinguishes this type of business from a business that could be defined as domestic is the complexity associated with operating across national boundaries. National boundaries imply varying political systems and national cultures; and these are two key factors that affect international managers.

It can be argued that the process of management remains the same, whether domestic or international. That is, managers still need to decide on strategies and plan activities, they must structure the organization to accomplish strategies, and they must have controls in place to ensure their achievement. As managers continue to rely on people to realize strategies and plans, good management relies on staffing effectively and relating to people in the organization

so that they work toward desired goals. A manager in a largely domestic firm deals with a relatively well-known and well-understood environment; and understanding the impact of factors such as politics, culture, labor, and ethics at home is relatively uncomplicated. This is not true internationally.

When managers begin to think globally, they are struck by the varied environments that may be encountered around the world. A host of different customs, practices, and requirements are found in different locations. To evaluate global opportunities and threats, it is important for managers to have a basic understanding of the variations that may be experienced. In the domestic context, managers look to the environment to identify opportunities and threats; the same is true globally. This environment can vary dramatically from place to place; therefore, understanding environmental factors is a prerequisite to doing business internationally.

Once managers have a broad understanding of the global environment, they can focus on strategic and operational decisions for the firm. The manager makes strategic decisions about whether, where, and how to globalize operations. These decisions are followed by designing management, operational, organizational, and control systems.

Having made decisions about the firm's globalization strategy and operations, managers are faced with the task of ensuring that these decisions are implemented effectively. This implementation relies on people—choosing the right people, providing the appropriate training, and motivating these people to perform at a high level are all critical to successful international management.

This book explores global issues and their impact on the management process. In designing the flow of the text, the authors discussed various possibilities with students and colleagues, and sought comments from business associates. Editors and reviewers also made suggestions. All of this input was helpful in deciding on the book's organization, and we appreciate the many people who contributed in this way.

This book is designed to parallel the international manager's decision-making process. Part One focuses on the global business environment. We begin with historical developments in international business and management—to provide a context for understanding international business and its environment. We then discuss four specific aspects of the environment—cultural, political,

labor, and ethical issues—viewed from a global management perspective. We have included a chapter on the ethical environment because we believe that it is vital for managers to be aware of ethical issues cross-nationally and cross-culturally when doing business internationally. Additional considerations, such as the legal environment, are clearly important but require specialized advice, which managers seek on a case by case basis; therefore, we have not discussed these topics here.

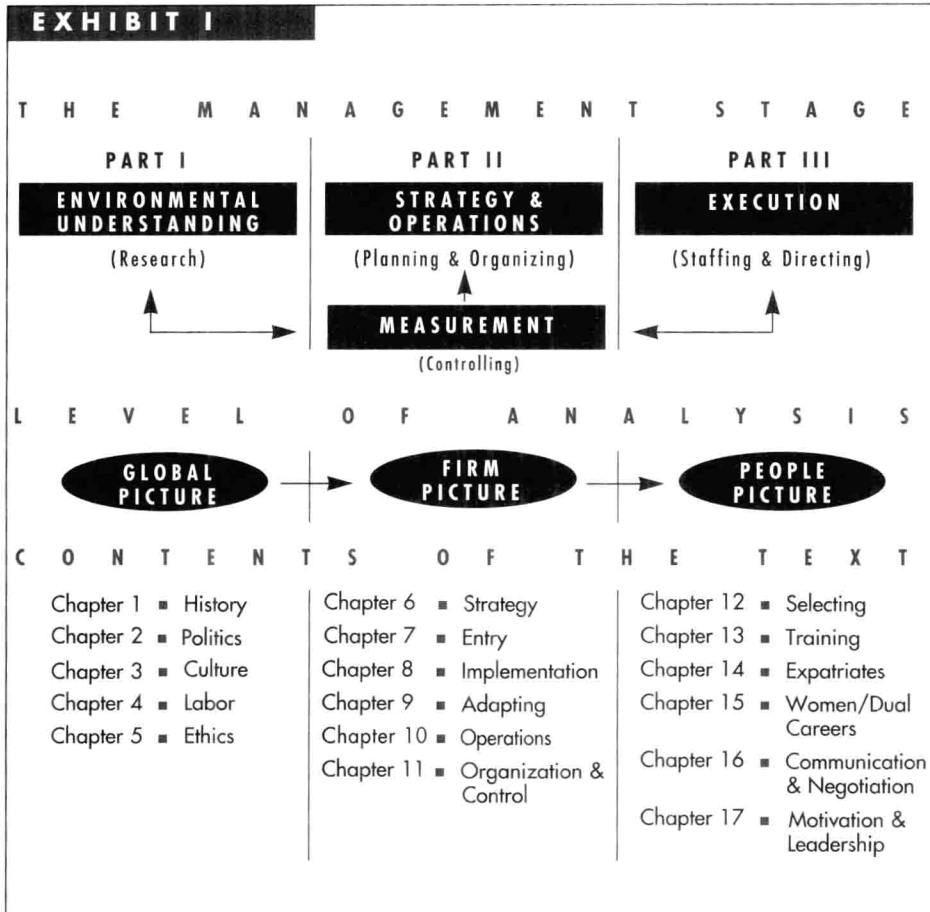
Part Two focuses on strategic issues—strategy formulation, implementation, and control considerations. We begin with an overview of global strategy, followed by a discussion of specific options for entering foreign locations. We then consider adapting the management process to international environments, operational issues, and organizational controls in global firms. The topics discussed are of a general management nature as opposed to more specialized topics such as accounting, financial, or marketing management.

Part Three addresses the task of ensuring that international decisions are successful. Here we focus on human resource issues. A substantial degree of attention is attached to these issues because it is in the management of human resources that variations in national environments often have the greatest impact. International managers cannot be effective unless they are sensitive to the differences in people that they may encounter in different locations. Part Three emphasizes choosing the best people around the world and explores ways to ensure that the staffing process is practical, constructive, and considerate of the cultural influences of people from different backgrounds.

Exhibit I depicts the flow of this book as well as the relationship between its flow, the international manager's level of analysis, and stages of the management process. The exhibit differentiates among the three parts of the book, and illustrates how these three parts encompass the management stage and the level of analysis.

In the management stage we depict the process of general management. We describe the management process as consisting of environmental understanding strategy and operations, execution, and measurement. These four boxes are analogous to the process of research, planning and organizing, staffing and directing, and controlling; thus, our management stages parallel the more traditional model of the management process.





In the international manager's decision-making process, we find a progression in level of analysis from consideration of the global picture, through understanding of the firm picture, to attention to the people picture. Relating these to the management stage:

- the global picture involves environmental understanding (research).
- the firm picture involves strategy and operations (planning and organizing), and measurement (controlling).
- the people picture involves execution (staffing and directing).



In Exhibit I we also include the contents of the book, showing their relationship to the management stage and level of analysis previously described.

Each chapter of this book begins with a series of “learning objectives” that encapsulate the subjects covered in that chapter, and key discussion topics which summarize the topics students should be able to discuss after studying the chapter. Chapters conclude with “discussion questions” which generally require some outside research to complete. Some can be prepared based largely on material in the text; others require additional information and research.

Each part of the book concludes with an extensive reading list incorporating references used in preparing the chapters with many other sources. A wide variety of authors, topics, and journals are included to provide the reader with a substantial body of literature on which to draw for further understanding of the topics discussed.

The main text is complemented by a series of appendices. Appendix A considers careers in international organizations—a topic of especial interest to students. Appendix B contains a series of experiential exercises, which add an important dimension to the study of international management. Appendix C contains selected cases, which provide a realism to the understanding of international management issues, and contribute to a practical approach to international management decision making.

The need to understand the global business arena has increasingly been recognized by the academic community. This is illustrated around the world by the following developments:

- university course offerings in international and global dimensions of business.
- degree programs devoted to international and global business issues.
- executive programs that are international and global in scope.
- international student and faculty exchanges.
- new journals focusing on international and global issues.
- international and global academic conference themes.
- conferences held in foreign locations by academic institutions.

This book was written in response to these developments. It focuses on global management as a necessary complement to increased globalization of business. We hope that professors and students around the world will find that these discussions enhance understanding of the global management process. Inevitably our own backgrounds are at least partially reflected. Readers should remember this influence and reflect on their own differing international experiences. In a field as diverse and rapidly changing as international business, the best managers are those who can draw on the expertise of others as well as their own experiences and understanding.

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