



Margaret Woods

International Business

Foreword by Professor Geert Hofstede



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How to use this book

This book is written for a first course in international business, either as part of a general business or management degree, or for post-experience courses. The book will also be useful as supplementary reading on more specialized courses which include an international dimension, e.g. retailing and marketing degrees, international finance or operations management.

The book is divided into two sections, the first looking at functional problems associated with the internationalization of an organization, and the second with the problems of doing business in Eastern Europe and the former USSR.

The book begins with an introductory look at the problems facing international business in the 1990s. This is followed by an integrated case study of Allied Domecq, which is intended to give an overview of the impact of international operations on all functions. This should be used for class discussion at the start of a course, as it is a useful introduction to the topics covered in detail in the rest of the text.

Each chapter is self-contained and can be used as class reading in preparation for a lecture. The case studies that appear at the end of each chapter then provide tutorial material and are all accompanied by discussion questions. For students on specialized courses, or who are interested in looking at a topic in further depth, the end of chapter references serve as a guide to up-to-date further reading.

If students have already taken a basic course in international business, the case studies are still useful for seminar work and for coursework. In relation to each function in business, they present quite challenging issues.

The second part of the book is devoted to business in Eastern Europe. This is made up of two chapters, one on Central and Eastern Europe and one on the former Soviet Union. Each one is written by an expert in the field and includes a historical perspective as well as discussion of current problems for companies wishing to do business in this part of the world.

We hope that above all you enjoy reading this book. It is written in a style which is intended to help you to learn by means of practical examples, and as an easy-to-use text for self-tuition. If you like it, please tell us, and if you don't, then please tell us why.

Foreword

by Geert Hofstede

Learning management is like learning to play a musical instrument – it demands talent, hard work, and the luck to be able to practice. Learning international management demands additional talent, more hard work, and even more luck. It means muddling along in foreign languages, being prepared to travel, even settling abroad.

Effective international management partly calls for different attitudes and skills than effective home-based management. A multicultural perspective implies restraint in passing judgment – the ability to recognize that in different environments different rules of the game of business may apply. Successful managers at home are often those who have proven themselves by a strong drive and quick and firm opinions. These very qualities may make them less qualified for international management.

International managers must be context-sensitive. Narrow specialists may at times be needed for solving technical problems abroad, but they should be shipped back as soon as possible. International managers need a broad interest and an eagerness to absorb new information from such fields as history, geography, religion, literature and art.

International managers export not only their professional lives, but their private and family lives as well. Families are deeply affected by their fathers or mothers accepting an international management career. Partners may lose their jobs if they join in expatriation, and each other if they don't. Unmarried couples, common in some Western countries, may have to formally marry in order to be admitted into countries with traditional morality laws. Even if the international manager remains home-based, he or she will be away from home more often. Children will be affected by expatriation or by their parent's frequent absences. Expatriations seem to fail more often for family reasons than for job reasons.

This textbook on international business contains a broad overview of the areas where international management differs from home-based management. No book can make one an

international manager, just as no book can teach one to play an instrument. What it can do is create awareness of what there is to be known, and motivate the user to find out what he or she will need to know in addition to what the book contains.

The student of this book will also discover the complexity of, and some of the value conflicts inherent in, the international business field. If he or she feels comfortable with this amount of intellectual and moral confusion, then maybe this is the first step to a productive international management career.

G.H.
Honolulu 1995

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The authors accept all responsibility for errors or omissions in the text, and would be pleased to hear from readers who have any suggestions on how the book may be improved.

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PART ONE

International Business

Introduction

Companies entering the world of international business in the 1990s may well ask if the challenges to be faced are any different to those which would have been encountered in the 1960s, 1970s or 1980s. Given the continual changes in world political and economic trends the answer is, almost inevitably, yes. In many areas of management, the changes are merely one of degree, not of kind. Areas such as communications and technology have changed more than almost any others in the last few decades. The changes in these areas have been particularly significant in the last decade, and have had a profound effect on the way in which companies do business internationally. The value of Japanese management techniques, for example, has been widely acknowledged in European and American circles, and a number of the world's leading companies have adopted some of these techniques.

Communications and information flows

The field of communications has seen massive changes in the last decade, for a business, the speed and quality of international communications systems affect its strategy, management structure, operational controls, marketing management, and training and finance, in other words, just about everything.

From a consideration of the links between communications and strategy, it may be seen that the widespread use of personal computers now gives companies easy access to information about competitor behaviour and changes in the political, economic and technological environment. One consequence of the easier information is a more efficient strategic planning process, for the firms that can take advantage of the access to information, and can offer a competitive advantage over companies which do not update their systems. This could result in a two-tier structure for international businesses. The top tier is composed of firms which have made major investments in information technology; the

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