

## 12. TOPIC

# MANAGING GLOBALY

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## How the lecture will be conducted?

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1. We use **MS Teams**, a shared whiteboard for your engagement and reactions, brainstorming ideas and for sharing answers.
  
  2. The lecture is completed by **quizzes in Vevox**, the link is always in the presentation.
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- **The links between globalization, organizations and business**
  - **Managing globally – local preferences and global standardization**
  - **The role of multinational and global companies**
  - **Analysing the organization's Environment – Ethical behaviour**
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# Learning outcomes

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- Acquire competences and knowledge to analyse the global environment that shapes the organizational behaviour.
  - As a future managers you need to gain knowledge about current trends in ethic business and Corporate Social Responsibility approaches.
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## Key readings

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You can find support in the following sources:

- Book – Jones, G. R. and J. M. George (2019). *Essentials of Contemporary Management*, Chapter 4, p. 122

# Managing Globally

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- As the globalization of business continues, organizations must be analyzed and managed in a new way.
  - Simply considering how office workers behave and perform at Apple headquarters in Cupertino, California, and then attempting to generalize findings and conclusions and apply them to office workers at Lenovo Group (which purchased IBM's PC business in 2005) in Beijing, China, is not sufficient.
  - American office workers and Chinese office workers definitely think and behave in different ways. Behavior, structure, and processes are all crucial to the successful operation of an enterprise.
  - **There will be no national products or technologies, no national corporations, no national industries.**
  - If development of people is vital on a national level, it is certainly vital on an organizational level.
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# Managing Globally

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- Today, however, economic and business activity includes global **strategic alliances**, worldwide production and distribution, and regional integration agreements such as the **European Union, Asia-Pacific Economic Cooperation, and North American Free Trade Agreement**.
  - The **multinational corporation** conducts its business in various countries, adapting its products and practices to local conditions by **customizing products** for specific markets.
  - In contrast, the **global corporation** avoids the high relative costs of the multinational corporation by offering universal standardized products for a homogeneous world market.
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# Managing Globally

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- Developing successful global strategies and approaches to managing diverse workers has become a **new requirement** for managers.
  - It is often the case that management practices in an organization **relate to the nationality of its ownership** rather than to the particular locations of its facilities.
  - However, it is **no longer enough to simply assume** that a motivational approach, job design technique, or performance review system will have similar results for all workers in all settings.
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# Challenges for Management in a Global Environment

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- Today managers who make no attempt to learn from and **adapt** to changes in the global environment find themselves **reacting** rather than innovating, and their organizations often become uncompetitive and **fail**.

**Five major challenges** stand out for managers in today's world:

1. building a competitive advantage
  2. maintaining ethical standards
  3. managing a diverse workforce
  4. utilizing new technologies
  5. practicing global crisis management
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# Challenges for Management in a Global Environment

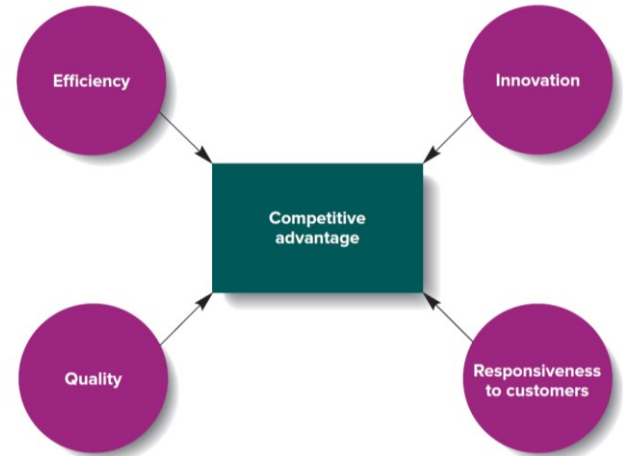
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## Corporate and Cross-Cultural Evolution

	<b>Phase I Domestic</b>	<b>Phase II International</b>	<b>Phase III Multinational</b>	<b>Phase IV Global</b>
Primary orientation	Product/service	Market	Price	Strategy
Competitive strategy	Domestic	Muitidomestic	Multinational	Global
Importance of world business	Marginal	Important	Extremely important	Dominant
Product/service	New, unique	More standardized	Completely standardized (commodity)	Mass-customized
Technology	Product engineering emphasized Proprietary	Process engineering emphasized Shared	Engineering not emphasized Widely shared	Product and process engineering Instantly and extensively shared
R&D/sales	High	Decreasing	Very low	Very high
Profit margin	High	Decreasing	Very low	High, yet immediately decreasing
Competitors	None	Few	Many	Significant (few or many)
Market	Small, domestic	Large, muitidomestic	Large, multinational	Largest, global
Production location	Domestic	Domestic and primary markets	Multinational, least cost	Global, least cost
Exports	None	Growing, high potential	Large, saturated	Imports and exports
Structure	Functional divisions Centralized	Functional with international division Decentralized	Multinational line of business Centralized	Global alliances Coordinated, decentralized
Cultural sensitivity	Marginally important	Very important	Somewhat important	Critically important
With whom	No one	Clients	Employees	Employees and clients
Level	No one	Workers and clients	Managers	Executives
Strategic assumption	"One way"/ "one best way"	"Many good ways"	"One least-cost way"	"Many good ways" simultaneously

# Managing Globally

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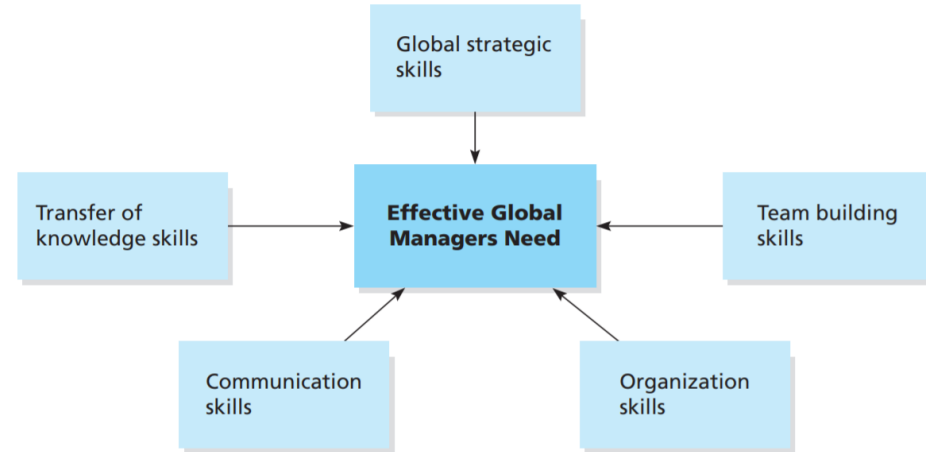
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- The Ford Motor Company, which was founded in 1903. Although it enjoyed widespread success in the U.S. domestic market, it was not until the 1960s that the company evolved from phase I to phase II by aggressively pursuing international expansion.
  - In 1967, Ford of Europe was established, which eventually helped Ford to enter phase III of corporate evolution, the multinational stage.
  - Phase IV of evolution, the global stage, emphasizes that firms need to understand their customers' and other stakeholders' needs, quickly translate them into products and services on a least-cost basis, and market them effectively. Ford is attempting to accomplish this by selling off its luxury brands (i.e., Jaguar, Land Rover, and Volvo) so that it can meet tougher carbon emission guidelines in different countries.
  - The ability to diagnose customers' and stakeholders' needs, manage cross-cultural transactions, manage multinational teams, and form and manage effective global alliances is crucial to succeeding in the fourth phase.
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# Managing Globally – Global Manager



- The global manager is a person who views markets, production, service, and opportunities globally and who seeks higher profits for the firm on a global basis.
- The truly global manager is at home anywhere in the world. He or she is considered open to national ideas and free of prejudices or attachments to one community, country, or culture.
- This awareness and understanding is acquired by observation, learning, participation, and involvement with people from many different countries and cultures.



# Managing Globally – Global Strategic Skills

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- Managers operating in a globally shifting work environment will need a working knowledge of international relationships and foreign affairs, including global financial markets, international law, and exchange rate movements.
  - Understanding global economies of scale, work ethics of employees, and host government policies and procedures will be required to formulate feasible, fair, legal, and effective strategies.
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## Managing Globally – local preferences and global standardization

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- **Procter & Gamble's** liquid detergent failed in Europe when it was introduced because European washing machines were not equipped for liquid detergent. Modifications to the detergent were made and sales subsequently improved.
  - **Kellogg's Corn Flakes** were eaten primarily as a snack when introduced in Brazil. With educational advertising, Corn Flakes gained acceptance as a breakfast food.
  - **L'Oréal markets** its hair care and cosmetic products in more than 100 countries. It has adopted and implemented a strategy to produce local products adapted to local markets, while it reaps world economies of scale in research and development, raw materials sourcing, and productivity balancing.
  - **Nestlé** has tailored products to what the Chinese consumer wants and needs—instant noodles, seasonings for Chinese cuisine, mineral water, and a popular live-lactobacillus health drink.
  - **Examples suggest that global success requires striking a balance between capitalizing on resources and needs within a nation and capturing a vision of a globalizing world. Local requirements such as customer satisfaction must be met.**
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# Analysing the organization's Environment - demographics

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- **Demographic changes pose some of the most significant challenges** for management in the twenty-first century.
  - The workforce in industrialized economies **is ageing**.
  - The proportion of the population who **have retired** from employment is growing relative to the proportion of the population still in work.
  - An ageing population is one consequence of people **living longer** and having **fewer** children.
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## Generations

Parry and Urwin (2011) identify the following generations:

- *Veterans*, born 1925 to 1942; also known as the silent generation, matures, or traditionalists;
- *Baby boomers*, born 1943 to 1960; also just called boomers;
- *Generation X*, born 1961 to 1981, also known as baby busters, the thirteenth, or the lost generation;

- *Generation Y*, born since 1982; also known as millennials, nexters, or echo boomers.

Other commentators recognize

- *Generation C*, born since 1990: Connected, Communicating, always Clicking.

These dates are approximate, and there is considerable disagreement about them. You will find different versions elsewhere.

# Analysing the organization's Environment - demographics

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- Governments have been trying to raise retirement ages in order to reduce the drain on welfare budgets and pension systems.
  - *How will organizations fill the gaps as boomers retire, taking their knowledge and experience with them, while the proportion of skilled youngsters in the workforce is shrinking?*
  - *Will older workers adapt to new technologies and working practices, and take management orders from youngsters?*
  - A recent survey of over 1,000 managers found that most organizations had not yet developed their age management policies. Younger managers find it difficult to manage older workers, who have different drives, and need flexibility (to care for elderly parents and grandchildren, for example).
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# Vevox questions

The ..... manager is a person who views markets, production, service, and opportunities globally and who seeks higher profits for the firm on a global basis. 0/0

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- global
- local
- purchase
- key account

The ..... corporation conducts its business in various countries, adapting its products and practices to local conditions by ..... products for specific markets. 0/0

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- multinational - customizing
- global - individual
- multinational - individual
- global - competitive

# Analysing the organization's Environment - demographics



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## On the grid 24/7: here comes Generation C



© Gareth Brown/Corbis

Generation C is the label being given to those born after 1990. The 'C' stands for connected, communicating, content-centric, computerized, community-oriented, and always clicking. This is the first generation to have grown up with the internet, social media, and mobile handheld computing, for whom 24/7 mobile and internet connectivity are taken for granted, and freedom of expression is the norm. These technologies encourage more flexible forms of working, and less hierarchical organizations, and they are blurring the

boundaries between work and personal life. By 2020, Gen C will make up over 40 per cent of the population in America, Europe, and the BRICs countries (Friedrich et al., 2011).

Gen C will be 'on the grid' 24/7. Connected around the clock is normal for Gen C. Global mobile phone and internet use are predicted to increase as follows:

	2012	2020
mobile phone users	4.6 billion	6 billion
internet users	1.7 billion	4.7 billion

Gen C will be 'social animal 2.0', with a wide range of personal relationships driven by social networks, voice channels, online groups, blogs, and electronic messaging. This will create fast-moving business and political pressures as information and ideas spread more widely, more quickly.

There are organizational consequences. Most Gen C employees will bring their own computers to work rather than use corporate resources. There will probably be more work done by virtual project groups, with fewer face to face meetings, and less frequent travel.

# Analysing the organization's Environment - demographics

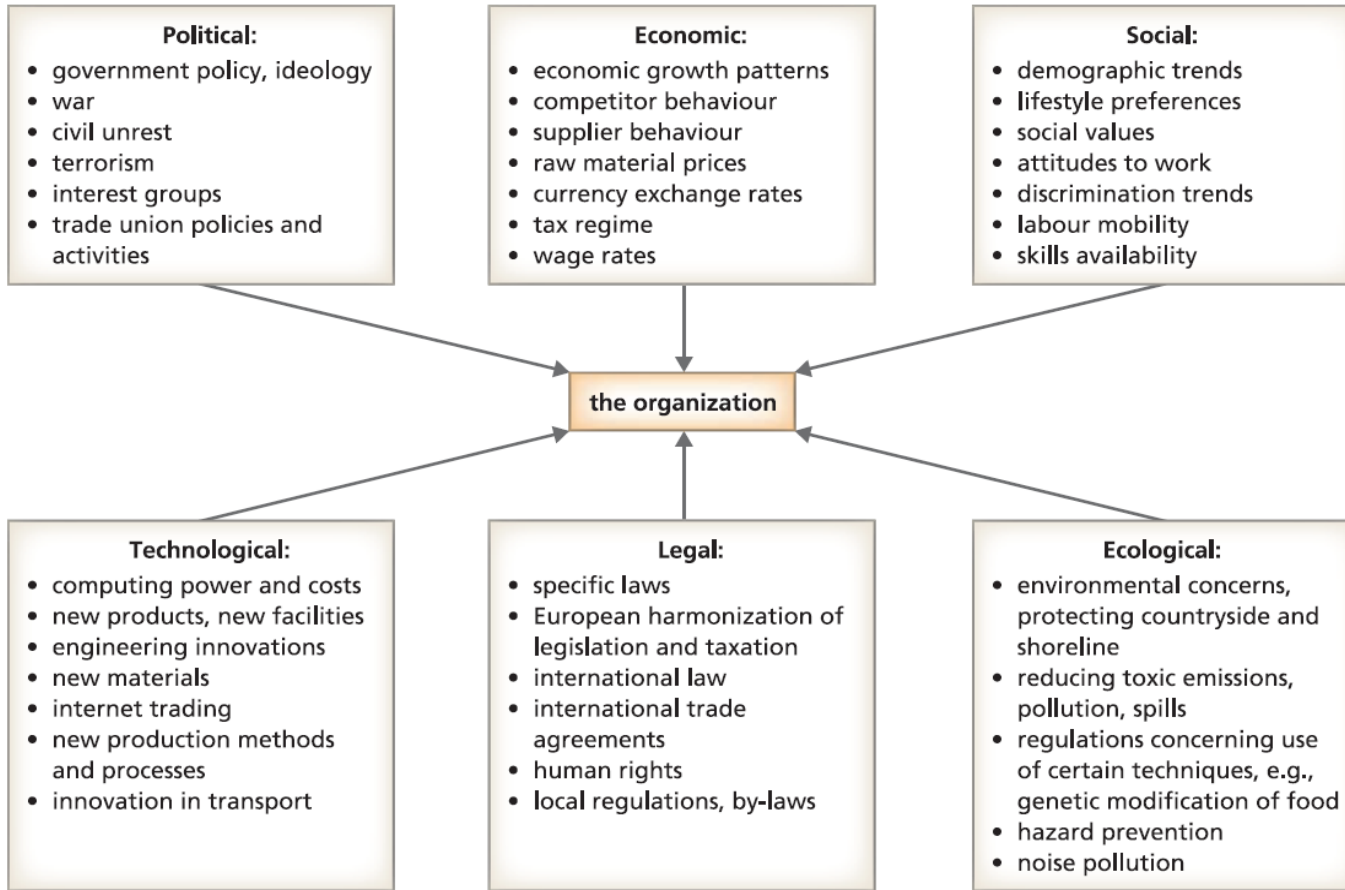
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- Other demographic trends that will affect many organizations include **global migration**, triggered in part by wars, improved communications and transport, and in Europe new rules concerning harmonization and labour mobility.
  - This contributes to a richer ethnic, cultural, and religious mix in a given workforce, and puts a premium on the ability to manage this diversity of values, needs, and preferences.
  - Further trends include the development of ‘the hourglass economy’, divided between educated and skilled knowledge workers, who are in demand, and poorly educated, untrained and poorly paid manual and clerical workers, for whom there are fewer job opportunities.
  - Lifestyles and values are changing, affecting the formation and composition of households, patterns of living and consumption, trends in leisure and education, and preferences in working patterns.
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# Analysing the organization's Environment – PESTLE analysis



# Analysing the organization's Environment – PESTLE analysis

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**External** environmental pressures:

**political** factors  
**economic** factors  
**social** factors  
**technological** factors  
**legislative** factors  
**environmental** factors  
possible future **scenarios**

lead to  
change in →

**Internal** organization responses:

organization strategy  
organization structure  
management style  
working practices  
employment patterns  
innovative solutions

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# Analysing the organization's Environment – Ethical behaviour

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- Organizations and managers are expected to behave ethically. The emphasis on this aspect of organizational behaviour has increased in the twenty-first century, for two reasons.
  - The **first** concerns a number of high-profile corporate scandals (Enron, Worldcom).
  - The **second** concerns increasing media scrutiny of organization and management practices, focusing on environmental issues and the use of low-cost labour.
  - Video: UNDP – SDGs <https://www.undp.org/content/undp/en/home/sustainable-development-goals/background.html>
-



**1** NO  
POVERTY



**2** ZERO  
HUNGER



**3** GOOD HEALTH  
AND WELL-BEING



**4** QUALITY  
EDUCATION



**5** GENDER  
EQUALITY



**6** CLEAN WATER  
AND SANITATION



**7** AFFORDABLE AND  
CLEAN ENERGY



**8** DECENT WORK AND  
ECONOMIC GROWTH



**9** INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



**10** REDUCED  
INEQUALITIES



**11** SUSTAINABLE CITIES  
AND COMMUNITIES



**12** RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



**13** CLIMATE  
ACTION



**14** LIFE  
BELOW WATER



**15** LIFE  
ON LAND



**16** PEACE, JUSTICE  
AND STRONG  
INSTITUTIONS

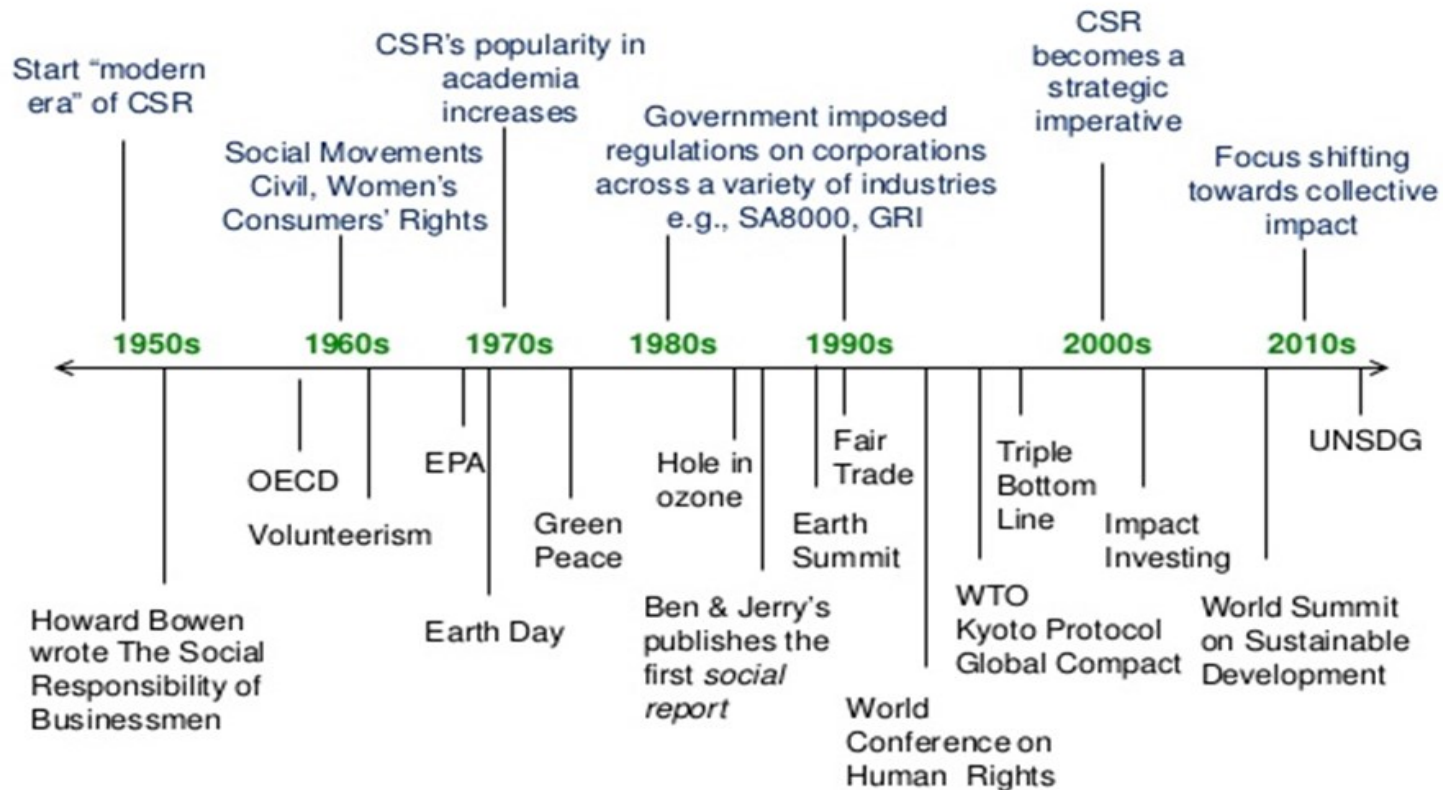


**17** PARTNERSHIPS  
FOR THE GOALS

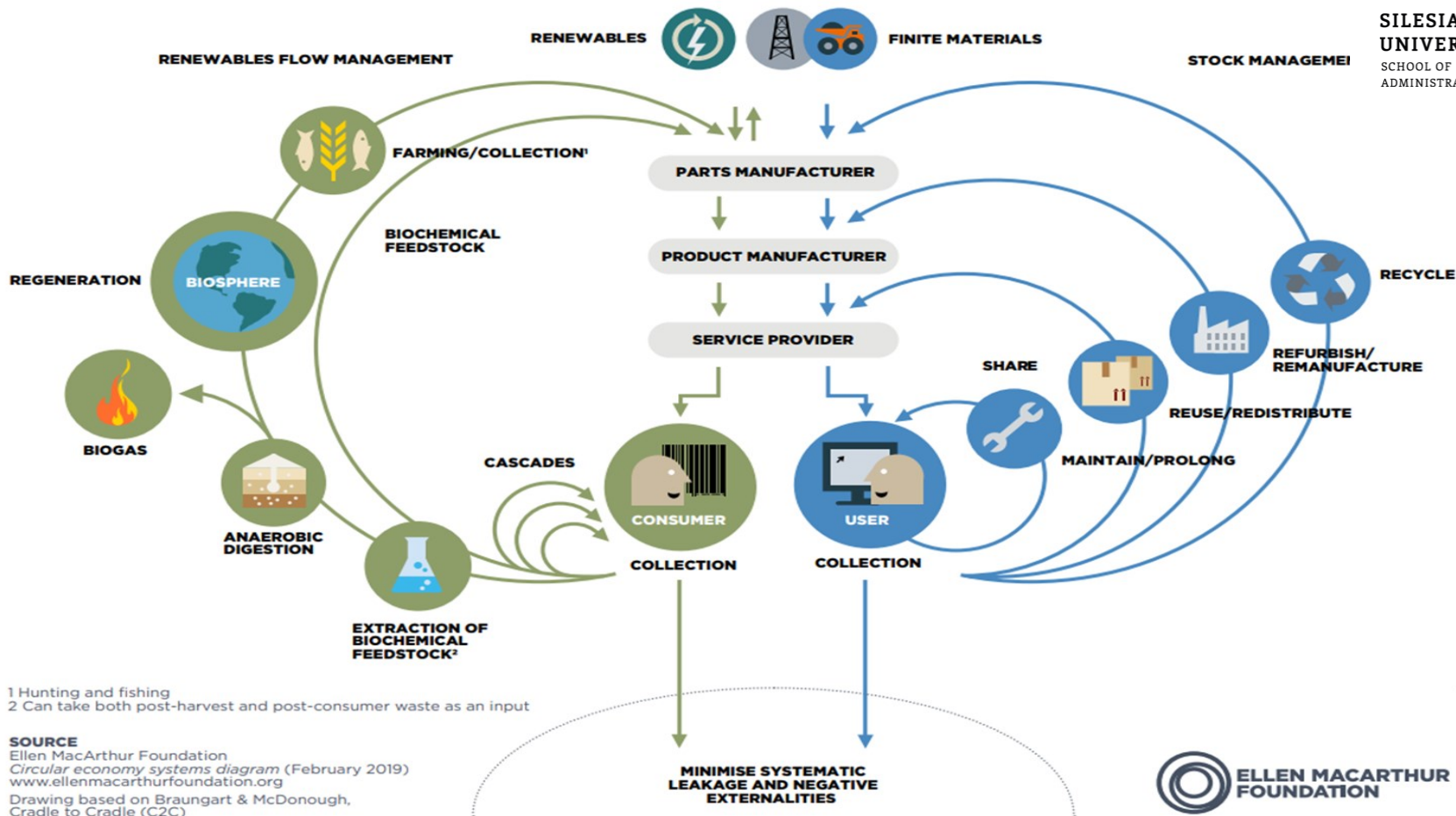


**SUSTAINABLE  
DEVELOPMENT  
GOALS**

# The evolution of modern era CSR



**FIGURE 3: CIRCULAR ECONOMY SYSTEM DIAGRAM**



1 Hunting and fishing  
2 Can take both post-harvest and post-consumer waste as an input

**SOURCE**  
Ellen MacArthur Foundation  
*Circular economy systems diagram* (February 2019)  
[www.ellenmacarthurfoundation.org](http://www.ellenmacarthurfoundation.org)  
Drawing based on Braungart & McDonough,  
Cradle to Cradle (C2C)





# Analysing the organization's Environment – Ethical behaviour

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Three-level framework which includes the ethics of the individual manager, the organization's ethical stance, and the organization's approach to corporate social responsibility.

- **Level 1**, individual ethics, concerns the decisions and actions of individual managers, and the ethical principles behind their behaviour;
  - **Level 2**, the organization's ethical stance, concerns the extent to which the organization' minimum obligations to stakeholders and to society at large will be exceeded;
  - **Level 3**, corporate social responsibility, focuses on how the organization puts its ethical stance into practice, by addressing different stakeholder interests.
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**Ethics** the moral principles, values, and rules that govern our decisions and actions with respect to what is right and wrong, good and bad.

# Analysing the organization's Environment – Ethical behaviour

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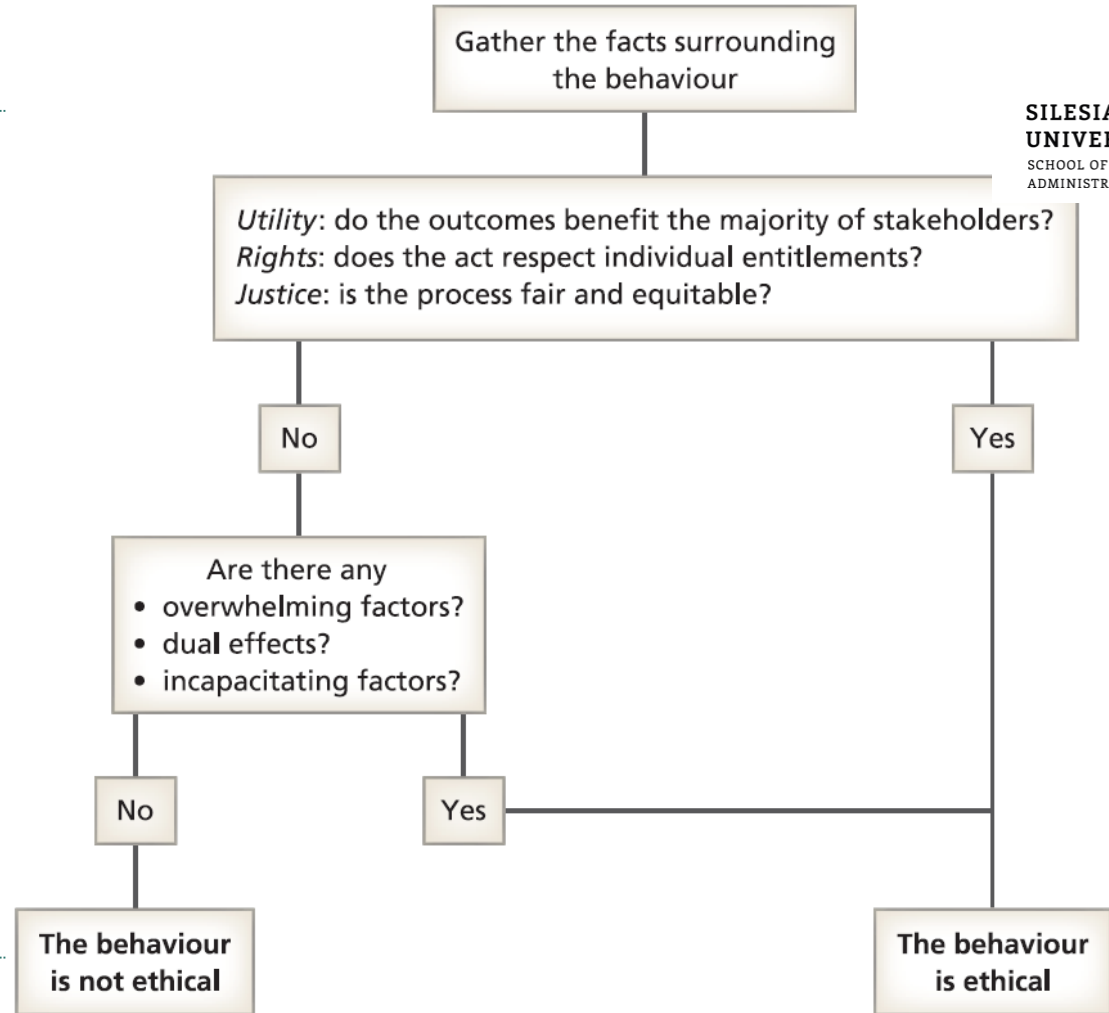


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Video: Fair Trade introduction -Fair Trade – video: <https://www.fairtrade.net/standard/spo>



# The ethical decision tree







## Coca-Cola: thirsty for sustainability

Sensitive to accusations that it runs a wasteful, unethical, and polluting business that does not make a social contribution, Coca-Cola in Europe responded with a series of corporate responsibility initiatives (Wiggins, 2007):

- restricting the marketing of its products to children
- working with the World Wildlife Fund to find ways to cut back and to replenish the 290 billion litres of water that the company uses annually
- working with Greenpeace to develop environmentally friendly beverage coolers and vending machines to reduce the emission of hydrocarbon greenhouse gases

- monitoring the agricultural impact of the company into tea, coffee, and juice drinks which require it to purchase ingredients from around the globe.

Websites accuse the company of exaggerating the benefits of an unhealthy product, of management complicity in the deaths of union organizers in bottling plants in South America, and of reducing and polluting local water supplies in India: see [www.killercoke.org](http://www.killercoke.org) and [www.indiaresource.org/campaigns/coke/2004/risingstruggles.html](http://www.indiaresource.org/campaigns/coke/2004/risingstruggles.html).



# Vevox questions

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**We can analysing the organization's Environment by**

- PEST analysis
- KPI analysis
- segmentation
- BCG matric

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**Circular Economy system diagramit is referred to as**

- butterfly
- looping
- separate
- complex

# RECAP

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Managers operating in a globally shifting work environment will need a working knowledge of international relationships and foreign affairs, including global financial markets, international law, and exchange rate movements.

Understand the concept of corporate social responsibility, and the practical and ethical implications of this concept for organizational behaviour.

- Businesses and their managers are expected to act in responsible and ethical ways, contributing to social and environmental outcomes as well as making profit.
  - Responsible practices include, for example, the business contribution to the community, the Sustainable use of resources, ethical behaviour in relationships with suppliers and customers, and the impact of the business on all stakeholders.
  - Critics argue that it is government's job to deal with social and environmental issues, that the role of business is to maximize profits while operating within the law, and that managers who donate company funds to 'good causes' give away shareholders' money.
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**We can share our  
thoughts and ask  
questions**



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