

GLOBAL
EDITION



Strategic Management

Concepts and Cases

FIFTEENTH EDITION

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Chapter Two

Outside-USA Strategic Planning

Chapter Objectives

- Explain the advantages and disadvantages of entering global markets.
- Discuss protectionism as it impacts the world economy.
- Explain when and why a firm (or industry) may need to become more or less global in nature to compete.

Chapter Objectives (cont.)

- Discuss the global challenge facing American firms.
- Compare and contrast business culture in the United States with many other countries.
- Describe how management style varies globally.
- Discuss communication differences across countries.
- Discuss Africa as the newest hotspot for business entry.

Global/International Issues

- The underpinnings of **strategic management** hinge on managers gaining an understanding of competitors, markets, prices, suppliers, distributors, governments, creditors, shareholders, and customers worldwide.
- The price and quality of a firm's products and services must be competitive on a **worldwide basis**, not just on a local basis.

The Five Largest (by revenue) Companies in Nine Countries (2012)

TABLE 2-1 The Five Largest (by revenue) Companies in Nine Countries (2012)

Britain	India	Japan
1. BP	1. Indian Oil	1. Toyota Motor
2. HSBC Holdings	2. Reliance Industries	2. Japan Post Holdings
3. Lloyds Banking Group	3. Bharat Petroleum	3. Nippon TeleG & TeleP
4. Tesco	4. State Bank of India	4. Hitachi
5. Aviva	5. Hindustan Petroleum	5. Honda Motor
Australia	Brazil	China
1. BHP Billiton	1. Petrobras	1. Sinopec Group
2. Wesfarmers	2. Banco do Brasil	2. China National Petroleum
3. Woolworths	3. Banco Bradesco	3. State Grid
4. Commonwealth Bank	4. Vale	4. Ind. & Com. Bank of China
5. Westpac Banking	5. JBS	5. China Mobile Communi.
USA	Canada	Germany
1. Walmart Stores	1. Manulife Financial	1. Volkswagen
2. ExxonMobil	2. Royal Bank of Canada	2. Daimier
3. Chevron	3. Suncor Energy	3. Allianz
4. Conoco Phillips	4. Power Corp. of Canada	4. E. ON
5. Fannie Mae	5. George Weston	5. Siemens

Multinational Organizations

- **Multinational corporations**
 - Organizations that conduct business operations across national borders

Advantages of International Operations

1. Firms can gain new customers for their products.
2. Foreign operations can absorb excess capacity, reduce unit costs, and spread economic risks over a wider number of markets.
3. Foreign operations can allow firms to establish low-cost production facilities in locations close to raw materials and/or cheap labor.

Advantages of International Operations

4. Competitors in foreign markets may not exist, or competition may be less intense than in domestic markets.
5. Foreign operations may result in reduced tariffs, lower taxes, and favorable political treatment.
6. Joint ventures can enable firms to learn the technology, culture, and business practices of other people and to make contacts with potential customers, suppliers, creditors, and distributors in foreign countries.

Advantages of International Operations

7. Economies of scale can be achieved from operation in global rather than solely domestic markets.
8. A firm's power and prestige in domestic markets may be significantly enhanced if the firm competes globally.

Disadvantages of International Operations

1. Foreign operations could be seized by nationalistic factions.
2. Firms confront different social, cultural, demographic, environmental, political, governmental, legal, technological, economic, and competitive forces when doing business internationally.
3. Weaknesses of competitors in foreign lands are often overestimated, and strengths are often underestimated.

Disadvantages of International Operations

4. Language, culture, and value systems differ among countries, which can create barriers to communication and problems managing people.
5. Gaining an understanding of regional organizations is often required in doing business internationally.
6. Dealing with two or more monetary systems can complicate international business operations.

The Global Challenge

- America's economy is becoming **much less** American.
- A world economy and monetary system are **emerging**.
- Markets are shifting rapidly and in many cases **converging** in tastes, trends, and prices.

Globalization

- **Globalization**

- process of doing business worldwide, so strategic decisions are made based on global profitability of the firm rather than just domestic considerations

Globalization

- **Global strategy**

- includes designing, producing, and marketing products with global needs in mind, instead of considering individual countries alone
- integrates actions against competitors into a worldwide plan

Corporate Tax Rates Across Countries in 2012

TABLE 2-4 Corporate Tax Rates Across Countries in 2012 (from high to low)

Country	Corporate Tax Rate (%)
USA	35
Brazil	34
France	33.33
Germany	33
India	30
Mexico	30
Italy	27.5
Japan	25.5
Israel	25
Austria	25
China	25
Portugal	25
Finland	24.5
U.K.	24
Ukraine	21
Estonia	21
Russia	20
Greece	20
Croatia	20
Libya	20
Netherlands	20
Turkey	20
Poland	19
Czech Republic	19
Hungary	19
Singapore	17
Canada	16.5
Hong Kong	16.5
Romania	16
Latvi	15
Lithuani	15
Ireland	12.5
Serbi	10
Bulgaria	10
Cyprus	10

Cultural Pitfalls That May Help You Be a Better Manager

TABLE 2-5 Cultural Pitfalls That May Help You Be a Better Manager

- Waving is a serious insult in Greece and Nigeria, particularly if the hand is near someone's face.
 - Making a "good-bye" wave in Europe can mean "No," but it means "Come here" in Peru.
 - In China, last names are written first.
 - A man named Carlos Lopez-Garcia should be addressed as Mr. Lopez in Latin America but as Mr. Garcia in Brazil.
 - Breakfast meetings are considered uncivilized in most foreign countries.
 - Latin Americans are on average 20 minutes late to business appointments.
 - Direct eye contact is impolite in Japan.
 - Do not cross your legs in any Arab or many Asian countries—it is rude to show the sole of your shoe.
 - In Brazil, touching your thumb and first finger—an American "Okay" sign—is the equivalent of raising your middle finger.
 - Nodding or tossing your head back in southern Italy, Malta, Greece, and Tunisia means "No." In India, this body motion means "Yes."
 - Snapping your fingers is vulgar in France and Belgium.
 - Folding your arms across your chest is a sign of annoyance in Finland.
 - In China, leave some food on your plate to show that your host was so generous that you could not finish.
 - Do not eat with your left hand when dining with clients from Malaysia or India.
 - One form of communication works the same worldwide. It is the smile—so take that along wherever you go.
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Cultural Differences between U.S. and Foreign Managers

- ▶ Americans place an exceptionally high priority on time, viewing time as an **asset**. Many foreigners place more worth on **relationships**.
- ▶ **Personal touching** and distance norms differ around the world. Americans generally stand about three feet from each other when carrying on business conversations, but Arabs and Africans stand about one foot apart.

Cultural Differences between U.S. and Foreign Managers

- Family roles and relationships vary in different countries.
- Business and daily life in some societies are governed by religious factors.
- Time spent with the family and the quality of relationships are more important in some cultures than the personal achievement and accomplishments espoused by the traditional U.S. manager.

Cultural Differences between U.S. and Foreign Managers

- Many cultures around the world value modesty, team spirit, collectivity, and patience much more than **competitiveness** and **individualism**, which are so important in the United States.
- **Punctuality** is a valued personal trait when conducting business in the United States, but it is not revered in many of the world's societies.

Cultural Differences between U.S. and Foreign Managers

- To prevent social blunders when meeting with managers from other lands, one must learn and respect the rules of etiquette of others.
- Americans often do business with individuals they do not know, unlike businesspersons in many other cultures.

Communication Differences Across Countries

- ▶ Italians, Germans, and French generally do not soften up executives with praise before they criticize. Americans do soften up folks, and this practice seems **manipulative** to Europeans.

Communication Differences Across Countries

- British executives often complain that American executives chatter too much. Informality, egalitarianism, and spontaneity from Americans in business settings jolt many foreigners.
- Europeans feel they are being treated like children when asked to wear name tags by Americans.
- Executives in India are used to interrupting one another.

Communication Differences Across Countries

- When negotiating **orally** with Malaysian or Japanese executives, it is appropriate to allow periodically for a time of silence.
- Refrain from asking foreign managers questions such as “How was your weekend?” That is **intrusive** to foreigners, who tend to regard their business and private lives as totally separate.

Mexico-Business Culture

- Employers seek workers who are agreeable, respectful, and obedient, rather than innovative, creative, and independent.
- Mexican employers are paternalistic, providing workers with more than a paycheck, but in return they expect allegiance.

Mexico-Business Culture

- ▶ Mexicans do not feel compelled to **follow rules** that are not associated with a particular person in authority they work for or know well.
- ▶ Mexicans are very **status conscious** so business titles and rank are important.

Japan-Business Culture

- The Japanese place great importance on group loyalty and consensus, a concept called *Wa*.
- When confronted with disturbing questions or opinions, Japanese managers tend to remain silent.

Japan-Business Culture

- ▶ Most **Japanese** managers are reserved, quiet, distant, and introspective, whereas most **U.S.** managers are talkative, insensitive, impulsive, direct, and individual oriented.
- ▶ Unlike Americans, Japanese prefer to do business on the basis of **personal relationships** rather than impersonally speaking over the phone or by written correspondence.

Brazil-Business Culture

- Avoid embarrassing a Brazilian by criticizing an individual publically. That causes that person to lose face with all others at a business meeting.
- Appointments are commonly cancelled or changed at the last minute in Brazil, so do not be surprised or get upset.

Germany-Business Culture

- Germans are like Americans in that they do not need a personal relationship to do business. They are more interested in a businessperson's **academic credentials** and their company's credentials.
- German meetings adhere to **strict agendas**, including starting and ending times.

Egypt-Business Culture

- Egyptians prefer to do business with those they know and respect, so expect to spend time cultivating a personal relationship before business is conducted.
- In Egypt, business moves at a slow pace and society is extremely bureaucratic.

China-Business Culture

- ▶ The Chinese rarely do business with companies or people they do not know. Your position on an **organizational chart** is extremely important in business relationships.
- ▶ Arriving late to a meeting is an insult and could **negatively affect** your relationship.
- ▶ Meetings require patience because mobile phones ring frequently and conversations tend to be boisterous.

India-Business Culture

- People in India do not like to say “no,” verbally or nonverbally.
- Rather than disappoint you, they often will say something is not available, or will offer you the response that they think you want to hear, or will be vague with you.

India-Business Culture

- Indians prefer to do business with those whom they have established a relationship built upon mutual trust and respect.
- **Punctuality** is important.
- Indians generally do not trust the legal system and someone's word is often **sufficient** to reach an agreement.

Sampling of African Countries—Ease-of-Doing-Business Rankings

TABLE 2-7 Sampling of African Countries—
Ease-of-Doing-Business Rankings

	Population in Millions	Ease of Doing Business Among all Countries	Capital City
South Africa	49	35 out of 183	Pretoria
Tunisia	11	46 out of 183	Tunis
Ghana	24	63 out of 183	Accra
Morocco	32	94 out of 183	Rabat
Kenya	39	109 out of 183	Nairobi
Egypt	79	110 out of 183	Cairo
Ethiopia	86	111 out of 183	Addis Ababa
Uganda	33	123 out of 183	Kampala
Nigeria	150	133 out of 183	Abuja
Sudan	41	135 out of 183	Khartoum
Mozambique	22	139 out of 183	Maputo
Angola	13	172 out of 183	Luanda

Sampling of Asian Countries—Ease-of-Doing-Business Rankings

TABLE 2-8 Sampling of Asian Countries—
Ease-of-Doing-Business Rankings

	Population in Millions	Ease of Doing Business Among all Countries	Capital City
Singapore	5	1 out of 183	Singapore
South Korea	49	8 out of 183	Seoul
Malaysia	26	18 out of 183	Kuala Lumpur
Thailand	66	19 out of 183	Bangkok
Japan	127	20 out of 183	Tokyo
Taiwan	23	25 out of 183	Taipei
China	1,500	91 out of 183	Beijing
Pakistan	175	105 out of 183	Islamabad
Russia	140	120 out of 183	Moscow
Indonesia	241	129 out of 183	Jakarta
India	1,160	132 out of 183	New Delhi
Philippines	98	136 out of 183	Manila

Sampling of European Countries—Ease-of-Doing-Business Rankings

TABLE 2-9 Sampling of European Countries—Ease-of-Doing-Business Rankings

	Population in Millions	Ease of Doing Business Among All Countries	Capital City
UK	62	7 out of 183	London
Sweden	9	14 out of 183	Stockholm
Germany	83	19 out of 183	Berlin
France	64	29 out of 183	Paris
Czech Republic	11	64 out of 183	Prague
Turkey	77	71 out of 183	Ankara
Italy	59	87 out of 183	Rome
Ukraine	46	152 out of 183	Kiev

Sampling of North and South American Countries—Ease-of-Doing-Business Rankings

TABLE 2-10 Sampling of North and South American Countries—Ease-of-Doing-Business Rankings

	Population in Millions	Ease of Doing Business Among all Countries	Capital City
USA	308	4 out of 183	Washington, DC
Canada	34	13 out of 183	Ottawa
Chile	17	39 out of 183	Santiago
Peru	30	41 out of 183	Lima
Mexico	112	53 out of 183	Mexico City
Argentina	41	113 out of 183	Buenos Aires
Brazil	199	126 out of 183	Brasilia
Ecuador	15	130 out of 183	Quito
Bolivia	10	153 out of 183	La Paz
Venezuela	27	177 out of 183	Caracus