

**KAZAN FEDERAL UNIVERSITY**  
**Institute of Management, Economics and Finance**  
**General Management Department**

**T.F. PALEI, A.V. BOLSHOV, E.N. GARİPOVA**

**WORKSHOP ON BASIC MANAGEMENT**  
**IN A GLOBAL CONTEXT**

**KAZAN**

**2022**

**UDC 65.01**  
**LBC 65.290-2**  
**P17**

*Printed by the decision of the Educational and methodical Commission  
Institute of Management, Economics and Finance of KFU  
(protocol No. 7 of 26.04.2022);  
meeting of the General Management Department  
(protocol No. 7 of 30.03.2022)*

**Reviewers:**

Doctor of Economic Sciences, professor,  
Head of the Marketing department  
(Institute of Management, Economics and Finance,  
Kazan Federal University) **N.V. Kalenskaya**;  
Candidate of Economic Sciences, Deputy Director  
(Center for Economic and Social Research under the Cabinet  
of Ministers of the Tatarstan Republic) **A.Sh. Garipov**

**Palei T.F.**

**P17 Workshop on basic management in a global context / T.F. Palei,  
A.V. Bolshov, E.N. Garipova. – Kazan: Kazan University, 2022. – 94 p.**

The workshop is an educational publication containing practical tasks and exercises that help you learn the course and prepare to the practical classes.

**UDC 65.01**  
**LBC 65.290-2**

© **Palei T.F., Bolshov A.V., Garipova E.N., 2022**  
© **Kazan University, 2022**

## CONTENT

1.	Innovative Management for Turbulent Times	5
2.	The Evolution of Management Thinking	15
3.	The External Environment	20
4.	The Internal Environment: Corporate Culture	29
5.	Managing in a Global Environment	35
6.	Managerial Planning and Goal Setting	43
7.	Strategy and the enterprise in international contexts	53
8.	Competitive strategy for international business	61
9.	Decisions making	69
10.	Organizational design	83
	Exam questions and tasks	89
	References	93

## INTRODUCTION

The workshop contributes to the systematic study of basic management methods by students studying in the direction of 38.03.02 "Management".

The workshop is intended for practical training in basic management and allows you to apply theoretical knowledge in the process of researching management functions and decision making in the global context.

Each study topic contains questions to study, test questions, tests, tasks, and cases. Control questions and tests are designed to check the quality of learning of the lecture material, and cases and tasks allow you to assess the ability to apply knowledge and skills in practice, as well as to develop conceptual, human and technical skills.

In the workshop the textbook materials from Richard L.Daft "Management", Peng, M. and K. Meyer "International business", Willcocks, L. "Global business management foundations", Bolshov, A. V. "Management: theory and practice".

## **Topic 1. Innovative Management for Turbulent Times**

Topic includes a section on making the leap from being an individual contributor in the organization to becoming a new manager and getting work done primarily through others. The chapter introduces the management functions, skills and competencies needed to manage organizations effectively, including issues such as managing diversity, coping with globalization, and managing crises. In addition, the chapter discusses today's emphasis within organizations on innovation as a response to a rapidly changing environment.

### **Questions to study**

1. The Definition of Management. The Four Management Functions
2. Organizational Performance
3. Management Skills
4. Manager's Roles
5. The Nature of Leadership. From Management to Leadership

### **Control testing**

1. Attainment of organizational goals in an effective and efficient manner through planning, organizing, leading, and controlling organizational resources  
management  
planning  
organizing  
motivating
2. The organization's ability to attain its goals by using resources in an efficient and effective manner -  
performance  
organization  
effectiveness  
efficiency
3. The degree to which the organization achieves a stated goal

effectiveness

efficiency

strategy

#### 4. Conceptual Skill

The cognitive ability to see the organization as a whole system and the relationships among its parts.

is the manager's ability to work with and through other people and to work effectively as a group member.

is the understanding of and proficiency in the performance of specific tasks

#### 5. The main concern is facilitating individual employee performance

For first-level managers

For middle managers

For top-level managers

#### 6. What role is NOT decision making?

Entrepreneur

Disturbance handler

Resource allocator

Leader

## **Assignments and case studies**

### **Test 1. Manager's skills**

Complete the experiential exercise on page 25 that pertains to management skills. Reflect on the strength of your preferences among the three skills and the implications for you as a manager.

Management Aptitude Questionnaire

Rate each of the following questions according to the following scale:

1 I am never like this.

2 I am rarely like this.

3 I am sometimes like this.

4 I am often like this.

5 I am always like this.

1. When I have a number of tasks or homework to do, I set priorities and organize the work around deadlines.

1 2 3 4 5

2. Most people would describe me as a good listener.

1 2 3 4 5

3. When I am deciding on a particular course of action for myself (such as hobbies to pursue, languages to study, which job to take, special projects to be involved in),

I typically consider the long-term (three years or more) implications of what I would choose to do.

1 2 3 4 5

4. I prefer technical or quantitative courses rather than those involving literature, psychology, or sociology.

1 2 3 4 5

5. When I have a serious disagreement with someone, I hang in there and talk it out until it is completely resolved.

1 2 3 4 5

6. When I have a project or assignment, I really get into the details rather than the “big picture” issues.

1 2 3 4 5

7. I would rather sit in front of my computer than spend a lot of time with people.

1 2 3 4 5

8. I try to include others in activities or discussions.

1 2 3 4 5

9. When I take a course, I relate what I am learning to other courses I took or concepts I learned elsewhere.

1 2 3 4 5

10. When somebody makes a mistake, I want to correct the person and let her or him know the proper answer or approach.

1 2 3 4 5

11. I think it is better to be efficient with my time when talking with someone, rather than worry about the other person's needs, so that I can get on with my real work.

1 2 3 4 5

12. I know my long-term vision of career, family, and other activities and have thought it over carefully.

1 2 3 4 5

13. When solving problems, I would much rather analyze some data or statistics than meet with a group of people.

1 2 3 4 5

14. When I am working on a group project and someone doesn't pull a fair share of the load, I am more likely to complain to my friends rather than confront the slacker.

1 2 3 4 5

15. Talking about ideas or concepts can get me really enthused or excited.

1 2 3 4 5

16. This management course is very useful for me.

1 2 3 4 5

17. I think it is better to be polite and not to hurt people's feelings.

1 2 3 4 5

18. Data or things interest me more than people.

1 2 3 4 5

### Scoring and Interpretation

Subtract your scores for questions 6, 10, 14, and 17 from the number 6, and then add the total points for the following sections:

1, 3, 6, 9, 12, 15 Conceptual skills total score \_\_\_\_\_

2, 5, 8, 10, 14, 17 Human skills total score \_\_\_\_\_

4, 7, 11, 13, 16, 18 Technical skills total score \_\_\_\_\_

These skills are three abilities needed to be a good manager. Ideally, a manager should be strong (though not necessarily equal) in all three. Anyone noticeably weaker in any of the skills should take courses and read to build up that skill.

## Test 2

**Manager Achievement**

Rate each item below based on your orientation toward personal achievement. Read each item and check either Mostly True or Mostly False as you feel right now.

	Mostly True	Mostly False
1. I enjoy the feeling I get from mastering a new skill.	_____	_____
2. Working alone is typically better than working in a group.	_____	_____
3. I like the feeling I get from winning.	_____	_____
4. I like to develop my skills to a high level.	_____	_____
5. I rarely depend on anyone else to get things done.	_____	_____
6. I am frequently the most valuable contributor to a team.	_____	_____
7. I like competitive situations.	_____	_____
8. To get ahead, it is important to be viewed as a	_____	_____

**SCORING AND INTERPRETATION:** Give yourself one point for each Mostly True answer. In this case, a low score is better. A high score means a focus on personal achievement separate from others, which is ideal for a specialist or individual contributor. However, a manager is a generalist who gets things done through others. A desire to be a winner may put you in competition with your people rather than a focus on developing their skills. As a manager, you will not succeed as a lone achiever who does not facilitate and coordinate others. **If you checked three or fewer**

**as Mostly True, your basic orientation is good.** If you scored six or higher, your focus is on being an individual winner. You will want to shift your perspective to become an excellent manager.



## Case 1

### Can Management Afford to Look the Other Way?

Harry Rull had been with Shellington Pharmaceuticals for 30 years. After a tour of duty in the various plants and seven years overseas, Harry was back at headquarters, looking forward to his new role as vice president of U.S. marketing. Two weeks into his new job, Harry received some unsettling news about one of the managers under his supervision. Over casual lunch conversation, the director of human resources mentioned that Harry should expect a phone call about Roger Jacobs, manager of new product development. Jacobs had a history of being “pretty horrible” to his subordinates, she said, and one disgruntled employee asked to speak to someone in senior management. After lunch, Harry did some follow-up work. Jacobs’ performance reviews had been stellar, but his personnel file also contained a large number of notes documenting charges of Jacobs’ mistreatment of subordinates. The complaints ranged from “inappropriate and derogatory remarks” to subsequently dropped charges of sexual harassment. What was more disturbing was that the amount as well as the severity of complaints had increased with each of Jacobs’ ten years with Shellington. When Harry questioned the company president about the issue, he was told, “Yeah, he’s had some problems, but you can’t just replace someone with an eye for new products. You’re a bottom-line guy; you understand why we let these things slide.” Not sure how to handle the situation, Harry met briefly with Jacobs and reminded him to “keep the team’s morale up.” Just after the meeting, Sally Barton from HR called to let him know that the problem she’d mentioned over lunch had been worked out. However, she warned, another employee had now come forward demanding that her complaints be addressed by senior management.

### What Would You Do?

1. Ignore the problem. Jacobs’ contributions to new product development are too valuable to risk losing him, and the problems over the past ten years have always worked themselves out anyway. No sense starting something that could make you look bad.

2. Launch a full-scale investigation of employee complaints about Jacobs, and make Jacobs aware that the documented history over the past ten years has put him on thin ice.

3. Meet with Jacobs and the employee to try to resolve the current issue, then start working with Sally Barton and other senior managers to develop stronger policies regarding sexual harassment and treatment of employees, including clear-cut procedures for handling complaints.

SOURCE: Based on Doug Wallace, "A Talent for Mismanagement: What Would You Do?" *Business Ethics* 2 (November/December 1992): 34.

## **Case 2**

Elektra Products, Inc. Barbara Russell, a manufacturing vice president, walked into the monthly companywide meeting with a light step and a hopefulness she hadn't felt in a long time. The company's new, dynamic CEO was going to announce a new era of employee involvement and empowerment at Elektra Products, an 80-year-old, publicly held company that had once been a leading manufacturer and retailer of electrical products and supplies. In recent years, the company experienced a host of problems: market share was declining in the face of increased foreign and domestic competition; new product ideas were few and far between; departments such as manufacturing and sales barely spoke to one another; morale was at an all-time low, and many employees were actively seeking other jobs. Everyone needed a dose of hope. Martin Griffin, who had been hired to revive the failing company, briskly opened the meeting with a challenge: "As we face increasing competition, we need new ideas, new energy, new spirit to make this company great. And the source for this change is you—each one of you." He then went on to explain that under the new empowerment campaign, employees would be getting more information about how the company was run and would be able to work with their fellow employees in new and creative ways. Martin proclaimed a new era of trust and cooperation at Elektra Products. Barbara felt the excitement stirring within her; but as she looked around the room, she

saw many of the other employees, including her friend Simon, rolling their eyes. “Just another pile of corporate crap,” Simon said later. “One minute they try downsizing, the next reengineering. Then they dabble in restructuring. Now Martin wants to push empowerment. Garbage like empowerment isn’t a substitute for hard work and a little faith in the people who have been with this company for years. We made it great once, and we can do it again. Just get out of our way.” Simon had been a manufacturing engineer with Elektra Products for more than 20 years. Barbara knew he was extremely loyal to the company, but he—and a lot of others like him—were going to be an obstacle to the empowerment efforts. Top management assigned selected managers to several problem-solving teams to come up with ideas for implementing the empowerment campaign. Barbara loved her assignment as team leader of the manufacturing team, working on ideas to improve how retail stores got the merchandise they needed when they needed it. The team thrived, and trust blossomed among the members. They even spent nights and weekends working to complete their report. They were proud of their ideas, which they believed were innovative but easily achievable: permit a manager to follow a product from design through sales to customers; allow salespeople to refund up to \$500 worth of merchandise on the spot; make information available to salespeople about future products; and swap sales and manufacturing personnel for short periods to let them get to know one another’s jobs. When the team presented its report to department heads, Martin Griffin was enthusiastic. But shortly into the meeting he had to excuse himself because of a late-breaking deal with a major hardware store chain. With Martin absent, the department heads rapidly formed a wall of resistance. The director of human resources complained that the ideas for personnel changes would destroy the carefully crafted job categories that had just been completed. The finance department argued that allowing salespeople to make \$500 refunds would create a gold mine for unethical customers and salespeople. The legal department warned that providing information to salespeople about future products would invite industrial spying. The team members were stunned. As Barbara mulled over the latest turn of events, she considered her options: keep her mouth shut; take a chance and confront Martin about her sincerity in making empowerment work; push

slowly for reform and work for gradual support from the other teams; or look for another job and leave a company she really cares about. Barbara realized she was looking at no easy choices and no easy answers.

### Questions

1. How might top management have done a better job changing Elektra Products into a new kind of organization? What might they do now to get the empowerment process back on track?

2. Can you think of ways Barbara could have avoided the problems her team faced in the meeting with department heads?

3. If you were Barbara Russell, what would you do now? Why?

SOURCE: Based on Lawrence R. Rothstein, “The Empowerment Effort That Came Undone,” *Harvard Business Review* (January–February 1995): 20–31.

### Video Case 3

In *Good Company* A corporate takeover brings star advertising executive Dan Foreman (Dennis Quaid) a new boss who is half his age. Carter Duryea (Topher Grace), Dan’s new boss, wants to prove his worth as the new marketing chief at Sports America, Waterman Publishing’s flagship magazine. Carter applies his unique approaches while dating Dan’s daughter, Alex (Scarlett Johansson).

### Management Behavior

This sequence starts with Carter Duryea entering Dan Foreman’s office. It follows Foreman’s interaction with Teddy K. (Malcolm McDowell), Globecom CEO, after Teddy K.’s speech. Carter Duryea enters while saying, “Oh, my God, Dan. Oh, my God.” Mark Steckle (Clark Gregg) soon follows. The sequence ends with Carter asking, “Any ideas?” Dan Forman says, “One.” The film cuts to the two of them arriving at Eugene Kalb’s (Philip Baker Hall) office building.

### What to Watch for and Ask Yourself

1. Which management skills discussed in this chapter does Mark Steckle possess? Which does he lack?

2. The sequence shows three people who represent different hierarchical levels in the company. Which hierarchical levels do you attribute to Carter Duryea, Dan Foreman, and Mark Steckle?

3. Critique the behavior shown in the sequence. What are the positive and negative aspects of the behavior shown?

### Assignment 1

Give examples of what you did under one or two of Mintzberg's roles

Category	Role	Activity
<b>Informa- tional</b>	Monitor	
	Disseminator	
	Spokesperson	
<b>Interper- sonal</b>	Figurehead	
	Leader	
	Liaison	
<b>Decisional</b>	Entrepreneur	
	Disturbance handler	
	Resource allocator	
	Negotiator	
<b>(Based on Mintzberg, 1973; 1990, and Boddy, 2014)</b>		

### Discussion questions

1. Should managers exercise tight control over employees? If yes, then in which situations? If no, what should they do to avoid tight controlling?

2. Is it true or False, that "innovation is more important than cost reduction" , explain.

3. How can we find the right balance between innovation and discipline? Why is it important?

4. When should we begin to control - after or before?

5. When skills can fail?

6. Do managers have greater freedom than their subordinates?

7. Becoming a manager is considered by most people to be a positive, forward-looking career move and, indeed, life as a manager offers appealing aspects. However, it also holds many challenges, and not every person will be happy and fulfilled in a management position. Can you underline some of the issues would-be managers should consider before deciding they want to pursue a management career?

## **Topic 2. The Evolution of Management Thinking**

Topic includes coverage of the historical development of management and organizations. It also examines new management thinking for turbulent times. The chapter includes a new section on systemic thinking and an expanded discussion of modern management techniques.

### **Questions to study**

1. Management and Organization. The influence of different external forces on people and organizations.
2. Evolution of Management from the ancient times.
3. Management Theories.
4. Systems approach. Contingency View
5. Innovative management thinking for turbulent times

### **Control questions**

1. Around how many laws were included in the code Hammurabi?
2. What language was the Code of Hammurabi written in?
3. Who was the 1st who established office of vizier and professional administrator?

4. Who was the 1st who described the strategic decisions and competitive forces?
5. What was Socrat's contribution to the science of management?
6. What was Plato's contribution to the science of management?
7. Who was the 1st who wrote about delegation, centralization and decentralization?
8. Who did describe the 1st information system for management?
9. Who authored the "An Inquiry into the Nature and Causes of the Wealth of Nations"?
10. Who authored the ancient Indian political treatise, the Arthashastra?

### **Control testing**

1. The legislative principles of secular government were first set out in:
  - a) Ipuer offers;
  - b) The code of Hammurabi;
  - c) Sun Tzu's treatise;
  - d) Works of Xenophon;
  - e) The Guanxi treatise.
2. The contribution of the ancient Roman civilization to the development of managerial thought is as follows:
  - a) creating a code of laws for secular governance;
  - b) creating an analogue of the universal means of payment;
  - c) implementation of "rules 10" in the management»;
  - d) organization of factory-type production in export industries;
  - e) organization of the military management system on a scientific basis.
3. F. Taylor believed that the productivity of workers can be increased by:
  - a) identifying and meeting physiological and social needs
  - b) creating favorable working conditions

- c) expanding the independence and responsibility of employees
- d) selection of a qualified performer of works and their financial incentives
- e) reducing control by the Manager

4. The main conclusion of the Hawthorne experiment is as follows:

- a) employees should be carefully selected and trained;
- b) high pay is the key to improving productivity;
- c) improving physical working conditions is the key to improving productivity;
- d) improving the attractiveness of work and independence of employees con-

tributes to productivity growth;

- e) productivity growth depends on the external environment of the enterprise.

5. M. Weber's "ideal bureaucracy" is characterized by all of the following, except:

- a) Ideal division of labor
- b) Position on the hierarchical ladder
- c) Rationality, fairness and efficiency
- d) a system of impersonal rules and standards
- e) staffing For the task

6. When the same goal of the system can be achieved using different management strategies, then it is characterized by:

- a) multi-purpose development of the system;
- b) the emergence of the system;
- c) multi-variant development of the system
- d) inertia of the system functioning;
- e) integrativity of the system.

## **Assignments and case studies**

### **Assignments**

1. Describe the impact of ancient thinkers (Hammurabi, Joseph, Sun Tzu, Socrat-Plato-Aristotel, Chanakya Kautilya, Luca Pacioli) to the management. What



important characters of Ancient World did play an important role for nowadays management concept?

2. Prepare reports about contribution of Say J.B., Adam Smith, Andrew Ure, Lowell, Owen, And. Carnegie, Dan. McCallum, J.Montgomery.

3. Explain management theories (Taylor, Gilbreth, Ford, Weber, Fayol, Follett, Bernard, Hawthorne studies, Maslow, McGregor, Drucker, Deming).

4. Explain 14 principles of Fayol.

5. Tell about job design.

6. Make a report about challenges in managing generation Y.

7. Make a report about contemporary management tools (For more information on specific tools, visit the Bain website:

<https://www.bain.com/insights/topics/management-tools-and-trends/>).

8. Prepare the Comparing and contrasting theories of Management. Write down the answers in the table

Theorist:	Perspective on Managers:	Strengths of the way that they present managers:	Weaknesses of the way that they present managers:
Mintzberg			
Drucker			
Taylor			
Principal-Agent Theory			

### Case for critical analysis

SIA Corporation

In the early years of the new century, it wasn't hard to see that SIA Corporation couldn't keep doing business the old-fashioned twentieth-century way. Chief knowledge officer Jerry Seibert fully realized he owed his new position in the newly created knowledge management department to this challenge.

Headquartered in the Midwest, SIA was an umbrella organization offering a wide range of insurance products to commercial customers of all sizes throughout the

country and, increasingly, to multinational corporations throughout the world. Over the years, it had diversified into various types of insurance by absorbing smaller companies until it now consisted of more than 30 separate business units. Each had its own hierarchy, characterized by strong top-down administration and the well-defined rules and procedures typical of the insurance industry; virtually every employee possessed specialized knowledge about a narrowly defined market niche.

Upper-level management had given the matter considerable attention and concluded that SIA's refined division of labor into technical specialists needed to give way to a collaborative learning organization, one where employee empowerment and open information made it possible for a single underwriter to be knowledgeable about a variety of products. Jerry's knowledge management department, housed within human resources, could make a contribution toward this goal.

Jerry devised an elegant solution, if he did say so himself. He oversaw the development of software that allowed any SIA employee to post a query, have that question directed only to those employees with relevant expertise, and then receive an answer, often in a matter of minutes and usually before the day was out. The only hitch was that hardly anyone was posting queries on the easy-to-use system.

Why? Rachel Greenwell, a veteran SIA underwriter, clued him in. Especially after weathering a turbulent period, one that had seen plenty of layoffs in the insurance industry, many employees viewed the restructuring as the first step in a process that would lead to pink slips landing on their desks. Some employees, in fact, saw their own highly specialized knowledge as a kind of job insurance policy. "I know that's not what your knowledge-sharing efforts are about and that their fears are unfounded," she reassured him. "But you've got about 9,999 other employees who are at least willing to entertain the possibility that sharing what they know isn't in their best interests."

## **Discussion questions**

1. How do societal forces influence the practice and theory of management?

Do you think new management techniques are a response to these forces?

2. Based on your experience at work or school, describe some ways in which the principles of scientific management and bureaucracy are still used in organizations. Do you believe these characteristics will ever cease to be a part of organizational life? Discuss.

3. A management professor once said that for successful management, studying the present was most important, studying the past was next, and studying the future was least important. Do you agree? Why?

4. As organizations become more technology-driven, which do you think will become more important—the management of the human element of the organization or the management of technology? Discuss.

5. Why do you think Mary Parker Follett's ideas tended to be popular with business people of her day but were ignored by management scholars? Why are her ideas appreciated more today?

6. Explain the basic idea underlying the contingency view. How would you go about identifying key contingencies facing an organization?

7. Why can an event such as the Hawthorne studies be a major turning point in the history of management even if the idea is later shown to be in error? Discuss.

8. What does it mean to “think systemically”? How would you apply systemic thinking to a problem such as poor performance in your current academic studies? To a problem with a romantic partner or family member?

9. Do you think management theory will ever be as precise as theories in the fields of finance, accounting, or experimental psychology? Why or why not?

10. In the Bain survey of management tools, corporate blogs were used in 30 percent of companies and also have the highest projected growth rates among managers. What might explain this? Do you think corporate blogs will ever become as popular as customer relationship management systems?

11. Should contemporary workers be grateful to Taylor for scientific management for improving things, or angry at him for ruining them?

12. Should workers be happy that the Hawthorne Studies happened, or totally indifferent?

13. Which do you think gets the most out of people, Scientific Management or the Human Relations approach? If it depends, then what does it depend on?

### **Topic 3. The External Environment: general and task environment**

Topic contains an updated look at current issues related to the external environment, including a new section on issues related to the natural environment and managers' response to environmental advocates. The topic also illustrates how managers should perform in the conditions of globalization and internationalization.

#### **Questions to study**

Part 1: Introduction to the global business environment

1. Trends and drivers of globalization.
2. Overview and framework for understanding the global economy, the development of the multinational enterprise (MNE).
3. Debates on the nature and impacts of globalization.
4. Implications for managing international business.

Part 2: The external environment:

1. General environment
2. Task environment
3. The Organization–Environment Relationship

#### **Control testing**

1. Globalization is (2 answers)  
the shift towards a more interdependent and integrated world economy;

the process leading to greater interdependence and mutual awareness among economic, political and social in the world and among the people in the world;  
decline in trade and investment barriers since the Second World War.

2. Drivers of globalization (2 factors)

the decline in trade and investment barriers since the Second World War;  
technological change, specifically dramatic improvements in communication, information processing and transportation technologies;

global economic crisis with global output, trade and investment plummeting and unemployment rising.

3. Four trends towards globalization

Changes in world output and world trade;

Foreign direct investment;

Types of companies;

Change in world order;

Cross-border trade and per capita GDP all grew to new, unprecedented levels.

4. Waves of globalization

1880 - 1929

1930 - 1980

1950 - 1979

1979 - our time

1930 - 1950

5. The goal of the International Monetary Fund

is to maintain order in the international finance system;

is to promote economic development by making loans to cashstrapped nations wishing to make significant infrastructure;

is to make the decisions affecting the world and have power over nations akin to a political body or national government.

6. The goal of World Bank

is to maintain order in the international finance system;

is to make the decisions affecting the world and have power over nations akin to a political body or national government;

is to promote economic development by making loans to cashstrapped nations wishing to make significant infrastructure.

7. Choose the 2 statements of the proponents of globalization

jobs are being lost to high-wage nations;

free trade will prompt countries to specialize in what they can produce most efficiently;

free trade encourages companies from advanced nations, where there are costly environmental standards, to move manufacturing facilities offshore to less developed countries with lax environmental and labor regulations;

foreign direct investment actually encourages countries to raise their standards; economic power is shifting away from national governments and towards supranational organizations like the WTO.

8. Critics of globalization worry that (2 answers)

the gap between rich and poor is growing;

the benefits of globalization have not been shared equally;

environmental regulation and stricter labor standards go hand in hand with economic progress.

9. Does distance still matter? Choose the 4 right statements

globalization cannot be said to be flattening the world;

globalization is a supercomplex series of multi-centric, multi-scalar, multi-temporal, multi-form and multi-causal processes;

companies often overestimate the ease with which their business can move abroad

the cultural, administrative and geographical distance between nations presents a fundamental challenge to companies facing the globalization of the world economy today;

globalization is accelerating and is flattening the world so that every nation will eventually be part of the global marketplace and production process.

10. Multinational corporation

is an enterprise producing goods or delivering services in more than one country;

is an investment in a business by an investor from another country for which the foreign investor has control over the company purchased;

situated or operating in a foreign country.

**Assignments and case studies**

**Assignment 1.**

Describe the features of 3 waves of globalization. Fill in the table with the answers.

## Globalization

	1 <sup>st</sup> Wave	2 <sup>nd</sup> Wave	3 <sup>rd</sup> Wave
Technology			
Political Leadership			
Commerce			
Trade			

**Case 1. Coca-Cola entered Africa**

Founded in 1892, Coca-Cola first entered Africa in 1929. While Africa had always been viewed as a “backwater,” it has recently emerged as a major growth market commanding strategic attention. Of the \$27 billion that Coca-Cola’s chairman and CEO Muhtar Kent promised to invest in emerging economies between 2010

and 2020, \$12 billion will be used to beef up the plants and distribution facilities in Africa. Why does Coca-Cola show such strong commitments to Africa? Both the push and pull effects are at work.

### The Push

The push comes from the necessity to find new sources of growth for this mature firm, which has promised investors 7% - 9% earnings growth. On July 14, 1998, its stock reached a high-water mark at \$88. But it dropped to \$37 in 2003. In 2011, it rallied 30% over the past year and reached \$67 on December 1. Can Coca-Cola's stock reach higher?

Its home markets are unlikely to help. Between 2006 and 2011, US sales declined for five consecutive years. Further, health advocates accused Coca-Cola of contributing to an epidemic of obesity in the United States and proposed to tax soft drinks to pay for health care. While Coca-Cola defeated the tax initiative, it is fair to say the room for growth at home is limited. In Europe and Japan, sales are similarly flat. Elsewhere, in China, strong local rivals have made it tough for Coca-Cola to break out. Its acquisition of a leading local fruit juice firm was blocked by the government, which did not seem to bless Coca-Cola's further growth. In India, Pepsi is so popular that "Pepsi" has become the Hindi shorthand for all bottled soft drinks (including Coke!). In Latin America, sales are encouraging but growth may be limited. Mexicans on average are already guzzling 665 servings of Coca-Cola products every year, the highest in the world. There is only so much sugary water one can drink every day.

### The Pull

In contrast, Coca-Cola is pulled by Africa, where it has a commanding 29% market share versus Pepsi's 15%. With 65,000 employees and 160 plants, Coca-Cola is Africa's largest private sector employer. Yet, annual per capita consumption of Coca-Cola products is only 39 servings in Kenya. For the continent as a whole, disposable income is growing. In 2010, 60 million Africans earned at least \$5,000 per person, and the number is likely to reach 100 million by 2014. While Africa indeed has some of the poorest countries in the world, 12 African countries (with a combined



population of 100 million) have a GDP per capita that is greater than China's. Coca-Cola is hoping to capitalize on Africa's improved political stability and physical infrastructure. Countries not fighting civil wars make Coke's operations less disruptive, and new roads penetrating the jungle can obviously elevate sales.

Coca-Cola is already in all African countries. The challenge now, according to CEO Kent, will be to deep dive into "every town, every village, every township." This will not be easy. War, poverty, and poor infrastructure make it extremely difficult to distribute and market products in hard-to-access regions. Undaunted, Coca-Cola is in a street-by-street campaign to increase awareness and consumption of its products. The crowds and the poor roads dictate that some of the deliveries have to be done manually on pushcarts or trolleys. Throughout the continent, Coca-Cola has set up 3,000 Manual Distribution Centers. Taking a page from its playbook in Latin America, especially Mexico, Coca-Cola has aggressively courted small corner stores. Coca-Cola and its bottlers offer small corner store owners delivery, credit, and direct coaching—ranging from how to save electricity to advice on buying a house after vendors make enough money.

In Africa, US-style accusations of Coca-Cola's alleged contribution to the obesity problem are unlikely.

After all, the primary concern in many communities is too few available calories of any kind. However, this does not mean Africa is Coca Cola's marketing Shangri-La, free from any criticisms. It has to defend itself from critics that accuse it of depleting fresh water, encouraging expensive and environmentally harmful refrigeration, and hurting local competitors who hawk beverages. In response, Coca-Cola often points out the benefits it has brought. In addition to the 65,000 jobs it has directly created, one million local jobs are indirectly created by its vast system of distribution, which moves beverages from bottling plants deep into the villages and the bush a few crates at a time.

The Future

“Ultimately,” the Economist opined, “doing business in Africa is a gamble on the future.” Overall, CEO Kent is very optimistic about Africa. In his own words at a media interview:

Africa is the untold story, and could be the big story, of the next decade, like India and China were this past decade. The presence and the significance of our business in Africa is far greater than India and China even today. The relevance is much bigger. In Africa, you’ve got an incredibly young population, a dynamic population. Huge disposable incomes. I mean, \$1.6 trillion of GDP, which is bigger than

Russia, bigger than India. It’s a big economy, and so rich underground. And whether the next decade becomes the decade of Africa or not, in my opinion, will depend upon one single thing—and everything is right there to have it happen - that is better governance. And it is improving, there is no question.

#### Case Discussion Questions

1. Why is Coca-Cola so interested in Africa, which is typically regarded as part of the base of the global economic pyramid?
2. What unique resources and capabilities does Coca-Cola have that will help it compete well in Africa?
3. What are the drawbacks of making such large- scale commitments to Africa?
4. Do stakeholders in the United States and Africa who criticize Coca-Cola have a reasonable case against it?

Sources: M. W. Peng Global Business, 3<sup>rd</sup> edition. Based on (1) M. Blanding, 2010, *The Coke Machine*, New York: Avery; (2) Bloomberg Businessweek, 2010, Coke’s last round, November 1: 54–61; (3) Bloomberg Businessweek, 2010, For India’s consumers, Pepsi is the real thing, September 20: 26-27; (4) Bloomberg Businessweek, 2011, Can Coke surpass its record high of \$88 a share? June 6: 49–50; (5) Economist, 2006, Business in Africa, September 9: 60–62; (6) Economist, 2008, Index of happiness, July 5: 58; (7) D. Zoogah, M. W. Peng, & H. Woldu, 2012, Linking management research and African organizations, working paper, University of Texas at Dallas.

## **Case 2. The Environment of Nortel Networks**

Nortel Networks is a global company that connects people to the information they need through advanced communication technologies. With customers in more than 150 countries, Nortel designs and installs new networks and upgrades and supports and manages existing systems. Nortel's complex external environment directly influences its operations and performance. The Canadian-based company began in 1895 as a manufacturer of telephones and has reinvented itself many times to keep up with changes in the environment. In the late 1990s, the company transformed itself into a major player in wireless technology and equipment for connecting businesses and individuals to the Internet. In 1997, the company was about to be run over by rivals such as Cisco Systems that were focused on Internet gear. Then-CEO John Roth knew he needed to do something bold to respond to changes in the technological environment. A name change to Nortel Networks symbolized and reinforced the company's new goal of providing unified network solutions to customers worldwide. Today, Nortel's purpose is clear—to create a high-performance twenty-first-century communications company leveraging innovative technology that simplifies the complicated, hyper connected world. To achieve this goal, Nortel adapts and responds to the uncertainty of the external environment. One response to the competitive environment was to spend billions to acquire data and voice networking companies, including Bay Networks (which makes Internet and data equipment), Cambrian Systems (a hot maker of optical technology), Periphonics (maker of voice-response systems), and Clarify (customer relationship management software). These companies brought Nortel top-notch technology, helping the company snatch customers away from rivals Cisco and Lucent Technologies. In addition, even during rough economic times, Nortel kept spending nearly 20 percent of its revenues on research and development to keep pace with changing technology. Internationally, Nortel has made impressive inroads in Taiwan, China, Brazil, Mexico, Colombia, Japan, and Sweden, among other countries. China's Ministry of Railways selected mobile communications railway technologies from Nortel to provide a secure, wireless network for trains traveling up to 350 km/hr. It also won customers by recognizing the continuing

need for traditional equipment and offering hybrid gear that combines old telephone technology with new Internet features, allowing companies to transition from the old to the new. Bold new technologies for Nortel include 4G broadband wireless, Carrier Ethernet, optical, next-generation services and applications, and secure networking. Nortel is considered a leader in wireless gear and won contracts from Verizon Communications and Orange SA, a unit of France Telecom, to supply equipment that sends phone calls as packets of digital data like that used over the Internet. Nortel also capitalizes on strategic alliances by teaming with Microsoft, Dell, and IBM. Companies moving in a Net speed environment risk a hard landing, and when the demand for Internet equipment slumped in the early 2000s, Nortel's business was devastated. The company cut more than two-thirds of its workforce and closed dozens of plants and offices. An accounting scandal that led to fraud investigations and senior executive dismissals made things even worse. At one point, Nortel's stock was trading for less than a dollar. By early 2006, however, positive changes in the economic environment, along with a savvy new CEO, put Nortel back on an uphill swing. Bright spots for the company in 2007 included improved earnings, a boost in orders, and improved profitability. But Wall Street skeptics want to see more strong quarters before they are convinced of a turnaround. As one analyst said, "It's a tough business," and Nortel's managers have to stay on their toes to help the organization cope in an ever-changing, difficult environment.

Describe Nortel's complex external environment.

### **Discussion Questions**

1. How can you prepare yourself to become an effective manager in an increasingly uncertain and global business environment?
2. Would the task environment for a cellular phone company contain the same elements as that for a government welfare agency? Discuss.
3. What do you think are the most important forces in the external environment creating uncertainty for organizations today? Do the forces you identified typically arise in the task environment or the general environment?

4. Contemporary best-selling management books often argue that customers are the most important element in the external environment. Do you agree? In what company situations might this statement be untrue?

5. Why are interorganizational partnerships so important for today's companies? What elements in the current environment might contribute to either an increase or a decrease in interorganizational collaboration? Discuss.

6. Many companies are "going green" or adopting environmentally friendly business strategies. Clorox, for example, now offers an eco-friendly household cleaner called Green Works. How do companies benefit from going green?

7. Both China and India are rising economic powers. How might your approach to doing business with Communist China be different from your approach to doing business with India, the world's most populous democracy? In which country would you expect to encounter the most rules? The most bureaucracy?

#### **Topic 4. The Internal Environment: Corporate Culture**

The topic illustrates how managers shape a high – performance culture as an innovative response to a shifting environment.

#### **Questions to study**

1. Informal institutions: cultural, social and ethical challenges.
2. Developing cultural intelligence.

#### **Control testing**

1. All elements existing outside the organization's boundaries that have the potential to affect the organization.

organizational environment;

general environment;

task environment;

internal environment.

2. The layer of the external environment that affects the organization indirectly

organizational environment;  
general environment;  
task environment;  
internal environment.

3. The layer of the external environment that directly influences the organization's operations and performance

organizational environment;  
general environment;  
task environment;  
internal environment.

4. The environment that includes the elements within the organization's boundaries.

organizational environment;  
general environment;  
task environment;  
internal environment.

5. The dimension of the general environment representing the demographic characteristics, norms, customs, and values of the population within which the organization operates

international dimension;  
technological dimension;  
sociocultural dimension;  
economic dimension.

6. An object, act, or event that conveys meaning to others

symbol

story

hero

slogan

ceremony

## Assignments and case studies

### Test 1. Culture Preference

The fit between a new manager and organization culture can determine success and satisfaction. To understand your culture preference, rank order the items below from 1 to 8 based on the strength of your preference (1 strongest preference).

1. The organization is very personal, much like an extended family.
2. The organization is dynamic and changing, where people take risks.
3. The organization is achievement oriented, with the focus on competition and getting jobs done.
4. The organization is stable and structured, with clarity and established procedures.
5. Management style is characterized by teamwork and participation.
6. Management style is characterized by innovation and risk-taking.
7. Management style is characterized by high performance demands and achievement.
8. Management style is characterized by security and predictability.

#### SCORING AND INTERPRETATION:

Each question pertains to one of the four types of culture. To compute your preference for each type of culture, add together the scores for each set of two questions as follows:

Involvement culture—total for questions 1, 4: \_\_\_\_\_

Adaptability culture—total for questions 2, 6: \_\_\_\_\_

Achievement culture—total for questions 3, 7: \_\_\_\_\_

Consistency culture—total for questions 4, 8: \_\_\_\_\_

A lower score means a stronger culture preference. You will likely be more comfortable and more effective as a new manager in a corporate culture that is compatible with your personal preferences. A higher score means the culture would not fit your expectations, and you would have to change your style and preference to be comfortable. Review the text discussion of the four culture types. Do your cultural

preference scores seem correct to you? Can you think of companies that fit your culture preference?

SOURCE: Adapted from Kim S. Cameron and Robert D. Quinn, *Diagnosing and Changing Organizational Culture* (Reading, MA: Addison-Wesley, 1999)

### **Assignment 1**

Search the Internet for information about the following companies and determine their type of corporate culture. Give some concrete evidence.

Patagonia	Avon
Pixar	Disney
Netflix	Adobe
IBM	Chevron
GE	Google
Zoom	Facebook
Mary Key	Zara
Zappos	McDonalds

### **Assignment 2**

1. Prepare report about the sense and role of symbol, story, hero, slogans, etc.
2. By making web-serfing compare the corporate culture of two organizations (prove your conclusions by facts).
3. Make notes on the criticisms of the context, cluster and dimensions approaches.
4. Make notes on the Trompenaars (1993) approach. Define the dimensions of the approach and criticisms of the approach.
5. Look at your own country and plot your own culture according to Hofstede's five dimensions.
6. How useful is this for understanding behavior at work in your country?



7. If you were doing business with a US company, what cultural differences would you need to take into account compared to doing business with a company from mainland China?

8. You face a meeting with a business person from Mumbai in India. What would you see as the likely communication challenges? How would you deal with these?

### **Assignment 3**

Read Malcolm Gladwell “Outliers: The Story of Success”. Chapter 7

The ethic theory of plane crashes. Write essay on the issue.

## Test 2. Cultural intelligence

### Diagnosing Your Cultural Intelligence

These statements reflect different facets of cultural intelligence. For each set, add up your scores and divide by four to produce an average. Our work with large groups of managers shows that for purposes of your own development, it is most useful to think about your three scores in comparison to one another. Generally, an average of less than 3 would indicate an area calling for improvement, while an average of greater than 4.5 reflects a true CQ strength.

Rate the extent to which you agree with each statement, using the scale:

1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.

- \_\_\_\_\_ Before I interact with people from a new culture, I ask myself what I hope to achieve.
- \_\_\_\_\_ If I encounter something unexpected while working in a new culture, I use this experience to figure out new ways to approach *other* cultures in the future.
- \_\_\_\_\_ I plan how I'm going to relate to people from a different culture before I meet them.
- + \_\_\_\_\_ When I come into a new cultural situation, I can immediately sense whether something is going well or something is wrong.

Total \_\_\_\_\_ ÷ 4 =  Cognitive CQ

- \_\_\_\_\_ It's easy for me to change my body language (for example, eye contact or posture) to suit people from a different culture.
- \_\_\_\_\_ I can alter my expression when a cultural encounter requires it.
- \_\_\_\_\_ I modify my speech style (for example, accent or tone) to suit people from a different culture.
- + \_\_\_\_\_ I easily change the way I act when a cross-cultural encounter seems to require it.

Total \_\_\_\_\_ ÷ 4 =  Physical CQ

- \_\_\_\_\_ I have confidence that I can deal well with people from a different culture.
- \_\_\_\_\_ I am certain that I can befriend people whose cultural backgrounds are different from mine.
- \_\_\_\_\_ I can adapt to the lifestyle of a different culture with relative ease.
- + \_\_\_\_\_ I am confident that I can deal with a cultural situation that's unfamiliar.

Total \_\_\_\_\_ ÷ 4 =  Emotional/  
motivational CQ

## **Discussion questions**

1. Why are symbols important to a corporate culture? Do stories, heroes, slogans, and ceremonies have symbolic value? Discuss.

2. General Electric is famous for firing the lowest performing ten percent of its managers each year. With its strict no-layoff policy, Valero Energy believes people need to feel secure in their jobs to perform their best. Yet both are high-performing companies. How do you account for the success of such opposite philosophies?

## **Topic 5. Managing in a Global Environment**

Topic includes the description of political, economic and legal systems of countries, differences between them. How and why they are important to companies that do business in foreign markets. In practice, managers working abroad should have a thorough understanding of a country's formal institutions before entering that country. In this topic, we are going to explore these institutions and related systems, known collectively as the political economy of a country, and what they mean for businesses operating internationally. In doing so, we will introduce something called 'an institution-based perspective'. As we shall see, political, economic and legal institutions establish the formal 'rules of the game' for operating in a particular country. The key functions of these institutions are to reduce uncertainty, reduce transaction costs and

constrain opportunism. We will look at the varieties of political systems, ranging

from totalitarianism through to different types of democracy. We will also examine systemic differences among economies, ranging from pure market economies and liberal market economies through to coordinated market economies. We will also explore the basic differences between legal systems. Finally, we will consider how these political, economic and legal institutions influence the economic development of a country and their implications for international business managers.

## Questions to study

1. 'Institution-based' view and the 'resource-based' view on the success and failure of the firm,
2. Dimensions of institutions, formal institutions
3. Political, economic and legal environments

## Control testing

### 1. Institutions

formal and informal rules of the game.

fundamental and comprehensive changes introduced to the formal and informal rules of the game that affect firms as players.

the mechanism through which norms influence individual and firm behavior.

### 2. cognitive pillar

the taken-for granted values and beliefs

the coercive power of governments

the mechanism through which norms influence individual and firm behavior

### 3. Two core propositions of the institution-based view

Managers and firms rationally pursue their interests and make choices within the formal and informal constraints in a given institutional framework

While formal and informal institutions combine to govern firm behavior, in situations where formal constraints are unclear or fail, informal constraints will play a larger role in reducing uncertainty and providing constancy to managers and firms

Organizations should look inside the company to find the sources of competitive advantage instead of looking at competitive environment for it

### 4. A political system

represents the rule of the game on how a country is governed

formal rules that regulate behavior, along with the processes by which the laws of a country are enforced and through which redress for grievances is obtained

legal rights over the use to which a resource is put and over the use of any income that may be derived from that resource

## 5. Dimensions of political system

collectivism vs. individualism

totalitarian vs. democratic

market vs. command

coordinated vs. liberal

## 6. Civil law

is based on tradition, precedent and custom

is based on a detailed set of laws organized into codes

is based on religious teachings

## **Assignments and case studies**

### **Case 1. Economic Transformation in Vietnam**

Vietnam is a country undergoing transformation from a centrally planned socialist economy to a system that is more market orientated. The transformation dates back to 1986—a decade after the end of the Vietnam War that reunited the north and south of the country under communist rule. At that time, Vietnam was one of the poorest countries in the world. Per capita income stood at just \$100 per person, poverty was endemic, price inflation exceeded 700 percent, and the Communist Party exercised tight control over most forms of economic and political life. To compound matters, Vietnam struggled under a trade embargo imposed by the United States after the end of the Vietnam War.

Recognizing that central planning and government ownership of the means of production were not raising the living standards of the population, in 1986 the Communist Party embarked upon the first of a series of reforms that, over the next two decades, transformed much of the economy. Agricultural land was privatized and state farm collectives were dismantled. As a result, farm productivity surged.

Following this, rules restricting the establishment of private enterprises were relaxed; many price controls were removed; state-owned enterprises were privatized; barriers to foreign direct investment were lowered; and Vietnam entered into trade

agreements with its neighbors and its old enemy the United States, culminating in the country joining the World Trade Organisation in 2007.

The impact of these reforms has been dramatic. Vietnam achieved annual economic growth rates of around 7 percent for the first 20 years of its reform program. Although growth rates fell to 5 percent in the aftermath of the 2008-2009 global financial crisis, by 2015 Vietnam was once again achieving growth rates of around 6-7 percent. Living standards have surged, with GDP per capita on a purchasing parity basis reaching \$6,400 in 2016. The country is now a major exporter of textiles and agricultural products, with an expanding electronics sector. State-owned enterprises now only account for 40 percent of total output, down from a near monopoly in 1985. Moreover, with a population approaching 100 million and an average age of just 30, Vietnam is emerging as a potentially significant market for consumer goods.

For all of this progress, significant problems still remain. The country is too dependent upon exports of commodities, the prices of which can be very volatile. Vietnam's remaining state-owned enterprises are inefficient and burdened with high levels of debt. Rather than let prices be set by market forces, the government has recently reintroduced some price controls. On the political front, the Communist Party has maintained a tight grip on power, even as the economy has transitioned to a market-based system.

Vietnam bans all independent political parties, labor unions, and human rights organizations.

Government critics are routinely harassed and can be arrested and detained for long periods without trial. The courts lack independence and are used as a political tool by the Communist Party to punish critics. There is no freedom of assembly or freedom of the press.

To compound matters, corruption is rampant in Vietnam. Transparency International, a nongovernmental organization that evaluates countries based on perceptions of how corrupt they are, ranks Vietnam 113th out of the 176 countries it ranks. Corruption is not a new problem in Vietnam.

There is a well-established tradition of public officials selling their influence and favoring their families.

However, critics say that the problem was exacerbated by privatization processes that provided opportunities for government officials to appoint themselves and family members as executives of formerly state-owned companies. Although the ruling Communist Party has launched anticorruption initiatives, these seem to be largely symbolic efforts. Many observers believe that widespread corruption has a negative impact on new business formation and is hamstringing economic growth.

- a. What changes in formal institutions and economic policy explain Vietnam's progress in recent years?
- b. How should the government and international businesses deal with the high levels of corruption?
- c. If you were going to enter Vietnam as a new market, what formal institutional risks would you anticipate?
- d. How would you mitigate those risks?

Sources: 'Crying over Cheap Milk', The Economist, November 21, 2015; 'Gold Stars' The Economist, January 23, 2016; Nick Davis, 'Vietnam 40 Years On', The Guardian, April 22, 2015; Vietnam, CIA Fact Book, 2016; Human Rights Watch, 'Vietnam', World Report 2015.

## **Case 2. Who is breaking whose copyright?**

A fascinating aspect about newspapers in most countries is that they like to report stories where foreigners break 'our' people's copyright, with scant attention to copying done in their own country.

Chinese businesses have, for good reason, been in the firing line for copying product designs for both domestic use and export. However, in Denmark, a newspaper took aim at British manufacturers: 'Uphill Danish Struggle against British Furniture Copies'. Danes are very proud of a number of their architects and designers of

the 1950s and 1960s, such as Arne Jacobsen. Their designer chairs, lamps and other furnishings continue to attain premium prices, and they also export products sought by fashionable Asian consumers. However, a British manufacturer has been copying those products and selling them in shops in London and on the Internet (and hence also to Denmark) for a fraction of the price. “Breach of copyright!” shout the Danes. “Perfectly legal!” reply the British.

The underlying legal issue is that protection for design lasts for 70 years after the death of the designer in Denmark and most other European countries, but only 25 years in the UK. So, it is legal to produce 1960s Danish designs in the UK. But is it also legal to export them? In a long-running conflict, Danish courts have ruled that the British may not sell such furniture to Denmark because they breach copyright. But how can such a ruling be enforced on Internet sales? While Danish businesses seek ways to enforce the copyrights, the British happily sell their copies.

In the European common market, it is a cause of political tension if products are legal in one country but illegal in another. Products flow freely across borders, and copyright holders can't stop them from entering their country. Whether 70 years or 25 years is appropriate is a different question, but a common definition of copyright is necessary to prevent the British (in this case) from undercutting businesses having to pay for copyright in their own country.

1. In your view, were the British behaving legally?

2. Why do you think legal systems and international agreements have such a poor record against copyright and IP violations?

3. How could the IP laws in your own country be strengthened?

Sources: (1) Berlingske Tidende, 2008, Engelske kopimobler rykker ind i Danmark, February 8; (2) Berlingske Tidende, 2012, Forgaeves dansk kamp mod britiske kopimobler, May 31, page B12.



## Assignment 1

Read the Wikipedia entry on South Africa, focusing particularly on the sections on political, legal and economic characteristics – sections 4 and 5:

[https://en.wikipedia.org/wiki/South\\_Africa](https://en.wikipedia.org/wiki/South_Africa)

1. Imagine you run a manufacturing company from your own country. What do you see as the main institutional – political, economic and legal – challenges of doing business in South Africa?
2. What are the sources of transaction costs in doing business with South Africa?
3. How important do you think informal institutions are in doing business in South Africa?

## Assignment 2

Try to divide Countries in to groups with Generally Collectivist Cultures and with Generally Individualistic Cultures



Afghanistan, Argentina, Armenia, Australia, Austria, Azerbaijan, Bangladesh, Belarus, Belgium, Brazil, Bulgaria, Canada, China, Cyprus, Czech Republic (post-communist generation), Dominican Republic, Ecuador, Egypt, El Salvador, Ethiopia, Georgia, Germany, Ghana, Greece, Guatemala, Hungary (post-communist generation), India, Indonesia, Ireland, Israel, Italy, Japan, Kazakhstan, Kenya, Lebanon, Luxembourg, Malaysia, Mexico, Morocco, Myanmar (Burma), Nepal, Netherlands, New Zealand, Nigeria, Pakistan, Philippines, Poland (post-communist generation), Polynesia, Portugal, Romania, Russia, Saudi Arabia, Serbia, Singapore, Slovakia (post-communist generation), Somalia, South Africa, Spain, Sri Lanka, Swit-

zerland, Taiwan, Turkey, Uganda, Ukraine, United Kingdom, United States, Venezuela, Vietnam, Zambia

### **Discussion questions**

1. How do you think a country might make the shift from a centrally planned to a more market-based economy?

2. You are looking to sell goods to another country (pick one you know something about). What are the costs of doing business in this foreign market? Given the costs of doing business in a foreign market, is it worth it?

3. What do you think are the factors that explain the degree of development and success experienced by your own country over the last 10 years? What were the roles of political, economic and legal institutions?

4. Describe your own country's economy. Is it a market, command or mixed economy?

5. What is the degree of coordination and liberalization in your economy?

6. Has your country changed in terms of type of economy in the last 10 years? How?

7. Do you foresee further changes in the next five years, following the pandemic and economic crisis of 2020–21?

8. 'Formal institutions greatly affect and shape the strategies that are possible in specific countries and markets.'

Therefore:

a. Describe, using examples, the major political institutions an international business needs to take into account in designing its strategy.

b. Describe, using examples, the major economic institutions an international business needs to take into account in designing its strategy.

c. Describe, using examples, the major legal institutions that will impact on a business operating globally

d. Why are formal institutions important for:

i. developing economies?

ii. international trade?

iii. multinationals?

## **Topic 6. Managerial Planning and Goal Setting**

Topic includes issues how the company establishes a basic mission and periodically develops formal goals and plans for carrying it out. How do managers plan for the future in a constantly changing environment? We explore the process of planning and consider how managers develop effective plans. Special attention is given to goal setting, for that is where planning starts. Then, we discuss the various types of plans that managers use to help the organization achieve those goals. We also take a look at planning approaches that help managers deal with uncertainty, such as contingency planning, scenario building, and crisis planning. Finally, we examine new approaches to planning that emphasize the involvement of employees, and sometimes other stakeholders, in strategic thinking and execution.

### **Questions to study**

1. Overview of goals and plans
2. Operational planning
3. MBO
4. Single-use and standing plans
5. Planning for a turbulent environment
6. Planning for high performance

### **Control testing**

1. Why is a tactical plan relevant for the functioning of each company?

It focuses on the day-to-day operations of a company.

It designs the long-term goals and plans of a company.

Because it is responsible for developing the mission and the vision of each department.

Because it deals with the responsibility and functionality of lower-level departments.

2. A procedure that details how to take an inventory is an example of a(n) \_\_\_\_\_ plan, while a promotional advertisement is an example of a(n) \_\_\_\_\_ plan.

strategic, tactical

tactical, operational

single-use, ongoing

ongoing, single-use

operational, single-use

3. Managers use operational plans to \_\_\_\_\_.

regulate the day-to-day affairs of each department.

regulate production quotas that must be met each quarter.

determine the company's long-term goals.

specify what to do in case the original plan fails.

4. Which of the following is incorrect?

planning is the part of the management process that attempts to define the organization's future.

the approach to planning can differ greatly from manager to manager.

planning is a one time event.

planning is thinking out in advance the sequence of actions to accomplish a proposed course of action.

5. A system in which responsibility for planning lies with the highest level is called:

centralized planning.

decentralized planning.

strategic planning.

flexible planning.

6. Which of the following is not a benefit of planning?

coordination of effort.

preparation for change.

development of standards.

none of the above (all are benefits).

7. The first step in defining the competencies required for each job is to define the mission for each job. The next step is to

define performance standards for each major outcome.

design and deliver appropriate training.

describe the major outcomes required to achieve the mission.

identify known barriers to achieving the performance standards.

8. Comprehensive, long range planning, focusing on broad enduring issues is called:

operational planning.

strategic planning.

niche planning.

none of the above.

9. The first step in the planning process is to:

determine goals and objectives.

allocate resources.

establish an action plan.

assess current conditions.

10. Canada Trust's statement "To be the best Personal Financial Company" is an example of a:

goal.

objective.

mission statement.

all of the above.

11. Which of the following is not a characteristic of a good mission statement?

achievable.

motivating at all levels.

strategies that are general.

long term.

12. Strategic objectives are set by

middle management.

top management.

line management.

all of the above.

13. Which of the following objectives would be most difficult to measure?

social responsibility.

profitability objectives.

financial objectives.

quality objectives.

## **Assignments and case studies**

### **Assignment 1**

Instructions:

In this assignment, you will work on setting goals for yourself using the SMART method.

You should list a minimum of 5 goals.

**PLEASE CONSIDER ACADEMIC GOALS, PERSONAL GOALS, SOCIAL GOALS, SHORT TERM AND LONG TERM GOALS.**

For each goal, you must provide an explanation of how the goal is representative of each of the SMART characteristics: Specific, Measurable, Attainable, Realistic, Timely.

Be sure to answer the following questions for each goal summary:

Does it answer the 6 Ws?

Can you measure it?

Is it attainable?

Is it realistic?

What is the time frame you have set for completing that goal?

Format:

You will provide a list and explanation for each goal (minimum 5) that you set for yourself.

Each goal summary should be at least 100 words – totaling 500 words for this assignment.

Goal setting can be a great opportunity to assess where you are now and to look ahead to where you want to get and how you plan and how you plan to get there.

SMART is an acronym to help you set positive and achievable goals.

**Specific** Goals should be straight forward and emphasize what you want to happen. Specifics help us to focus our efforts and define what we are going to do. To set a specific goal you must answer the 6 Ws:

Who? Who is involved?

What? What would I like to accomplish?

Where? Where is this happening?

When? When do I start/finish?

Which? Identify requirements and constraints

Why? Why am I doing this? Specific reasons, purpose or benefits!

### **Measurable**

If you can't measure it, you can't manage it! If you can't measure it you will not be able to define whether you have achieved your goal or not. Goals usually have several short-term and on-going measurements so that you can see how you are doing in your aim to achieve your goal.

A non-measurable goal: I want to learn how to break dance.

A measurable goal: I want to learn 5 break dance moves by Friday November 2nd.

### **Attainable**

If your goal is important to you, you'll figure out ways to make it come true! After identifying your goal, you'll begin to see previously overlooked opportunities and seize them to bring you closer to the achievement of your goal.

A goal should stretch you slightly so you feel you can do it, and it will need a real commitment from you. Think about what is achievable and what you want to do. If a goal is set too far out of your reach, you may not commit to it, or complete it.

Feeling successful as you move to achieve your goal will help you to remain motivated!

### **Realistic**

Doing what's 'do-able.' This doesn't mean easy. Realistic goals should have you push you, but not break you! It is important to have a plan to make achieving your goal realistic. Set the bar high enough for a satisfying achievement!

### **Timely**

What is your time frame? Putting an end to your goal, or target dates to work towards, gives you a sense of accomplishment as you move toward achieving your goal. With a time frame comes more commitment to achievement!

The time you set should be measurable, attainable and realistic.

## **S.M.A.R.T. GOALS WORKSHEET**

Crafting S.M.A.R.T. Goals are designed to help you identify if what you want to achieve is realistic and determine a deadline. When writing S.M.A.R.T. Goals use concise language, but include relevant information. These are designed to help you succeed, so be positive when answering the questions.

<b>INITIAL GOAL</b>	Write the goal you have in mind
<b>S SPECIFIC</b>	What do you want to accomplish? Who needs to be included? When do you want to do this? Why is this a goal?
<b>M MEASURABLE</b>	How can you measure progress and know if you've successfully met your goal?
<b>A</b>	Do you have the skills required to achieve the goal? If not, can you obtain them? What is the motivation for this goal? Is the amount of effort required on par with what the goal will achieve?



<b>ACHIEVABLE</b>	
<b>R</b> <b>RELEVANT</b>	Why am I setting this goal now? Is it aligned with overall objectives?
<b>T</b> <b>TIME-BOUND</b>	What's the deadline and is it realistic?
<b>SMART GOAL</b>	Review what you have written, and craft a new goal statement based on what the answers to the questions above have revealed

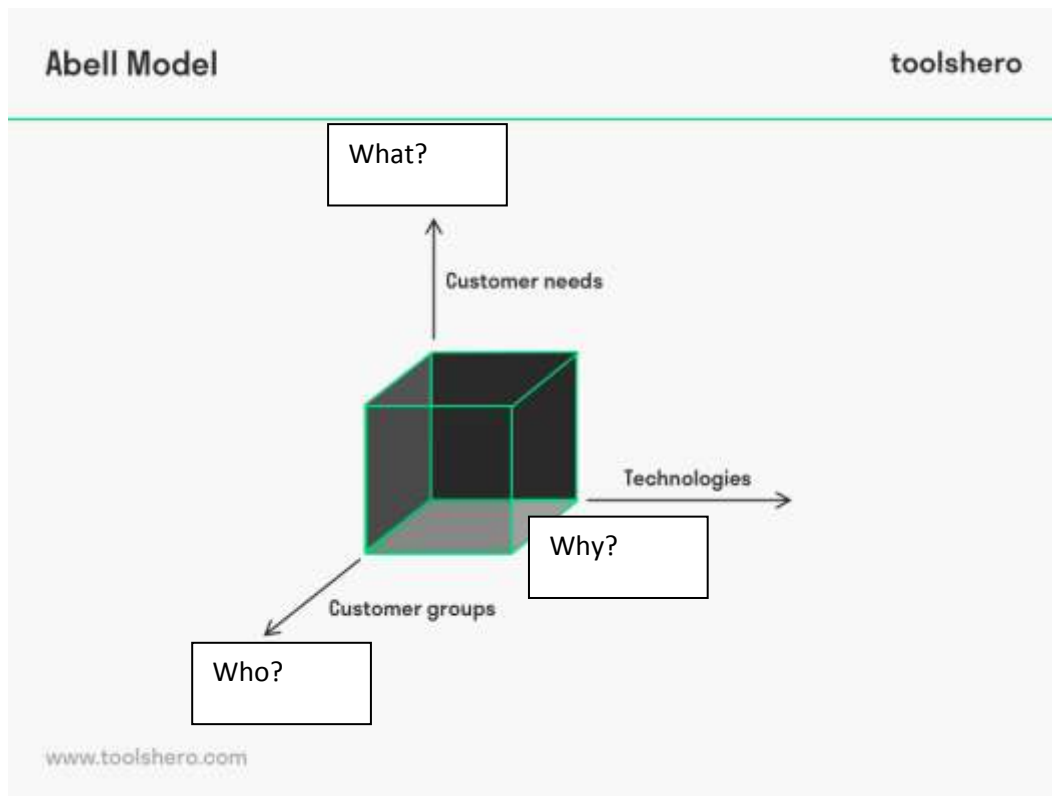
## Assignment 2

You should formulate the company's mission using the Derek Abell model.

To get a good overview of the various customers and their needs and to find out exactly what technologies should be used to serve these customers, Derek Abell developed a business definition framework in the 1980s. This model is still known as the Abell Model or Abell Business Model. According to Derek Abell the strategic planning process is the starting principle for any given organization, and this process is defined in the mission statement. A mission statement gives direction to the organization and provides the basis for further elaboration of strategies.

Three questions play an important part in the formulation of the mission statement:

1. Who are the customers of the organization?
2. How can the organization meet its customer needs?
3. What techniques does the organization use to meet the customer needs?



## Case 1

Nielsen Media Research David Calhoun left a job he loved as a star executive at General Electric to step into a mess as CEO of the A. C. Nielsen Corporation. His immediate challenge: The media research unit, which is under heavy fire from television clients such as NBC and CBS for chronic delays in reporting television ratings. Nielsen held a conference call with major clients acknowledging the delays and promising to do better, but the following Monday, the company again failed to report any ratings at all for the previous day. Nielsen was not delivering data to customers as promised. What's the big deal? Calhoun and chief of research Susan Whiting know that about \$70 billion a year in advertising revenues for the television industry depends on Nielsen ratings. Viewers might think TV networks are in the business of providing entertainment, but management's primary goal is providing eyeballs for advertisers. When television managers and advertisers don't get timely, accurate data from Nielsen, they're shooting in the dark with decisions about how to allocate resources. Daily meetings at some companies are scheduled based on getting the infor-

mation from Nielsen when promised. “There is so much revenue involved over which we have no quality control,” said Alan Wurtzel, president of research for NBC. “We don’t just use this data for analytical purposes. This is the currency of the business.” Calhoun and other top managers are analyzing what went wrong at Nielsen. Originated in 1923 to perform surveys of the production of industrial equipment, Nielsen became a household name when it launched its television ratings system in 1950. More than 60 years later, Nielsen still functions as a near-monopoly in the ratings business. Yet the company could be facing a serious threat from cable and satellite companies that are working on a way to get set-top boxes to provide real-time TV viewing data to rival Nielsen’s. Managers see several factors involved in the problems at Nielsen, but the biggest one is that the amount of data the company processes doubled in a year, overloading computer servers and straining the company’s human systems. The increase has come both because of changes in how people are watching television, such as over the Internet and other digital devices, and in the amount of information networks want. As the television business gets cut into thinner slices, clients need even more precise data to make good decisions. Nielsen is pursuing a strategy it calls “Anytime, Anywhere Media Measurement” to stay relevant and address new competition, but it has to get its quality problems fixed fast. Clients understand the strain, but they have little sympathy. They want to know why Nielsen managers didn’t anticipate the spike in data demands and plan accordingly.

#### Questions

1. Where do you think the problems lie at Nielsen? For example, are they primarily with the company’s strategic goals and plans, tactical goals and plans, or operational goals and plans? With alignment of goals and plans?

2. Do you think developing a strategy map would be a good idea for Nielsen? Why or why not?

3. If you were David Calhoun, what kind of planning processes might you implement right now to fix this problem?

## Case 2. Management In Practice: Ethical Dilemma

Inspire Learning Corporation When the idea first occurred to her, it seemed like such a win-win situation. Now she wasn't so sure. Marge Brygay was a hard-working sales rep for Inspire Learning Corporation, a company intent on becoming the top educational software provider in five years. That newly adopted strategic goal translated into an ambitious million-dollar sales target for each of Inspire's sales reps. At the beginning of the fiscal year, her share of the sales department's operational goal seemed entirely reasonable to Marge. She believed in Inspire's products. The company had developed innovative, highly regarded math, language, science, and social studies programs for the K-12 market. What set the software apart was a foundation in truly cutting edge research. Marge had seen for herself how Inspire programs could engage whole classrooms of normally unmotivated kids; the significant rise in test scores on those increasingly important standardized tests bore out her subjective impressions. But now, just days before the end of the year, Marge's sales were \$1,000 short of her million-dollar goal. The sale that would have put her comfortably over the top fell through due to last-minute cuts in one large school system's budget. At first, she was nearly overwhelmed with frustration, but then it occurred to her that if she contributed \$1,000 to Central High, the inner-city high school in her territory probably most in need of what she had for sale, they could purchase the software and put her over the top. Her scheme would certainly benefit Central High students. Achieving her sales goal would make Inspire happy, and it wouldn't do her any harm, either professionally or financially. Making the goal would earn her a \$10,000 bonus check that would come in handy when the time came to write out that first tuition check for her oldest child, who had just been accepted to a well-known, private university. Initially, it seemed like the perfect solution all the way around. The more she thought about it, however, the more it didn't quite sit well with her conscience. Time was running out. She needed to decide what to do.

What Would You Do?

1. Donate the \$1,000 to Central High, and consider the \$10,000 bonus a good return on your gift.

2. Accept the fact you didn't quite make your sales goal this year. Figure out ways to work smarter next year to increase the odds of achieving your target.

3. Don't make the donation, but investigate whether any other ways were available to help Central High raise the funds that would allow them to purchase the much-needed educational software.

SOURCE: Based on Shel Horowitz, "Should Mary Buy Her Own Bonus?" Business Ethics (Summer 2005).

### **Discussion questions**

1. A new business venture must develop a comprehensive business plan to borrow money to get started. Companies such as FedEx, Nike, and Rolm Corporation say they did not follow the original plan closely. Does that mean that developing the plan was a waste of time for these eventually successful companies?

2. How do you think planning in today's organizations compares to planning 25 years ago? Do you think planning becomes more important or less important in a world where everything is changing fast and crises are a regular part of organizational life? Why?

3. Why would an organization want to use an intelligence team? Discuss.

4. Some people say an organization could never be "prepared" for a disaster. If so, then what's the point of crisis planning?

5. Come up with a BHAG for some aspect of your own life. How do you determine whether it makes sense to pursue a big hairy audacious goal?

### **Topic 7. Strategy and the enterprise in international contexts**

This topic provides an introduction to international business strategy. In order to go international, all companies must first develop a strategy and identify how to create more value by operating in foreign as well as domestic markets. An important part of strategy is to design the company's value chain of primary and support activi-

ties to ensure the company has the processes and activities necessary to create and optimize value. The managers of a firm must also understand the economics of international enterprise and, in particular how they can achieve economies of location, scale and, from experience, effects. With this in place, the company needs to carry out an environmental analysis to identify the key factors that can support or constrict strategic action in different markets. We provide three frameworks – PESTEL, CAGE and SWOT – to facilitate such an analysis. Finally, the company needs to choose a strategy. We introduce four types of strategy commonly pursued in international business, look at how such strategies evolve, and detail Ghemawat’s aggregation, arbitrage and adaptation (AAA) strategy triangle as a basis for designing strategy for international contexts.

### **Questions to study**

1. Definitions, types of strategies
2. Value chain
3. Core competencies
4. Analyzing the international environment
  - The PESTEL framework
  - The SWOT framework
  - The CAGE distance framework
5. Assessment of the competitive position of the organization and identification its competitive advantage
6. Porter’s generic strategies
7. Choosing a strategy for international business
8. The I-R framework

### **Control testing**

1. Definition of the strategy (choose the modern one)

The determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals

An integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage

2. If a firm is targeting customers in most or all segments of an industry based on offering the lowest price,

it is following a cost leadership strategy

it is pursuing a differentiation strategy

it is following a focus strategy

3. A set of activities that a firm operating in a specific industry performs in order to deliver a valuable product for the market

strategy

value chain

business process

4. The value chain concept was first described by

Michael Porter

Frederick Taylor

Ichack Adizes

Igor Ansoff

5. Identifies a company's internal strengths and weaknesses, and the external opportunities and threats it faces

SWOT

PESTEL

CAGE

SPACE

6. Taking products first produced for the domestic market and selling them internationally with only minimal local customization

International (home replication) strategy

Localization (multi-domestic) strategy

Global standardization strategy

Transnational strategy

7. Makes sense when there are low cost/global integration pressures and low pressures for local responsiveness

International (home replication) strategy

Localization (multi-domestic) strategy

Global standardization strategy

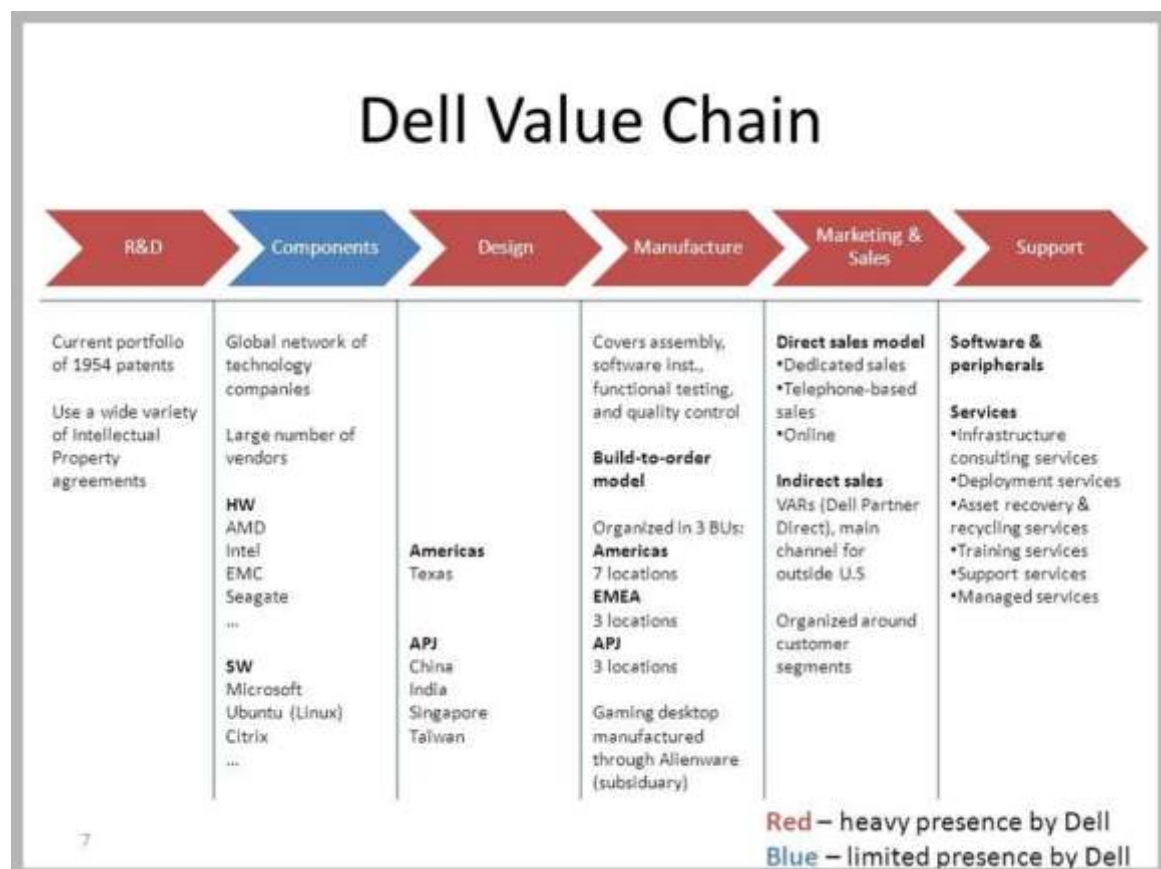
Transnational strategy

## Assignments and case studies

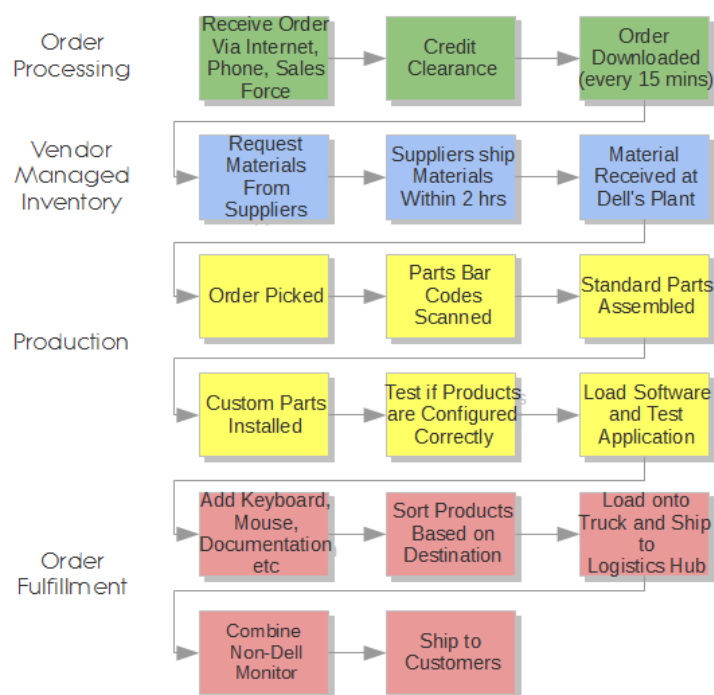
### Assignment 1. The value chain of Dell

Explore the Dell value chain and try to identify and describe 5 processes that work well 40 min.

The name of processes you can find on the picture. Compare this basic value chain with Dell's value chain and try to make the conclusion which processes are well performed.







What do you think works well?

Why do you think this process has been adopted by other companies?

You should record your answers

## Assignment 2. SWOT analysis

Read Case 2. “The Environment of Nortel Network” in the Topic 3 and make SWOT analysis

## Assignment 3. The CAGE Distance Framework

The CAGE Distance Framework identifies Cultural, Administrative, Geographic and Economic (CAGE) differences or distances between countries that companies should address when crafting international strategies. It was developed by Pankaj Ghemawat, an international strategy expert, to offer businesses a way to evaluate countries in terms of the “distances” between them.

### *Description of CAGE Distance Framework*

The CAGE Distance Framework divides the differences between how countries do business into four categories which help to simplify the analysis. They are

Cultural, Administrative, Geographic and Economic and provides a broader view of “distance” among countries than just the obvious one. Each is described in detail below:

Cultural distance: This refers to the cultural norms, values and social beliefs, also known as the unwritten rules, that shape the behavior of individuals and organizations. Various societies also differ in their attitudes toward globalization and market power that have important consequences in terms of both formalized trade regulations and general attitudes toward how businesses are run.

Administrative distance: This refers to differences in history and politics among countries, especially those which do not share colonial ties. Also, a lack of shared currency, political hostilities, and government corruption contribute to Administrative distance.

			Country A	Country B
<b>C</b>	<b>Cultural Distance</b>	List the cultural norms, values and social beliefs, also known as the unwritten rules, that shape the behavior of individuals and organizations. Various societies also differ in their attitudes toward globalization and market power that have important consequences in terms of both formalized trade regulations and general attitudes toward how businesses are run.		
<b>A</b>	<b>Administrative Distance</b>	List the differences in history and politics among countries, especially those which do not share colonial ties. Also, a lack of shared currency, political hostilities, and government corruption contribute to Administrative distance.		
<b>G</b>	<b>Geographic Distance</b>	Geographic distance refers not only to the physical distance between two countries, but also a country's physical size, whether it shares borders with hostile or non-hostile neighbors, and access to trade routes such as the ocean and other topographical features. List these attributes.		
<b>E</b>	<b>Economic Distance</b>	Two of the biggest determinants of economic distance are the Cost of Labor and level of Consumer wealth between countries. It is more difficult for a company from a wealthy country to enter a poorer country and be successful there, but not impossible. List these determinants.		

Want more tools and templates? Visit <https://upboard.io/>

Geographic distance: Geographic distance refers not only to the physical distance between two countries, but also a country’s physical size, whether it shares borders with hostile or non-hostile neighbors, and access to trade routes such as the

ocean and other topographical features. Any of these attributes can cause Geographic distance and make doing business a challenge.

Economic distance: Two of the biggest determinants of economic distance are the Cost of Labor and level of Consumer wealth between countries. It is more difficult for a company from a wealthy country to enter a poorer country and be successful there, but not impossible.

Task: using the CAGE Distance Framework Template compare the key differences between a company's home market and the international market it intends to target.

### **Case 1. Strategy at Proctor & Gamble**

Founded in 1837, Cincinnati-based Proctor & Gamble has long been one of the world's most international companies. Today it is a global colossus in the consumer products business, with annual sales in excess of \$50 billion, about 54 per cent of which are generated outside the United States. P&G sells more than 300 brands – including Ivory soap, Tide, Pampers, Iams pet food, Crisco and Folgers – to consumers in 160 countries.

Historically, the strategy at P&G was well established. The company developed new products in Cincinnati and then relied on semi-autonomous foreign subsidiaries to manufacture, market and distribute those products in different nations. In many cases, foreign subsidiaries had their own production facilities and tailored the packing, brand name, and marketing message to local tastes and preferences. For years this strategy delivered a steady stream of new products and reliable growth in sales and profits. By the 1990s, however, profit growth of P&G was slowing.

The essence of the problem was simple: P&G's costs were too high because of extensive duplication of manufacturing, marketing and administrative facilities in different national subsidiaries. The duplication of assets made sense in the world of the 1960s, when national markets were segmented from each other by barriers to cross-border trade. Products produced in Great Britain, for example, could not be sold economically in Germany due to high tariff duties levied on imports into Germany. By

the 1980s, however, barriers to cross-border trade were falling rapidly worldwide and fragmented national markets were emerging into larger regional or global markets. Also, the retailers through which P&G distributed its products were growing larger and more global, such as Wal-Mart in the United States, Tesco in the United Kingdom and Carre-four in France. These emerging global retailers were demanding price discounts from P&G.

In the 1990s, P&G embarked on a major reorganization in an attempt to control its cost structure and recognize the new realism of emerging global markets. The company shut down some 30 manufacturing plants around the globe, made 13,000 employees redundant and concentrated production in fewer plants that could better realize economies of scale and serve regional markets. It wasn't enough. Profit growth remained sluggish, so in 1999 P&G launched its second reorganization of the decade. Named 'Organisation 2005', the goal was to transform P&G into a truly global company. P&G tore up its old organization, which was based on countries and regions, and replaced it with one based on seven self-contained global business units, ranging from baby care to food products. Each business unit was given complete responsibility for generating profits from its products and for manufacturing, marketing and product development. Each business unit was told to rationalize production, concentrating it in few large facilities; to try to build global brands wherever possible, thereby eliminating marketing difference between countries; and to accelerate the development and launch of new products. P&G announced that, as a result of this initiative, it would close another 10 factories and lay off 15,000 employees, mostly in Europe where there was still extensive duplication of assets. The annual cost savings were estimated to be about \$US 800 million. P&G planned to use the savings to cut prices and increase marketing spending in an effort to gain market share and thus further lower costs through the attainment of scale economies. This time the strategy seemed to be working. Between 2003 and 2007 P&G reported strong growth in both sales and profits. Significantly, P&G's global competitors, such as Unilever, Kimberly-Clark and Colgate-Palmolive, were struggling between 2003 and 2008. (Source: L.P. Willcocks, using multiple published sources, including annual reports.)

Identify the role of location and scale economies and experience effects in how Proctor and Gamble's strategy needed to evolve from 1990 to 2008. You can find additional information on Proctor and Gamble online if you need to check further details and what happened next. Look for recent videos on Proctor and Gamble as part of your search. Check out also their most recent annual reports.

### **Control questions**

1. Define the concepts of strategy, value creation and the value chain of a company.
2. Apply these concepts to real-life cases in international business.
3. Identify economies from location, experience effects and scale, and apply these ideas to strategy development in international business.
4. Describe the major components of an environmental analysis and apply the PESTEL, CAGE and SWOT frameworks to actual cases.
5. Develop international business strategy for an organization choosing an evolution path across the four basic international strategy types, namely of international (home replication), localization, global standardization and transnational strategies.
6. Describe the components of a SWOT/PESTEL analysis.
7. Describe, using an example, how a MiniMax framework can be used.
8. Describe the components of Ghemawat's CAGE framework.

### **Topic 8. Competitive strategy for international business**

Topic includes description of competitive strategy and focuses on how individual businesses should compete in their particular markets.

### **Questions to study**

1. The hierarchy of strategies
2. Michael Porter's five forces model
3. Porter's Generic Strategies

4. A resource based perspective of competitiveness. VRIO framework.

Tangible intangible resources

5. Choosing a strategy for international business. The I-R Framework

### **Control testing**

1. Porter's competitive strength - "the threat of new competitors" - depends most on the following factors

high profitability of the industry

heights of entry barriers (cost of entry to the industry)

appearance of replacement products

the structure of sectoral competition

2. Suppliers can influence the level of the company's competitive position in the industry market ...

requiring higher quality products and services

putting pressure on prices to reduce them

determining the terms of delivery in your favor

using the absence of substitutes for the delivered goods

3. Porter's competitive strength - "the rivalry of existing companies in the industry" strongly depends on the following factors:

heights of exit barriers in the industry

the appearance of replacement products

price competition in the industry

the structure of sectoral competition

4. Buyers can influence the level of the company's competitive position in the industry market ...

putting pressure on prices to reduce them

requiring higher quality products and services

specifying terms of delivery

using the absence of substitutes for the delivered goods

5. Availability of substitute products...

does not affect the price power of buyers

increases the price power of buyers

increases the export-import balance

reduces the price power of buyers

6. Increasing customs duties on imported consumer goods can be beneficial...

only the state

domestic enterprises that work for export

domestic companies that produce similar products

consumers

7. Porter's analysis of competitive forces is necessary for...

determining the company's financial position in comparison with competitors

finding out the reasons for the current state of competition in the industry under study

finding out the strengths and weaknesses of competitors in the industry

8. Porter's competitive strength - "supplier pressure" is the greatest threat to raise prices, forcing organizations to reduce profits in the following situations:

when the organization of the industry important for the supplying companies

when vendors use the threat of vertical integration forward

when it is expensive for a consumer company to switch from one type of supply to another

when the supplied product has few substitutes and is important to the organization

when buyers are able to use the threat of their vertical integration back.

9. The idea is to offer better value to customers through the same value at a lower price.

Cost leadership strategy

Differentiation strategy

Focus (or niche) strategy

10. Company targets customers in smaller, well-defined segments who are willing to pay premium prices

Cost leadership strategy

Differentiation strategy

Focus (or niche) strategy

11. A company concentrates on serving the needs of a particular segment or niche of an industry such as a geographical market, type of customer or product line

Cost leadership strategy

Differentiation strategy

Focus (or niche) strategy

12. Focuses on the capabilities needed to compete and deals with the internal strengths and weaknesses of the company

The resource-based view

The industry-based view

13. Aspects of VRIO (a resource-based framework) - remove wrong value

rarity

imitability

organisational

individual

## **Assignments and case studies**

### **Assignment 1**

Search online for material on the history of Amazon. Review the history then answer the following questions:

- What were Amazon's starting capabilities?
- What capabilities did it need to develop become profitable?
- What capabilities does it now have, and how are they leveraged?
- Do you think it was a good move for booksellers who failed with their

online operations to outsource the service Amazon run it for them



## Assignment 2

Apply the VRIO framework to organizational examples to assess strengths and weaknesses of the firm.

Carry out a Resource-Based View analysis. Pick a company you know well.

- Identify 8-10 resources that you think might be VRIO.
- Start to classify them. Do the tests in order: IS IT
- ◆ Valuable
- ◆ Rare
- ◆ Imitable
- ◆ Organized
- If you reach a “no” at any point, give up and move on to the next one.

**VRIO Framework**

Resource/Capability	V	R	I	O
WiFi Internet Access	☐			
R&D Skills	☐			
Ability to Raise Capital	☐			
Coffee Brewing Equipment	☐			
Human Resource Management	☐			
Coffee House Set Up	☐	☐		
Employee Compensation	☐	☐		
Quality Product Mix	☐	☐		
Coffee House Locations	☐	☐		
Employee Benefits	☐	☐	☐	
Socially Responsible Corporate Image	☐	☐	☐	
Buying Power	☐	☐	☐	
Number of Coffee Houses	☐	☐	☐	
<b>Core Competencies</b>				
Propensity for Innovation	☐	☐	☐	☐
Relationships with Coffee Farmers	☐	☐	☐	☐
Customer Experience	☐	☐	☐	☐
Corporate Leadership & Vision	☐	☐	☐	☐
Renowned Brand	☐	☐	☐	☐

## Assignment 3

Be aware of, and be able to participate in, the major debates arising from the study of competitive strategy for international business.

### Case 1. The changing steel industry

For a long time, the steel industry was seen as a static and unprofitable one. Producers were nationally based, often state-owned and frequently unprofitable – the

early 2000s saw 50 independent steel producers becoming bankrupt in the United States alone. But recent years have seen a turnaround. During 2006, Mittal Steel paid \$36bn (€24.5bn) to buy European steel giant, Arcelor, creating the world's largest steel company. The following year, Indian conglomerate Tata bought the Anglo-Dutch steel company, Corus, for \$13bn. These high prices indicated considerable confidence in the prospects of a better industry structure.

In the last two decades, two powerful groups have entered world steel markets. First, after a period of privatization and reorganization, in 2009 Russia had become the world's second largest steel exporting country (behind Japan), led by giants such as Severstal and Evraz. China, too, had become a major force. Between the early 1990s and 2009, Chinese producers increased their capacity six times. Although the Chinese share of world capacity reached over 40 per cent in 2009, most of this was directed at the domestic market. Nevertheless, China was the world's fourth largest steel exporter in 2009.

Steel is a nineteenth-century technology, increasingly substituted by other materials such as aluminum in cars, plastics and aluminum in packaging, and ceramics and composites in many high-tech applications. Steel's own technological advances sometimes work to reduce need: thus steel cans have become about one-third thinner over the last few decades. Also, lightweight metals, such as aluminum, magnesium, and titanium are considered increasingly as alternatives to steel.

The major buyers of steel are the global car manufacturers. They are sophisticated users and are often leaders in the technological development of their materials. In North America at least, the decline of the once dominant 'Big Three' – General Motors, Ford and Chrysler – has meant many new domestic buyers, with companies such as Toyota, Nissan, Honda and BMW establishing local production plants. Another important user of steel is the metal packaging industry. Leading can producers such as Crown Holdings, which makes one-third of all food cans products in North America and Europe, buy in large volumes, coordinating purchases around the world.

The key raw material for steel producers is iron ore. The main producers – Vale, Rio Tinto and BHP Billiton – control about 70 per cent of the market for interna-

tionally traded ore. Iron ore prices had multiplied four times between 2005 and 2008, and, despite the recession, by 2010 were still twice the 2005 level.

The industry has traditionally been very fragmented: in 2000, the world's top five producers accounted for only 14 per cent of production. Companies such as Nucor in the USA, Thyssen-Krupp in Germany as well as Mittal and Tate responded by buying up weaker international players. By 2009, the top five producers accounted for 20 per cent of world production. The new steel giant, Arcelor-Mittal, alone accounted for about 10 per cent of world production, and for one-fifth of the European Union market. Nonetheless, despite a cyclical peak in 2008 and a slump in 2009, the world steel price was basically the same in 2010 as it was in 2005.

(Source: L.P. Willcocks, using multiple published sources on steel industry growth.)

Task: Recognize and apply the right model to carry out competitive analysis

## **Case 2. Faced an approaching tsunami (a case about the period of the 70s)**

The watch was ticking monotonously. If a few years ago Mr. X had been told that Japanese manufacturers would try to buy out this company, he would have given a screw-loose sign and laughed. However, today he was not amused at all.

A few years ago, the Swiss company XXX was one of the leaders in the production of watches. There are 300 years of experience in the watch industry behind. Minimal advertising costs. And why? "Made in Switzerland" does not require special advertising. This phrase has absorbed the history, traditions, handmade work of famous masters, quality, name and prestige. Customers liked it: they paid big sums and did not require special innovations. "Then XXX run like clockwork and brought in considerable income," thought with nostalgia Mr. X, the Head of XXX.

It was until the mid '70s - before the entering the market of watches from Japanese manufacturers. Today (at 70s), XXX's condition was bleak: sales were falling, profits were melting, the company was losing its sales markets. Even offers were received to buy out the company. The entire Swiss watch industry has faced a similar situation. In 1970, it was estimated at 10 billion dollars. However, in the early 80s,

almost all of this passed to the Japanese companies Timex, Citizen, Seiko, Casio. So with in market access by Japanese, in just one year two associations of Swiss watchmakers ASUAG and SSIH lost about 124 million dollars in profit. There was a real threat of losing even more, since the Japanese were planning to buy the famous Swiss brand Omega.

Japanese manufacturers have significantly reduced costs by using leading digital technologies. In addition, on average, the salary of a Japanese worker was 5 times less than the salary of a Swiss one. Moreover, from the mid-70s to the early 80s, the number of Swiss watchmakers decreased from 90 thousand to 30 thousand. All this time, Japanese companies systematically improved the quality, design and reduced the price of their watches (they were 50-70% cheaper than Swiss ones). At the same time, they advertised their products widely (spending 10 times more on it than their Swiss competitors) and made it available everywhere: from tiny shops to giant shopping malls.

The results of such a powerful attack were stunning. Swiss companies were losing their positions in the watch market. Although in the early 80s they still owned 90% of the expensive watches market, recent studies demonstrated that the share was rapidly decreasing. In the mid-price watch market, which was growing very fast, they barely had 3%. And there were absent on the cheap watches market - they simply did not produce watches with a price of less than 100 Swiss francs (approximately US\$ 80).

The watch was ticking monotonously. Mr. X reread all these data once again. It was necessary to act. Somehow react to the appearance of Timex, Citizen, Seiko, Casio... But Mr. X was timid: he felt alone with the tsunami. The watch was ticking monotonously. Indecision became fatal.

Task: Select a target group of consumers, develop and present a strategic concept containing: a description of the consumer, the expected price range, product description, promotion concept, technological features.

## Discussion questions

1. Read about history of the Rolls-Royce company <https://www.rolls-royce.com/about/our-history.aspx> and other sources:

1.1 From the perspective of the institution-based view:

a. How did the First and Second World Wars influence the long-term development of the Rolls-Royce company?

b. How did US defense policy influence the development of Rolls-Royce?

c. How did UK government policy influence the development of Rolls-Royce?

1.2. From the perspective of the resource-based view:

a. Which resources were the sources of competitive advantage of RR in 2009?

b. What dynamic capabilities does RR have that have helped at different stages of its development?

c. If there was a new entrant in the market for aircraft engines, where would you expect it to come from?

1.3. From a Porter frameworks point of view:

Assess the changing position of RR over the years using Porter's generic strategies framework and five forces framework for your analysis.

2. Describe, assess and apply the five forces framework for industry analysis.

3. Articulate the generic strategies of cost leadership, differentiation and focus.

4. Define and assess the resource-based approach to competition, and how tangible and intangible resources and capabilities can be utilized to achieve competitiveness.

## Topic 9. Decisions making

Managers often are referred to as decision makers, and every organization grows, prospers, or fails as a result of decisions by its managers. Many manager decisions are strategic, such as whether to build a new factory, move into a new line of

business, or sell off a division. Yet managers also make decisions about every other aspect of an organization, including structure, control systems, responses to the environment, and human resources. Managers scout for problems, make decisions for solving them, and monitor the consequences to see whether additional decisions are required. Good decision making is a vital part of good management because decisions determine how the organization solves its problems, allocates resources, and accomplishes its goals.

### **Questions to study**

1. Types of Decisions and Problems
2. Decision-Making Models
3. Decision-Making Steps
4. Four major decision styles
5. Why Do Managers Make Bad Decisions?

### **Control testing**

1. The first step in the decision making process is...

To identify alternatives

To identify the decision

To gather information

To take action

2. Among the listed decisions, find a non- programmed decision

a procedure for the payment of bonuses

a selection of freight routes for product deliveries

a selection of a new manager from candidates using job interview

to develop a new product or service

3. Which kind of decision-making conditions means that a decision has clear-cut goals and that good information is available, but the future outcomes associated with each alternative are subject to chance?

Certainty

Risk

Uncertainty

Ambiguity

4. Solve the problem.

You have 1 million rubles available for you to invest in the development of a new product or to conduct an advertising campaign for an existing product.

In the case of a successful advertising campaign with a probability of 60%, you will receive 3 million profits, otherwise, only 1 million rubles.

For a new product, the probability distribution and expected profit: 4 million rubles with a probability of 20%, otherwise 2 million rubles.

Choose an investment option:

development of a new product

advertising campaign

5. A decision making model based on

the assumption that managers should make logical decisions that will be in the organization's best economic interests is

administrative model

classical model

political model

6. A decision tree model is used when making decisions in conditions

certainty

uncertainty

ambiguity

risk

7. What costs do not depend on the number of products?

Fixed costs

Variable costs

8. Who is the author of the administrative model?

Taylor

Fayol

Simon

Druker

9. The step in the decision-making process in which managers analyze underlying causal factors associated with the decision situation.

opportunity

diagnosis

risk propensity

implementation

10. Which decision style is used by people who prefer simple, clear-cut solutions to problems?

analytical style

conceptual style

behavioral style

directive style

11. A decision making technique that uses a face-to-face group to spontaneously suggest a broad range of alternatives for decision making is called

devil's advocate

brainstorming

point-counterpoint

6-3-5

12. Compliance is a decision making strategy in which a person

\_\_\_\_\_.

Let someone else make the decision

Consider every possible option

Delay making a decision

Pick the option with the lowest level of risk

13. Procrastination is a decision making strategy in which a person does which of the following?

Let someone else make the decision

Consider every possible option



Delay making a decision

Pick the option with the lowest level of risk

14. When making decisions, a person should try to avoid which of the following?

Getting help from a colleague

Listening to the impulses

Making diagrams

Identifying relevance

15. Which of the following is NOT a part of critical thinking?

Consider logical connections between ideas

Consider every possible option

Delay making a decision

Identify relevance

16. How many steps are in the Simon's decision making process?

Eight

Seven

Six

Five

17. Jake has a history test on Friday. On Thursday night Jake's friend asks him to go to the movies. Jake lists the positives and negative outcomes of each choice. Which step in the decision-making process is this?

Evaluate the decision

Describe the situation

Weigh the options

Make a decision

18. Jana finally decides which sport she is going to sign up for in the Spring. What step is this in the decision-making model?

Step 2 - consider your options

Step 3- Consider the consequences

Step 4- Identify your values

## Step 5 - Decide and act

### Assignments and case studies

#### Test 1

Follow the link and answer the test



**SCORING AND INTERPRETATION:** All nine items in the list reflect appropriate decision-making behavior, but items 1–4 are more typical of new managers. Items 5–8 are typical of successful senior manager decision making. Item 9 is considered part of good decision making at all levels. If you checked Mostly True for three or four of items 1–4 and 9, consider yourself typi-

cal of a new manager. If you checked Mostly True for three or four of items 5–8 and 9, you are using behavior consistent with top managers. If you checked a similar number of both sets of items, your behavior is probably flexible and balanced. New managers typically use a different decision behavior than seasoned executives. The decision behavior of a successful CEO may be almost the opposite of a first-level supervisor. The difference is due partly to the types of decisions and partly to learning what works at each level. New managers often start out with a more directive, decisive, command-oriented behavior and gradually move toward more openness, diversity of viewpoints, and interactions with others as they move up the hierarchy.

#### Test 2

1. Fixed Expenses do not change *in total* when there is a modest change in sales.

True

False

2. An example of a fixed expense would be a 5% sales commission.

True

False

3. Property taxes and rent are often fixed expenses.

True

False

4. Variable expenses change *in total* as volume changes.

True

False

5. Contribution margin is defined as sales (or revenues) minus variable expenses.

True

False

6. Break-even point is the point where revenues equal the total of all expenses including the cost of goods sold.

True

False

7. If a company requires a profit of \$30,000 (instead of breaking even), the \$30,000 should be combined with the fixed expenses in order to compute the point at which the company will earn \$30,000.

True

False

8. Use this information to answer following questions:

Selling price per unit	\$ 17
Fixed expenses	
Selling & administrative	\$ 130,000
Interest expense	\$10,000
Variable expenses	
Cost of goods sold	\$ 4
Selling & administrative	\$ 3

What is the company's contribution margin?

\$10

\$13

\$14

What is the break-even point in units?

10,000

14,000

20,000

If the company wants to earn a profit of \$42,000 instead of breaking even, what is the number of units the company must sell?

14,000

18,200

26,000

9. Use this information to answer following questions:

Fixed expenses	
Rent	\$ 24,000
Salaries	\$ 40,000
Depreciation	\$ 13,000
Variable expenses	
Cost of goods sold	58% of sales
Supplies	7% of sales
Sales commissions	5% of sales

What is the company's contribution margin ratio?

30%

70%

Cannot Be Determined

What is the break-even point in dollars?

\$77,000

\$110,000

\$256,667

If the company wants to earn a profit of \$35,000 instead of breaking even, what is the amount of sales or revenue dollars the company must achieve?

\$112,000

\$145,000

\$373,333

### **Assignment 1**

The businessman has free funds that he intends to invest in the production of household appliances. If he invests \$ 10 million in the production of video equipment and the demand for it will increase, then with a probability of 0.3 he will make a profit of \$ 2 million. If demand remains unchanged, then with a probability of 0.5 he will make a profit of \$ 1 million. If the demand decreases, then with a probability of 0.2 the loss will be -1500 thousand dollars. With an investment of \$ 20 million in audio technology and rising demand, the expected profit will be \$ 4.5 million with a probability of 0.2, with stable demand, the expected profit will be \$ 1.5 million with a probability of 0.3, a declining demand is expected to yield a loss of -1.7 million dollars with a probability of 0.5.

Calculate which option the businessman would prefer.

### **Assignment 2**

Prepare an example of unsuccessful business strategy.

Prepare an example of successful business strategy.

### **Assignment 3**

Russian construction Corporation enters into an agreement with Vietnam on the construction of a thermal power plant on its territory. The Vietnamese side, not satisfied with the proposed deadline for putting the station into operation, demands its reduction, offering a surcharge to the amount of the contract for \$110 thousand. The analysis performed by the Corporation's specialists showed that the risk of failure of the 5-day deadline proposed by the Vietnamese will be 5 %, 17% for 10 days, and 8% for 20 days. At the same time, the risk of failure of the term proposed by the Russian side and included in the existing draft agreement is: for 5 days – 3%, for 10 days – 2 %.As an option, we also analyzed the investment of part of the \$70,000 surcharge proposed by the Vietnamese side in the acceleration of construction and installation works, which would reduce the risks and give the following picture of their distribution: for 5 days – 4 %, for 10 days – 14 %, for 20 days – 2 %.Each day of postponing the commissioning of the station under the agreement entails the payment of a fine to the Vietnamese side in the amount of \$30 thousand.

Help the Corporation's management make a better decision. Illustrate the answer with the structure of the decision tree.

### **Assignment 4**

The production Manager will organize the production of a new modification of machine-building equipment. Costs for the maintenance of production facilities, rent for land, depreciation of equipment, management costs are planned in the amount of 3200 thousand dollars for a year. The costs of wages for industrial workers, raw materials and components, electricity are estimated at an average of 8 thousand dollars per production unit. The price is planned in the amount of 15 thousand dollars. Acceptable level of profitability in the industry is 10%. The design capacity of the new production is 700 pieces of equipment per year.

Calculate how much use of production capacity will allow the Manager to ensure the necessary profitability of the new production.

### **Assignment 5**

The businessman has 20 million rubles of free capital, which he intends to invest in the production of new product. There are two options of investments: a) organization of production of jeans for the price of 2000 RUB per pair, with variable costs 1200 RUB for a couple and fixed expenses – 8 million rubl. The Preliminary analysis of the elasticity of the market showed that during the year you can sell maximum of 14 thousand pairs of jeans; b) organization of production of sneakers for the price of 5000 RUB per pair, with variable costs - 3000 rubles per pair and fixed costs 16 million rubles per year. The maximum market capacity is 11 thousand pairs of sneakers per year. Determine the point of BEP for each option, choose the most preferred option, justify your choice.

### **Assignment 6**

You own a fleet of 300 trucks and want to insure them in case of accidents. According to statistics, 1 in 10 drivers once a year gets into an accident, and the average damage is 80 thousand rubles. The cost of the car is 0.3 million rubles. The insurance company's services are valued at 18% of the transaction amount.

How much money should you buy an insurance policy to hedge the risks of financial losses from emergencies?

### **Assignment 7**

The pharmacy sells a drug for flu and colds "Tamiflu" at the price of 1450 rubles. Variable costs for the purchase of the drug are 820 rubles. The cost of maintaining the store for this product group is estimated at 320 thousand rubles per year. The average annual return in the industry is 29%. What should be the demand for "Tamiflu" for this business to bring a normal profit?

### **Assignment 8.**

The owner of a small shop at the beginning of each day buys for sale a perishable product at a price of 50 rubles per unit. The selling price of this product is 60 ru-

bles per unit. From observations it is known that the demand for this product per day can be equal to 1, 2, 3 or 4 units. Consider that in practice demand 1 was observed 15 times, demand 2 was observed 30 times, demand 3 was observed 30 times, demand 4 was observed 25 times. If the product is not sold out during the day, then at the end of the day it is always bought at a price of 30 rubles per unit.

How many units of this product should the shop owner buy each day?

### **Assignment 9**

The owner of a small shop at the beginning of each day buys for sale a perishable product at a price of 50 rubles per unit. The selling price of this product is 60 rubles per unit. From observations it is known that the demand for this product per day can be equal to 1, 2, 3 or 4 units. We don't have any statistic about demand in the past. If the product is not sold out during the day, then at the end of the day it is always bought at a price of 30 rubles per unit. How many units of this product should the shop owner buy each day?

### **Case 1. General Motors: Planning The Moment of Decision; Can Management Fix GM's Financial Crisis?**

In the months leading up to 2009, news leaked that General Motors (GM) was pitching a merger to other Big Three automakers. Although they are famous cross-town rivals, GM, Ford, and Chrysler are facing a brutal common enemy: global economic crisis. As the companies struggled to survive the worst sales slump in decades, an unexpected meltdown in the U.S. mortgage industry spawned an international credit crisis, freezing cash flows worldwide. Unable to obtain money, and burning through \$1 billion of its own reserves monthly, GM set out to find partners who might circle the wagons to stave off bankruptcy. Chairman Rick Wagoner and President Frederick Henderson met with Ford executives Alan Mulally and William Ford Jr. to propose merging their companies to survive the economic downturn. After numerous meetings, Mr. Mulally and Mr. Ford concluded that Ford Motor Company could reorganize better on its own. Not willing to give up on the idea, Wagoner took



his pitch to Chrysler. The past few years have been a moment of decision for GM. With the world's top automaker inching close to a financial precipice, senior executives have begun making tough choices and seeking out innovative solutions to rescue the organization. Of the many possible options for saving GM, a merger strategy is perhaps the boldest. First, a merger could solidify GM's position as global sales leader over Japanese rival Toyota, which in recent years has challenged GM's status as the world's top automaker. Although its position as top automaker is not unimportant, the bigger problem is cash: GM doesn't have any. The company reported losses of \$18.7 billion in the first half of 2008, and the ensuing plunge of shares to their lowest levels since 1950 left the company valued at just \$3 billion. Against that backdrop, Chrysler's \$11 billion cash horde looked especially inviting to Wagoner and his executive management teams. Not surprisingly, analysts were divided about a merger option. Van Conway, a merger and acquisitions expert and partner at Conway & MacKenzie, cheered GM's survival instinct. "You want to be the last man standing here because the car market is going to come back." However, Erich Merkle, an analyst at the accounting firm Crowe Horwath, did not applaud the move. "If you put two auto companies together, both that are losing money, both that are losing market share, you've just got an auto company that's losing market share faster and losing more money." Management has other options for performing what amounts to emergency bypass surgery on the 100-year-old company. For example, in July 2008, Wagoner announced a plan to cut \$10 billion in costs while raising \$5 billion through asset sales through the end of 2009. Within months, the iconic Hummer brand was up for sale. Next followed a steady drumbeat of plant closings throughout the Midwest—even the company's Detroit headquarters was rumored to be up for sale. Among GM's most difficult decisions has been what to do about skyrocketing labor costs. The United Auto Workers Union, once a symbol of workforce stability and fairness, has become a financial albatross around GM's neck. GM spends as much as \$1,635 on every vehicle sold to cover benefits for active and retired U.S. workers. In addition, with all compensation perks factored in, pay for GM workers adds up to \$73 per hour. Toyota pays nothing for retirees and only \$215 per vehicle to cover active-

worker benefits. Management addressed the imbalance in 2006 by offering 126,000 employees as much as \$140,000 to sever all ties with the company. The massive buy-out was part of a four point restructuring plan announced in 2005 to achieve \$7 billion in cost reductions. Yet of all the tricks GM has up its sleeve to manage its financial crisis, one option is reportedly off the table. In a written statement to the press, management acknowledged “unprecedented challenges” related to global financial markets. The statement firmly added, “But bankruptcy protection is not an option GM is considering. Bankruptcy would not be in the interests of our employees, stockholders, suppliers, or customers.”

### Questions

1. What planning approaches and methods might GM adopt to help manage its turbulent environment and respond effectively to global economic crisis?
2. In what way does a merger solution to GM’s financial crisis represent strategic thinking and planning?
3. As GM’s managers continue making decisions that affect the company’s ultimate survival, what prevents them from making purely rational decisions, and what common decision-making errors must they guard against?

### Discussion questions

1. What opportunities and potential problems are posed by the formation of more than one coalition within an organization, each one advocating a different direction or alternatives? What steps can you take as a manager to make sure that dueling coalitions result in constructive discussion rather than dissension?
2. As a new, entry-level manager, how important is it to find ways to compensate for your relative lack of experience when trying to determine which alternative before you is most likely to succeed? What are some ways you can meet this challenge?
3. List some possible advantages and disadvantages to using computer technology for managerial decision making.

4. Do you think intuition is a valid approach to making decisions in an organization? Why or why not? How might intuition be combined with a rational decision approach?

### **Topic 10. Organizational design**

A manager's work is influenced by how the company is organized. All organizations wrestle with the question of structural design, and reorganization often is necessary to reflect a new strategy, changing market conditions, or innovative technology. Good managers understand and learn to work within a variety of structural configurations. Organizing is the deployment of organizational resources to achieve strategic goals. The deployment of resources is reflected in the organization's division of labor into specific departments and jobs, formal lines of authority, and mechanisms for coordinating diverse organization tasks. Structure is a powerful tool for reaching strategic goals, and a strategy's success often is determined by its fit with organizational structure. The topic includes the variety of organizing principles and concepts used by managers. It covers fundamental concepts that apply to all organizations and departments, including organizing the vertical structure and using mechanisms for horizontal coordination, discusses how organizations can be structured to facilitate innovation and change, considers how to use human resources to the best advantage within the organization's structure.

#### **Questions to study**

1. Organizing the vertical structure
2. Work specialization
3. Authority

#### **Control testing**

1. Positions and titles show work responsibilities  
Division of work  
Supervisory relationships

Staff positions

Levels of management

2. Lines between positions show who reports to whom in the chain of command

Division of work

Supervisory relationships

A chain of command

Span of Control

3. The number of persons reporting to a supervisor.

Division of work

Supervisory relationships

A chain of command

Span of Control

4. Which job titles are grouped together in work units, departments, or divisions

Major subunits

Staff positions

Levels of management

Division of work

5. Specialists that support other positions and parts of the organization

Staff positions

Major subunits

Supervisory relationships

Division of work

6. The number of management layers from top to bottom

Lines between positions show routes for formal communication flows

An official hierarchy of authority that dictates who is in charge of whom and of whom permission must be asked

Lines between positions show who reports to whom in the chain of command

7. The deployment of organizational resources to achieve strategic goals

Organizing

Division of work

Major subunits

A chain of command

8. Organization structure (CHOOSE THE WRONG DEFINITION)

The framework in which the organization defines how tasks are divided, resources are deployed, and departments are coordinated

The set of formal tasks assigned to individuals and departments

Formal reporting relationships, including lines of authority, decision responsibility, number of hierarchical levels, and span of managers' control

The design of systems to ensure effective coordination of employees across departments

An official hierarchy of authority that dictates who is in charge of whom and of whom permission must be asked

9. The visual representation of an organization's structure

Organization chart

Levels of management

Staff positions

A chain of command

10. The formal and legitimate right of a manager to make decisions, issue orders, and allocate resources to achieve organizationally desired outcomes

authority

chain of command

position

hierarchy

11. The duty to perform the task or activity an employee has been assigned.

authority

accountability

responsibility

hierarchy

## **Assignments and case studies**

### **Assignment 1**

The company's management staff consists of 484 people, including 400 functional specialists, 60 low-level executives, 20 middle - level managers and 4 senior managers. The coefficient of computerization of management work in the company (the index of productivity growth of managers using computer technology) is at the highest level of management 1,1, on average – 1,0, at the lowest 1,02.

Task:

To build a hierarchical pyramid of management, formed in the company and make a reasonable conclusion about its rationality;

To reorganize the management apparatus of the company in order to optimize the number of managers, to build an optimal management pyramid,

To assess the possible savings in management costs, if it is known that the salary of a Junior Manager is 30 thousand dollars. per year, of an middle - level managers - 50 thousand dollars per year, at the highest level -70 thousand dollars per year.

### **Case 1**

FMB&T Marshall Pinkard, president and CEO of FMB&T, a growing California-based regional commercial and consumer retail bank, clicked on an e-mail from Ayishia Coles. Ayishia was the bright, hardworking, self-confident woman who'd recently come onboard as the bank's executive vice president and chief information officer. The fact that the person in Coles's position in the company's traditional vertical organization now reported directly to him and was a full-fledged member of the executive committee reflected FMB&T's recognition of just how important information technology was to all aspects of its increasingly competitive business. The successful, leading-edge banks were the ones using information technology not only to operate efficiently, but also to help them focus more effectively on customer needs. Marshall settled back to read what he expected would be a report on how she was settling in. He was sadly mistaken. After a few months on the job, Ayishia Coles was frustrated.

What she needed from him, she wrote, was a clear statement of her responsibilities and authority. The way Ayishia saw it, the relationship between information technology and the bank's other business units was muddled, often causing considerable confusion, friction, and inefficiency. Typically someone from retail banking or marketing, for example, came to her department with a poorly defined problem, such as how to link up checking account records with investment records, and they always expected a solution the same day. What made the situation even more vexing was that more often than not, the problem crossed organizational lines. She found that generally the more work units the problem affected, the less likely it was that any single unit took responsibility for defining exactly what they wanted IT to do. Who exactly was supposed to be getting all these units together and coordinating requests? When she tried to step into the breach and act as a facilitator, unit managers usually didn't welcome her efforts. Despite the vagueness of their requests, the work units still expected IT to come up with a solution—and come up with it quickly. All these expectations seemed almost calculated to drive the methodical IT folks mad. Before taking on a problem, they wanted to make sure they thoroughly understood all of its dimensions so that the solution would fit seamlessly into the existing systems. This coordination took time that other parts of the bank weren't willing to give IT. In addition, Ayishia knew the IT staff was increasingly feeling underused. The staff wanted to identify opportunities for dazzling new IT developments to contribute to business strategies, but it found itself limited to applications work. Ayishia's greatest concern was the president of a large regional branch who was actively campaigning to locate decentralized IT departments in each large branch under branch authority so that work would be completed faster to meet branch needs. He said it would be better to let work units coordinate their own IT departments rather than run everything through corporate IT. Under that scenario, Ayishia Coles's department could end up one-half its current size. Marshall leaned back in his high-backed executive chair and sighed. At the very least, he needed to clarify Ayishia's authority and responsibilities as she had asked him to do. But he recognized that the new vice president was talking about

a much larger can of worms. Was it time to rethink the bank's entire organizational structure?

### Questions

1. What are the main organizational causes of the frustration that Ayishia Coles feels?
2. If you were Marshall Pinkard, how would you address both Ayishia's request for clarification about her authority and responsibilities and the underlying problems her e-mail brings to his attention? Can the problems be addressed with minor adjustments, or would you need to consider a drastic overhaul of the bank's organizational structure? What environmental and technological factors would influence your decision?
3. Sketch a general chart for the type of organization that you think would work best for IT at FMB&T.

### Discussion questions

1. Sandra Holt, manager of Electronics Assembly, asked Hector Cruz, her senior technician, to handle things in the department while Sandra worked on the budget. She needed peace and quiet for at least a week to complete her figures. After ten days, Sandra discovered that Hector had hired a senior secretary, not realizing that Sandra had promised interviews to two other people. Evaluate Sandra's approach to delegation.
2. Many experts note that organizations have been making greater use of teams in recent years. What factors might account for this trend?
3. An organizational consultant was heard to say, "Some aspect of functional structure appears in every organization." Do you agree? Explain.
4. The divisional structure is often considered almost the opposite of a functional structure. Do you agree? Briefly explain the major differences in these two approaches to departmentalization.



5. Some people argue that the matrix structure should be adopted only as a last resort because the dual chains of command can create more problems than they solve. Discuss. Do you agree or disagree? Why?

6. What is the virtual network approach to structure? Is the use of authority and responsibility different compared with other forms of departmentalization? Explain.

7. The Hay Group published a report that some managers have personalities suited to horizontal relationships such as project management that achieve results with little formal authority. Other managers are more suited to operating roles with much formal authority in a vertical structure. In what type of structure—functional, matrix, team, or virtual network—do you believe your personality would best fit? Which structure would be the most challenging for you? Give your reasons.

8. Experts say that organizations are becoming increasingly decentralized, with authority, decision-making responsibility, and accountability being pushed farther down into the organization. How will this trend affect what will be asked of you as a new manager?

9. The chapter suggested that structure should be designed to fit strategy. Some theorists argue that strategy should be designed to fit the organization's structure. With which theory do you agree? Explain.

10. Carnival Cruise Lines provides pleasure cruises to the masses. Carnival has several ships and works on high volume/low price rather than offering luxury cruises. What would you predict about the organization structure of a Carnival Cruise ship compared with a company that had smaller ships for wealthy customers?

## **Exam questions**

1. The Definition of Management.
2. The Four Basic Management Functions
3. Organizational Performance.
4. Management Skills
5. Management types

6. Manager Roles
7. The Nature of Leadership. From Management to Leadership
8. Organization
9. Effectiveness and efficiency
10. The influence of social forces on people and organizations
11. The influence of political forces on people and organizations
12. The influence of economic forces on people and organizations
13. Evolution of management thought: classical perspective (The basic ideas)
14. Evolution of management thought: humanistic perspective (The basic ideas)
15. Evolution of management thought: management science perspective (The basic ideas)
16. Evolution of management thought: contingency approach (The basic ideas)
17. Evolution of management thought: systems approach (The basic ideas)
18. 14 principles of Henry Fayol
19. Hawthorne studies
20. Maslow's Hierarchy of Needs
21. McGregor's theory of management
22. Organizational environment
23. Corporate culture
24. Stages of globalization
25. Four dimensions of national value systems by Geert Hofstede
26. Levels of Goals and Plans
27. The Organizational Planning Process
28. SMART goal setting
29. Crisis Planning
30. Decision making steps
31. Types of decisions
32. Certainty, risk, uncertainty, ambiguity
33. Maximin, Maximax, Minimax Regret Strategy
34. Decision-Making Models

35. The break-even point analysis
36. Decision tree
37. Bounded Rationality Model
38. Personal decision framework
39. Types of organization structure
40. Organization chart
41. Work specialization
42. Centralization and Decentralization: advantages and disadvantages
43. Chain of command. Authority, responsibility and accountability
44. Delegation
45. Span of management

### **Examples of tasks**

1. The businessman has free funds that he intends to invest in the production of household appliances. If he invests \$ 10 million in the production of video equipment and the demand for it will increase, then with a probability of 0.3 he will make a profit of \$ 2 million. If demand remains unchanged, then with a probability of 0.5 he will make a profit of \$ 1 million. If the demand decreases, then with a probability of 0.2 the loss will be -1500 thousand dollars. With an investment of \$ 20 million in audio technology and rising demand, the expected profit will be \$ 4.5 million with a probability of 0.2, with stable demand, the expected profit will be \$ 1.5 million with a probability of 0.3, a declining demand is expected to yield a loss of -1.7 million dollars with a probability of 0.5. Calculate which option the businessman would prefer.
2. The owner of a small shop at the beginning of each day buys for sale a perishable product at a price of 50 rubles per unit. The selling price of this product is 60 rubles per unit. From observations it is known that the demand for this product per day can be equal to 1, 2, 3 or 4 units. Consider that in practice demand 1 was observed 15 times, demand 2 was observed 30 times, demand 3 was observed 30 times, demand 4 was observed 25 times. If the product is not sold out during the day, then at the end of

the day it is always bought at a price of 30 rubles per unit. How many units of this product should the shop owner buy each day?

3. The owner of a small shop at the beginning of each day buys for sale a perishable product at a price of 50 rubles per unit. The selling price of this product is 60 rubles per unit. From observations it is known that the demand for this product per day can be equal to 1, 2, 3 or 4 units. We don't have any statistic about demand in the past. If the product is not sold out during the day, then at the end of the day it is always bought at a price of 30 rubles per unit. How many units of this product should the shop owner buy each day?

4. The production Manager will organize the production of a new modification of machine-building equipment. Costs for the maintenance of production facilities, rent for land, depreciation of equipment, management costs are planned in the amount of 3200 thousand dollars for a year. The costs of wages for industrial workers, raw materials and components, electricity are estimated at an average of 8 thousand dollars per production unit. The price is planned in the amount of 15 thousand dollars. Acceptable level of profitability in the industry is 10%. The design capacity of the new production is 700 pieces of equipment per year. Calculate how much use of production capacity will allow the Manager to ensure the necessary profitability of the new production.

5. The businessman has 20 million rubles of free capital, which he intends to invest in the production of new product. There are two options of investments: a) organization of production of jeans for the price of 2000 RUB per pair, with change costs 1200 RUB for a couple and a conditionally-constant expenses – 8 million rbl. The Preliminary analysis of the elasticity of the market showed that during the year you can sell maximum of 12 thousand pairs of jeans; b) organization of production of sneakers for the price of 5000 RUB per pair, with variable costs - 3000 rubles per pair and fixed costs 16 million rubles per year. The maximum market capacity is 15 thousand pairs of sneakers per year. Determine the point of BEP for each option, choose the most preferred option, justify your choice.

6. The company's management staff consists of 484 people, including 400 functional

specialists, 60 low-level executives, 20 middle - level managers and 4 senior managers. The coefficient of computerization of management work in the company (the index of productivity growth of managers using computer technology) is at the highest level of management 1,1, on average – 1,0, at the lowest 1,02.

Task:

To build a hierarchical pyramid of management, formed in the company and make a reasonable conclusion about its rationality;

To reorganize the management apparatus of the company in order to optimize the number of managers, to build an optimal management pyramid,

To assess the possible savings in management costs, if it is known that the salary of a Junior Manager is 30 thousand dollars. per year, of an middle - level managers - 50 thousand dollars per year, at the highest level -70 thousand dollars per year

## References

1. Richard L. Daft Management, Ninth Edition// South-Western Cengage Learning, Nelson Education, Ltd., 2010, URL: <https://media.oaipdf.com/pdf/2a124f16-e8ac-4532-900f-69619a43a88c.pdf>

2. Principles of Management // University of Minnesota Libraries Publishing through the eLearning Support Initiative, 2010, URL: <https://open.lib.umn.edu/principlesmanagement/>

3. Elly R. Twineyo Kamugisha The Basics of Business Management – Vol I, Leadership, Financial Management and Economics // URL: <https://bookboon.com/en/the-basics-of-business-management-vol-i-ebook>, 2010

4. What is Organizational and Business Management? How Do I Manage? // Copyright Carter McNamara, MBA, PhD, Authenticity Consulting, LLC., Free Management Library, URL: <https://managementhelp.org/management/index.htm>, 2020

*Educational publication*

**Palei** Tatiana Feliksovna

**Bolshov** Aleksej Vasilevich

**Garipova** Ekaterina Nikolaevna

**WORKSHOP ON BASIC MANAGEMENT  
IN A GLOBAL CONTEXT**