

# SOLUTIONS MANUAL



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# MANAGEMENT

GRIFFIN



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## CHAPTER 2

# The Environments of Organizations and Managers

### CHAPTER SUMMARY

Chapter 2 is devoted to the environment and culture of organizations. It begins with a description of the organization's external and internal environments. Then the ethical and social environments are discussed. A discussion of the international environment follows. Finally, organization culture is described.

### LEARNING OBJECTIVES

After studying this chapter, students should be able to:

1. Discuss the nature of an organization's environments and identify the components of its general, task, and internal environments.
2. Describe the ethical and social environment of management, including individual ethics, the concept of social responsibility, and how organizations can manage social responsibility.
3. Describe the international environment of management, including trends in international business, levels of international business activities, and the context of international business.
4. Discuss the importance and determinants of an organization's culture, as well as how organizational culture can be managed.

The conventional wisdom is that whenever a large company such as Starbucks enters a market, it drives out the local independent competitors. But statistics do not support this assertion. While Starbucks has increased its U.S. outlets from 1,000 in 1997 to almost 7,000 in 2010, independents have increased from 7,000 to 11,000. Reasons why the independents thrive in spite of competition include forced operational improvements in the independents, more links with the local community and improved customer service.

**Discussion Starter:** The case talks about Starbucks' retrenchment strategy where it closed several under performing stores. Since students are familiar with Starbucks, a good discussion starter is a comparison of Starbucks with a local coffeehouse.

## LECTURE OUTLINE

### I. The Organization's Environments

Managers must develop and maintain a deep understanding and appreciation of the environments in which they and their organization function.

The *external environment* is everything outside an organization that might affect it and contains the general environment and the task environment. The *general environment* consists of broad dimensions and forces in an organization's context, while the *task environment* is the specific organizations or groups that have a direct impact on a firm.

The *internal environment* consists of conditions and forces within the organization.

**Teaching Tip:** Stress the fact that an organization's boundaries are not always clear and precise. As a result, it may not always be clear whether a particular individual or group is part of an organization or part of its environment.

**Discussion Question:** As a follow-up, ask students whether they think alumni, campus recruiters, and bookstores are part of the organization or part of its environment.

#### A. The General Environment

The general environment of a business has three dimensions: economic, technological, and political-legal.

1. The *economic dimension* includes the overall health of the economic system in which the organization operates, which is related to inflation, interest rates, unemployment, demand, and so on.

**Extra Example:** Note how economic conditions have affected your college or university. Specific points can be made regarding state revenues, alumni contributions, government grants, and endowment earnings.

2. The *technological dimension* refers to the methods available for converting resources into products or services.

**Extra Example:** Note that Federal Express has been hurt by new technology such as facsimile machines and e-mail. For example, companies now find it more cost-efficient to fax shorter documents than to send them by express delivery. And many managers find e-mail more efficient than distributing memos and letters through printed "hard copy."

3. The *political-legal dimension* refers to government regulation of business and the relationship between business and government.

**Extra Example:** The Small Business Administration (SBA) Office of Advocacy reports that the regulatory costs for small businesses amount to roughly \$7,000 per person employed. These costs have mainly to do with regulations concerning OSHA and compliance with the Sarbanes-Oxley Act. ([www.Bizjournal.com](http://www.Bizjournal.com))

**Management Update:** While Microsoft has resolved most of its legal problems in the United States, it still faces a number of antitrust lawsuits in Europe.

## B. The Task Environment

**Group Exercise:** Divide your class into small groups and have each group develop a diagram similar to Figure 2.1 for an organization in a different task environment. Good examples include Google, IBM, ExxonMobil, and UPS.

1. *Competitors* consist of other organizations that compete for the same resources.

**Discussion Starter:** Ask students to identify the primary competitors of your college or university.

2. *Customers* are those who pay money to acquire an organization's products or services.
3. *Suppliers* include organizations that provide resources for other organizations.

**Discussion Starter:** Ask students to identify the various suppliers that your college or university might use.

4. *Regulators* have the potential to control, regulate, or influence an organization's policies and practices.
  - a) *Regulatory agencies* are created by the government to protect the public from certain business practices or to protect organizations from one another. Examples include the Environmental Protection Agency (EPA) and the Food and Drug Administration (FDA).

**Extra Example:** Point out to students the various regulatory agencies that most directly affect your college or university (e.g., state coordinating boards, etc.).

- b) *Interest groups* are groups organized by their members to attempt to influence organizations. Examples include the National Organization for Women (NOW) and Mothers Against Drunk Driving (MADD).

**Extra Example:** The American Association of Retired Persons (AARP) is an interest group for members 50 and older. It has 27 million members, making it one of the most powerful interest groups in the country. It has influenced legislation on many issues, including Social Security reform and government policy on medical research.

5. *Strategic partners* (also called *strategic allies*) occur when two or more companies work together in joint ventures.

**Extra Example:** Microsoft Corporation has formed alliances with many other organizations, including hardware manufacturers, small software development firms, TV and appliance makers, automakers, cell phone and long distance providers, Internet service providers, and universities. The firm hopes to gain access to customers, resources, and information through its joint ventures.

## C. The Internal Environment

1. *Owners* are whoever can claim property rights on an organization. In smaller businesses, the owner is likely to also be the manager. In a larger business, however, managers are more likely to be professional employees of the firm. Stockholders are the owners of publicly traded corporations.

**Teaching Tip:** Point out again the “fuzziness” that may exist regarding boundaries. For example, while this book treats owners as part of the internal environment, it could also be argued that owners are part of the external environment as well.

**Teaching Tip:** Stress to students the significance of institutional owners and investors in corporations today. Such owners and investors can exert enormous power over a corporation.

2. A *board of directors*, elected by stockholders, is required of organizations that are incorporated; however, many other firms also have them. The board of directors is responsible for corporate governance and charged with overseeing the management of the firm to ensure that it is being run in a way that best serves the stockholders' interests.

**Group Exercise:** Assign groups of students one or more corporations. Have them identify the members who serve on its board of directors.

3. *Employees* are another significant element of the internal environment. The composition of the workforce is changing, employees are asking for increased job participation and ownership, and organizations are increasingly relying on temporary workers.

**Global Connection:** Note that many Japanese firms used to offer guaranteed lifetime employment to some employees. In recent years, however, this practice has been abandoned by many firms.

4. A firm's *physical work environment*—where facilities are located and how they are furnished and arranged—is also important. The layout of an office or factory can be a strong influence on the way in which people interact with equipment and with each other.

**Extra Example:** Wal-Mart is known for having a very spartan headquarters office, in keeping with the cost-cutting philosophy of founder Sam Walton. The building contains plain metal desks and uncarpeted floors, even in executive office areas. This physical environment serves as a constant reminder to employees of the firm's culture and values.

## II. The Ethical and Social Environment of Management

**Discussion Starter:** A debate that has plagued some business programs is the extent to which colleges can teach ethics. Some experts believe that ethics can indeed be taught, while other experts believe that ethics are formed much earlier and thus cannot be taught to people as they get older. Ask students for their opinions.

### A. Individual Ethics in Organizations

*Ethics* are an individual's personal beliefs regarding right and wrong behavior. *Ethical behavior* is behavior that conforms to generally accepted social norms. *Unethical behavior* is behavior that does not conform to generally accepted social norms.

**Interesting Quote:** "Moral character is shaped by family, church, and education long before an individual joins a company to make a living." (See Kenneth R. Andrews, *Harvard Business Review*, October 1989, p. 99.)

**Discussion Starter:** Ask students if they can identify personal examples or events that shaped their ethics or the ethics of someone they know.

1. *Managerial ethics* are standards for behavior that guide individual managers in their work. Unethical behavior by management and other employees sometimes occurs because the firm has an organizational context that is conducive to such behavior. Employees who work for firms that support and encourage unethical acts, though they are in the best interests of the firm, may find themselves in a conflict-of-interest situation.

**Discussion Starter:** Ask students to provide examples in which an organization they worked for treated them or others in an ethical or an unethical fashion.

**Teaching Tip:** Note that as organizations enter a period of cutbacks and downsizing, the potential for unethical treatment of employees tends to increase.

**Extra Example:** Many recent ethical concerns focus on financial disclosure and transparency. Whereas companies that consistently met their profitability targets were considered to be the most desirable investments, today the business practices and reporting methods used to reach those targets are under heavy scrutiny. General Electric, which has long-term consistent profitability, is now under suspicion for that very consistency.

2. Effective management of ethical behavior includes the following:
  - a) Top managers should set ethical standards for the organization.
  - b) Committees can investigate possible unethical activities internally.
  - c) Employees can attend training sessions to learn to act more ethically when faced with certain situations.
  - d) A *code of ethics* is a formal written statement of the values and ethical standards that guide the firm's actions.

**Teaching Tip:** If your school has a code of ethical conduct for students, it might be interesting to discuss it here. Note, for example, the similarities and differences that might exist between a university code and a business code.

**Extra Example:** Other firms that use codes of ethics include Motorola, Coca-Cola, and Texas Instruments.

**Group Exercise:** Ask students to identify common themes and ideas that are likely to be reflected in all corporate codes of ethics.

3. A number of ethical issues are receiving widespread attention today.
  - a) A challenge for CEOs is to display ethical leadership and to establish an ethical culture for the entire organization. The Sarbanes-Oxley Act of 2002 requires CEOs to be held personally responsible for their firm's financial disclosures.
  - b) Corporate governance is another area with many ethical concerns. Boards of directors are under increased pressure to provide effective oversight.
  - c) Technology poses new ethical issues in the area of privacy.
- B. Social Responsibility in Organizations  
*Social responsibility* is the set of obligations an organization has to protect and enhance the society in which it functions.

**Extra Example:** One firm that has an exemplary record of social responsibility is Target. The firm gives \$2 million each week to local community and charitable groups.

**Global Connection:** Concerns for the environment are given low priority in some parts of the world. The clearing of the rain forests in the Amazon basin is one significant example. Another is the continued destruction of animals facing extinction in parts of Africa. The United States is the world's largest creator of the pollution that is destroying the Earth's ozone layer and is unwilling to consider international limits on the polluting gases.

1. Arguments for social responsibility:
  - a) Business creates problems and should therefore help solve them.
  - b) Corporations are citizens in our society too and should not avoid their obligations as citizens.
  - c) Businesses often have the resources to help.
  - d) Business should be a partner in society along with the government and the general population.
2. Arguments against social responsibility:
  - a) Organizations lack the expertise to understand how to assess and make decisions about worthy social programs.
  - b) Involvement in social programs gives business too much power.
  - c) There is a potential for conflict of interest.
  - d) Businesses have the responsibility to focus on making a profit for their owners.

**Discussion Starter:** Ask students to help identify other specific examples of how socially responsible behavior has had a positive impact.

### C. Managing Social Responsibility

1. Firms can adopt a number of different formal organizational stances regarding social responsibility.
  - a) *Legal compliance* is the extent to which the organization and its members comply with local, state, federal, and international laws.

**Discussion Starter:** Ask students whether they believe tobacco will ever be outlawed. Ask their thoughts on whether or not it should be banned.

**Teaching Tip:** Describe how your local community regulates business through its own zoning procedures. If relevant, describe a recent controversial zoning decision.

**Teaching Tip:** Emphasize the point that an organization's approach to social responsibility may be inconsistent and/or contradictory.

- b) *Ethical compliance* is the extent to which the firm and its members follow ethical standards of behavior.

**Teaching Tip:** Point out to students that, with the escalating diversity of viewpoints on ethical standards, organizations have increased difficulty in demonstrating ethical compliance. Every industry, from energy to bioengineering to education, is swamped with a complex and thorny set of ethical issues today.

- c) *Philanthropic giving* occurs through the awarding of funds or gifts to charities and social programs.

**Global Connection:** As noted, international businesses have become frequent contributors in different countries where they do business. For example, UPS supports national Olympic teams in dozens of different countries.

2. Informal organizational dimensions, including the culture and leadership practices of an organization, can define the social responsibility stance adopted by the organization and its members. *Whistle-blowing* occurs when an employee discloses illegal or unethical conduct by others within the organization.

**Discussion Starter:** Solicit student opinions regarding whistle-blowing. In particular, ask how many of them would, in fact, “blow the whistle” themselves if it meant the possible loss of a job.

**Extra Example:** Sherron Watkins, an Enron accounting manager, was a whistleblower for some of the firm’s unethical and illegal practices. Her actions were instrumental in uncovering the alleged extensive fraud occurring at that firm.

### III. The International Environment of Management

#### A. Trends in International Business

**Extra Example:** Based on sales revenues, six of the world’s largest ten businesses are U.S. firms. Three are European, and one is Japanese. (For details, see Fortune.com.)

**Teaching Tip:** Note the diverse set of countries represented on the list of the world’s largest firms.

1. After World War II, U.S. firms dominated most industrial and consumer markets. From the 1950s to 1970s, Europe and Japan rebuilt their factories and gained market power.
2. Today, U.S. firms dominate in some industries, including auto making and fast food, but many other industries are dominated by non-U.S. firms, including chemicals, steel, banking, and electronics.
3. To be competitive, firms must think globally. International business touches every sector of the economy and every business and every consumer in the world.

**Group Exercise:** Have students generate a list of the ten products they use most frequently. Then have them research the national origin of the companies that make them.

#### B. Levels of International Business Activity

Firms that plan to increase their international business activity must plan their expansion into foreign markets very carefully. Several alternative approaches are possible.

1. Importing and exporting is the easiest way to enter a market with a small outlay of capital. *Exporting* is making the product in the firm’s domestic marketplace and selling it in another country. *Importing* means a good, service, or capital is brought into the home country from abroad.

**Teaching Tip:** Most small businesses begin international activity by importing or exporting. A good source of information about international business opportunities for small business is the Small Business Administration’s Office of International Trade website. For more information, see the SBA website at <http://www.sba.gov/OIT/>.

**Teaching Tip:** Stress for students that the difference in exporting versus importing is point of view. When Rolex markets its watches and ships them to U.S. jewelers, Rolex is exporting, but the stores that buy the watches for sale in the United States are importing them.



2. *Licensing* is an arrangement whereby one company allows another to use its brand name, trademark, technology, patent, copyright, or other assets in exchange for a royalty based on sales. *Franchising* is a special form of licensing.

**Extra Example:** Some of the most successful international franchisers include The Athlete's Foot, Subway, and Century 21 Real Estate.

3. *Strategic alliances* occur when two or more firms jointly cooperate for mutual gain. A *joint venture* is a special type of strategic alliance in which the partners actually share ownership of a new enterprise.

**Extra Example:** One of the most successful strategic alliances is Cereal Partners Worldwide, between General Mills and Nestlé. The firms entered into the partnership to compete with Kellogg, which dominated European markets. General Mills contributes its cereal names and technology, while Nestlé adds its recognized consumer brand name and handles distribution.

4. *Direct investment* occurs when a firm headquartered in one country builds or purchases operating facilities or subsidiaries in a foreign country. *Maquiladoras* are light assembly plants built in northern Mexico close to the U.S. border. These plants receive tax breaks from the Mexican government. A large population of workers is willing to work for low wages.

**Global Connection:** The passage of the North American Free Trade Agreement has increased the importance of the maquiladoras to firms doing business in Mexico.

**Extra Example:** Disneyland Paris represents a combination of direct investment and strategic alliance. Disney contributed a portion of the park's construction costs from its own sources and oversaw construction of the park, while a French firm contributed the remainder of the investment capital. Disney shares both profits and losses with its European partner.

**Teaching Tip:** Emphasize the fact that large firms use multiple methods of managing international business. For example, Ford ships cars made in the United States to Canada (exporting), contracts with Mazda to manufacture part of the Ford Probe (licensing), jointly developed the Mercury Villager minivan with Nissan (strategic alliance), and owns several manufacturing plants in other countries (direct investment).

**Teaching Tip:** Use Table 2.1 to compare the advantages and disadvantages of the four levels of international business activity.

### C. The Context of International Business

1. The cultural environment can create challenges for managers, when the countries in which a firm is manufacturing or selling a product or service have different cultures. Religious beliefs, time and schedules, language, and nonverbal communication can all pose problems for managers in a foreign country.

**Discussion Starter:** Ask students to predict which products made in the United States are most and least likely to be successful abroad.

**Discussion Starter:** Ask students which countries in Europe and Asia they have visited. Then ask how similar or different each was from the United States.

**Discussion Starter:** Ask students to think of common business practices in the United States that might seem odd or unusual in a foreign country. If you have any international students in class, you might ask them about business practices in their home countries that would seem odd or unusual in the United States.

2. A government can impose a variety of controls on international trade to protect its country.
  - a) A *tariff* is a tax collected on goods shipped across national boundaries.
  - b) *Quotas* are limits on the number or value of goods that can be traded.
  - c) *Export restraint agreements* are agreements that convince other governments to voluntarily limit the volume or value of goods exported to a particular country.
  - d) “Buy national” legislation gives preference to domestic producers through content or price restrictions.

**Teaching Tip:** The stiff trade barriers employed by the government of Japan continue to be a point of contention between that country and the United States. U.S. firms, for example, argue that there are so many trade barriers in place in Japan that it results in unfair competition for them.

**Extra Example:** In an interesting reversal of normal procedures, the government of China has played Ford and General Motors against each other. Rather than offer inducements to get the automakers to set up shop in its borders, China is getting the companies to make offers on what they will give in return for the right to be the only U.S. auto company to be allowed to build cars in one of the world’s largest untapped markets.

3. *Economic communities* are sets of countries that have agreed to significantly reduce or eliminate trade barriers among its member nations.
  - a) *The European Union*, the Latin American Integration Association (Bolivia, Brazil, Colombia, Chile, Argentina, and other South American countries), and the Caribbean Common Market (the Bahamas, Belize, Jamaica, Antigua, Barbados, and twelve other countries) are examples.
  - b) *The North American Free Trade Agreement (NAFTA)* created an economic system between Canada, Mexico, and the United States.

**Discussion Starter:** Ask students why they think there is no Asian economic community with the strength and identity of the EU or NAFTA.

4. *GATT*, the General Agreement on Trade and Tariffs, and the *WTO*, the World Trade Organization, both play significant roles in regulating international trade.
  - a) GATT, first ratified in 1948, is an attempt to reduce trade barriers. One of its provisions, the granting of most favored nation status, specifies that a member country must extend equal treatment to all nations that sign the agreement.
  - b) The World Trade Organization was begun in 1995 as a replacement for GATT. The WTO works to promote trade, reduce trade barriers, and resolve international trade disputes.

#### IV. The Organization’s Culture

*Organization culture* is the set of values, beliefs, behaviors, customs, and attitudes that helps the members of the organization understand what it stands for, how it does things, and what it considers important.

**Extra Example:** Some experts would use the extent to which investors and other experts admire a company as an indication of its effectiveness. Each year *Fortune* conducts a survey of the most admired corporations in the world. Apple, Google, and Johnson & Johnson were near the top of the list in 2010.

**Extra Example:** Other firms with strong cultures include Disney, 3M, Coca-Cola, UPS, and IBM.

**Discussion Starter:** Ask students to discuss the culture that exists in your college or university.

- A. **The Importance of Organization Culture**  
A strong organization culture can shape the firm's overall effectiveness and long-term success and help employees to be more productive.
- B. **Determinants of Organization Culture**  
Culture develops over a long period of time. It often starts with the organization's founder; however, corporate success and shared experiences also shape culture. Stories, heroes, and symbols have a powerful effect.
- C. **Managing Organization Culture**  
In order to manage corporate culture, managers must first understand the current culture.
  - 1. If the culture is one that is in the best interest of the firm, managers can reward behavior that is consistent with the existing culture in order to enforce it.
  - 2. If the culture needs to be changed, managers must know what it is they want the culture to be and then take actions that will help to change the culture into the type management wants. One effective action is to hire outsiders, who will change the existing culture.

## END-OF-CHAPTER

### Questions for Review

1. Identify and discuss each major dimension of the general environment and the task environment.

Because the environment provides the context in which a business operates, it determines the firm's eventual success or failure. The general environment consists of three dimensions: economic, technological, and political-legal. The economic dimension includes macroeconomic trends that impact all businesses, such as inflation and unemployment. The technological dimension includes advances in computing and communications. The political-legal dimension consists of legislation, legal proceedings, and the political climate.

The task environment of an organization consists of specific dimensions of the organization's surroundings that are very likely to influence the organization. Competitors, customers, suppliers, regulators, and strategic allies comprise the task environment. Competitors are firms that are competing for resources, and customers are those that purchase the firm's products. Suppliers include any organizations or individuals that supply resources to the firm. Regulators provide oversight to the firm and include regulatory agencies and interest groups. Strategic allies are partners with the firm in joint ventures.

2. Do organizations have ethics? Why or why not?

As defined here, organizations do not have ethics—only individuals have ethics. However, the ethical norms and climate that exist within an organization can significantly affect the organization.

3. What are the arguments for and against social responsibility on the part of businesses? In your opinion, which set of arguments is more compelling?

Arguments for social responsibility include: (a) organizations create problems and should be responsible for solving them; and (b) corporations are citizens in our society, too, and should not avoid their obligations as citizens. Arguments against include: (a) businesses should simply focus on making a profit, (b) there is the potential for a conflict of interest, and (c) businesses lack the expertise to understand how to assess and make decisions about worthy social programs.

4. Describe the basic levels of international business involvement. Why might a firm use more than one level at the same time?

There are four levels of international business activity: (1) A domestic business has no international ties and buys and sells goods only in its own country. (2) An international business primarily resides in one country but purchases components from abroad or sells a substantial amount of finished products to other countries. (3) A multinational business has a worldwide marketplace from which it buys raw materials, borrows money, manufactures its products, and to which it sells its products. (4) A global business transcends national boundaries and is not committed to a single home country.

Many organizations use more than one level at the same time. This is done in order to adapt to the needs of different countries or regions, or to implement different strategies for different countries.

5. Describe various barriers to international trade.

The economic environment, the political-legal environment, and the cultural environment are three areas of challenge to international managers. Numerous specific instances of each can be identified.

## Questions for Analysis

1. Can you think of dimensions of the task environment that are not discussed in the text? Indicate their linkages to those that are discussed.

Student responses will vary, but one environmental dimension that was not discussed in the text was climate and weather. The climate and weather may have a great impact on the farming industry. A late frost in Florida may hurt the orange crop, or a drought in the Midwest may be responsible for poor grain yields. For the downhill skiing industry, sustained low temperatures and snow are prerequisites, so climate in this instance may dictate the location of the industry. Climate and weather are also important to surgeons specializing in skin cancer and orthopedic surgeons who specialize in broken limbs.

2. What is the relationship between the law and ethical behavior? Can a behavior be ethical but illegal at the same time?

The law mandates or prohibits certain behaviors, with relatively little flexibility or subjectivity. Ethics suggests desired behaviors, but is equally concerned with the intention and reasons behind a behavior as with the behavior itself. Ethics is based on standards that are flexible and subjective.

Individuals or organizations can act in what they feel is an ethical manner while also breaking the law. For example, some individuals try to block abortion clinics in an effort to stop actions that they believe are harmful. In their eyes, these actions are ethical, but to the police, who may arrest them for trespassing, the actions are illegal. In the news today are stories about pharmaceutical companies in China, Africa, and India that illegally produce patented drugs, which they feel is an ethical necessity to stop the spread of contagious diseases in countries where drugs produced in the United States are prohibitively expensive.

3. What is your opinion of whistle-blowing? If you were aware of a criminal activity in your organization but knew that reporting it would likely cost you your job, what would you do?

Answers will vary. Some will say that it is their duty to society to report criminal activities, whereas others may feel it is their duty to protect the organization and not report criminal activity. Still others will feel that their primary responsibility is to themselves or their families, which would require them to protect their jobs.

4. Which industries do you think will feel the greatest impact of international business in the future? Are there industries that will remain relatively unaffected by globalization? If so, which ones? If not, explain why not.

International industries generally involve mass-produced consumer or industrial products such as automobiles, electronics, steel, chemicals, and so forth. In contrast, industries that would experience high costs for shipping or manufacturing goods in distant locations are somewhat sheltered from the effects of globalization, as are industries where local tastes and needs are very different from global tastes. Examples would include restaurants, home builders, and plant nurseries. However, you can point out to students that consumer preferences are becoming more global, with more Americans buying imported chocolates and more Latin Americans buying Nikes, for example.

5. What is the culture of your college or university? How clear is it? What are its most positive and negative characteristics?

Students should recognize that all organizations have a culture, but they may differ in their perceptions of the existence of a culture and what that culture is. Generally, a majority will agree on a “party,” “athletics,” “research,” or “scholarly” culture. Words such as these will be used to describe the culture to outsiders. You can remind students that every culture has its positive and negative characteristics, encouraging them to think more deeply about culture’s effects.

## Building Effective Interpersonal Skills Exercise

### The International Culture Quiz

- a. Purpose

This exercise uses a fun, easy quiz to help students understand the complexities of culture in various countries.

- b. Format

This exercise can be done by individuals outside of class, but is most effective if administered in class. That way, students can answer by raising their hands, and the correct answers can be given for each item as the quiz progresses. This quiz takes about 15–20 minutes to administer, but the discussion could take much longer.

To score the quiz, give one point for a fully correct answer and one-half point for each partially correct answer. Scores will range from 0 to 12.

c. Follow-up

Most of the information used in writing these questions came from the CIA's *World Factbook 2002*, found online at <http://www.cia.gov/cia/publications/factbook/index.html>, and the website of Executive Planet, at <http://www.executiveplanet.com/index2.jsp>.

In their answers, students are limited to one or more of the top ten largest countries in the world. In order, they are China, India, the United States, Indonesia, Brazil, Pakistan, Russia, Bangladesh, Nigeria, and Japan. Here are the answers to each question.

- (1) Name the major religion practiced in each of the ten largest countries.

Islam is predominant in Indonesia, Pakistan, Bangladesh, and Nigeria. Christianity is most common in the United States, Brazil, and Russia. India is primarily Hindu, but contains a significantly large Muslim population. Buddhism prevails in Japan and China.

- (2) When greeting a business associate, in which country or countries is it proper to shake hands? to bow? to hug or kiss?

Shaking hands is the preferred business greeting in China, Indonesia, the United States, Russia, Brazil, Japan, and Nigeria. In Bangladesh and Pakistan, hand shaking is popular also, but only permitted between two males—women never touch others. Bowing is a popular way to greet business associates in Indonesia, India, and Japan. No countries use hugging or kissing as a business greeting.

- (3) In which country or countries should you avoid wearing the color purple?

Purple is the color of mourning in Brazil, and it is in bad taste to wear it, display it in your home or office, or give gifts that contain it.

- (4) In which country or countries would smiling be considered suspicious?

The Chinese admire an inexpressive and stoic demeanor, while an expressive or emotional person is regarded as weak or deceitful.

- (5) In which country or countries are laughter and smiling often used as a way of covering up feelings of embarrassment or displeasure?

The Japanese, who highly value social harmony, often choose to appear amused rather than unhappy or upset.

- (6) Which part of someone else's body should you never touch in Indonesia? in India? Which part of your own body should you never touch in China?

In Indonesia, the head should be avoided, and in India, the ear, because both are considered sacred. In China, touching one's mouth is considered to be dirty and disgusting. In addition, in India, Pakistan, and Bangladesh, one should never touch another with one's left hand, which is used for personal hygiene and is therefore considered filthy.

- (7) In which country or countries would a server or small-business person require that a tip be paid before the service is rendered?
- In Nigeria, a tip must be paid in advance in order to guarantee good service, even from shops and police. Sometimes this tip is called a “bribe” by foreigners, but to Nigerians, it is a legitimate part of doing business.
- (8) In which country or countries would it be an insult to address someone in Spanish?
- Brazilians would be insulted if addressed in Spanish, because they speak Portuguese and do not want to be considered Hispanics.
- (9) In which country or countries is whistling considered bad luck?
- Russian superstition says that whistling attracts bad luck.
- (10) In which country or countries is it important to give printed business cards to all business associates?
- The Japanese put great store in exchanging business cards and are insulted if you do not carefully read and save their cards. To indicate respect, you must receive their cards with both hands and then give a card of your own.
- (11) In which country or countries might you be asked your family size or income on a first meeting with a new business associate?
- In both China and Pakistan, very personal questions are not considered off-limits with new acquaintances. However, they don’t mind if you don’t give a direct answer.
- (12) In which country or countries should gum not be chewed at work?
- Gum chewing is considered rude in Russia and unclean in Indonesia.

Students were then asked these follow-on questions:

- (1) Was your score high or low? What does your score tell you about your cultural awareness?
- Most students will score poorly. Use this as an opportunity to discuss the cultural awareness of Americans in general and its impact on business.
- (2) What do you think you could do to improve your score? Share your ideas with the class.
- Students frequently mention such actions as travel or residence in a foreign country, making friends with someone in the United States of a foreign nationality, or reading about foreign countries. Few, however, think of formal education, so you can point out to them that language classes, such as those taught at your school, often include a component of cultural awareness. In addition, students are sometimes unaware of the existence of businesses that provide cultural training.

## Building Effective Communication Skills Exercise

a. Purpose

This exercise assigns students the difficult—but realistic—task of persuading a superior that his or her ideas may be inadequate. The task requires students to justify the need to gather more information about the customer segment of the environment.

## b. Format

This exercise is best done outside of class by individual students, and it requires about 20–30 minutes.

## c. Follow-up

- (1) With this background in mind, compose a written proposal for your boss, outlining your position. Be sure to emphasize your fundamental concern—that the marketing department needs to better understand the needs of each customer segment in order to provide products that meet those needs. Consider ways to persuade your boss to change his or her mind. (*Hint:* Telling him or her bluntly that he or she is wrong is unlikely to be effective.)

Students' answers will focus on the importance of understanding the specific needs of various groups of consumers. Students are likely to describe the importance of consumers to the firm, the necessity of obtaining accurate and specific feedback, and the likely negative consequences if consumer feedback is not obtained. The challenge for students will be to present their position in a forceful yet tactful way.

- (2) Based on what you wrote in response to Exercise Task 1 above, do you think your boss will change his or her mind? If yes, what persuaded him or her to change his or her mind? If no, what other actions could you take to attempt to have your ideas adopted by the firm?

Students' answers will vary. They will see that persuasion requires tact as well as strong logical arguments. For additional actions, students might suggest an appeal to a superior, gathering the feedback anyway without informing the boss, or simply dropping the idea. For each of these actions, ask students to consider what would happen then. For example, how would their boss respond to finding out that he had been deceived?

## Skills Self-Assessment Instrument

### Global Awareness

## a. Purpose

This self-assessment is designed to help students understand their readiness to respond to managing in a global context through assessing their knowledge of cultural differences among countries.

## b. Format

Students should respond individually to the items in this self-assessment using the scale provided.

## c. Interpretation

All of the statements are true, so a perfect score would be 40. The closer a student's score is to that, the more knowledge he or she has of cultural differences among countries and the more he or she understands the global context of organizational environments. The closer the score is to 10 (the minimum possible score), the less the student knows and the less prepared the student is for managing in a global context. Students should be encouraged to improve their knowledge for any area in which they had a low score. They should be encouraged to read Nancy Adler's *International Dimensions of Organizational Behavior*, 2nd ed. (Boston: PWS-Kent, 1991).



## Experiential Exercise

### Assessing Organizational Culture

**Purpose:** While organization culture is intangible, it is not difficult to observe. This activity will help to improve your skills in observing and interpreting organization culture, which can help to make you a more effective participant and leader in organizations.

**Introduction:** Clues to organization culture may be found by observing details that relate to member behavior, traditions or customs, stories, attitudes, values, communication patterns, organization structure, employee dress and appearance, and even office space arrangements. Do members address each other by first names? Are office doors left open or closed? What do members wear? How are achievements recognized? Does the workplace feel energized or laid-back? Do members smile and laugh often? Does seniority or expertise earn more respect?

**Instructions:** First, observe clues to organization behavior at your school, college, or university. To the extent possible, observe a diversity of members including students, teaching faculty, and non-teaching staff. Write down specific examples. For example, students typically wear blue jeans, while instructors usually wear suits. In the cafeteria, freshmen sit mainly with other freshmen. A professor may be referred to as “Doctor” by staff, while she may refer to staff by their first name.

It is possible that variations exist across schools within the same university. Students are likely to see a different set of norms in nonprofessional schools (where they are likely to have had classes) in comparison to those at professional schools.

Second, interpret the facts. Use your observations to describe the organization’s core values. What does it value most? How did you come to that conclusion?

Do some schools value the end results and downplay the means leading to those results? Again, it is possible to see variations across programs.

Third, with the class or in small groups, discuss your facts and interpretations. Focus especially on areas of disagreement. Where individuals disagree about the culture, try to understand why the disagreement occurs. If the facts differ, perhaps the individuals observed two different groups. For example, students majoring in business may be different than students in engineering or education. Or perhaps the organization culture tolerates or encourages lots of differences. If there is agreement on facts but interpretations differ, then perhaps the individuals making the interpretations can explore their differing perceptions.

It is also possible that traditional students in the class may have a different viewpoint as compared to nontraditional students. Older students returning to the classroom after years of work in the “real” world may have opinions about organization culture different from those of younger students.

## CHAPTER CLOSING CASE:

### *IS FAIR TRADE REALLY FAIR?*

The world market for cocoa beans is highly volatile. Consequently, farmers in cocoa export dependent nations such as Ivory strive for any means to cut costs. One such measure is to employ child labor, who work long hours in poor conditions. The Fairtrade Labelling Organization (FLO) addresses this concern by promoting programs designed to ensure that export-dependent farmers in developing countries receive fair prices for their crops. The organization has its critics, though, who contend that the program enriches the middlemen and do not really benefit the farmers.

1. Do you think fair-trade is a viable solution to the child-labor and related problems?

Fair-trade attempts to address the one major problem that coffee growers face: fluctuating global prices based on demand and supply that individual growers do not control. By guaranteeing a set price, fair-trade removes the need for cost reductions caused by falling global prices. Student responses will vary as the case gives both sides of the argument – how fair-trade benefits farmers versus the notion of middlemen getting all the benefits.

2. Are you willing to pay more for fair-trade products? Why or why not?

This could lead to an interesting debate in the class as student opinions can vary.

3. What other options can you identify that might help deal with child labor and other problems in the global cocoa market?

Options range from active policing of the labor conditions under which work takes place in the industry to forming cooperatives to cut out the middlemen.

## YOU MAKE THE CALL

### Competition Can Hurt ... or Help!

1. Can you identify instances where competition has helped a business near you?

To help students with this answer, it may be a good idea to get students to think about a restaurant or a grocery store in their community and get them to identify the impact of a large competitor moving into that area. Students may be surprised to note that not all competition hurts the small incumbent – some may indeed benefit.

2. Assuming you have convenient access to a Starbucks, are you now more interested in trying other premium coffees? Why or why not?

Starbucks is a good example to use because students are likely to have strong feelings about this company – some swear by its coffee while others abhor it.

3. McDonald's recently launched several premium coffee products in a direct effort to take business away from Starbucks. Do you think they will succeed? Why or why not?

This question is apt to lead to a good discussion because students may not normally assume McDonald's and Starbucks to be competitors. It is possible that some in the class have tasted McDonald's premium coffees as well as Starbucks' offerings.

4. If McDonald's does succeed, do you think Starbucks should start selling hamburgers? Why or why not?

While students' answers may vary, it is important to note that McDonald's has been in the burger business for many years and for most people Starbucks may be too closely associated with coffee.