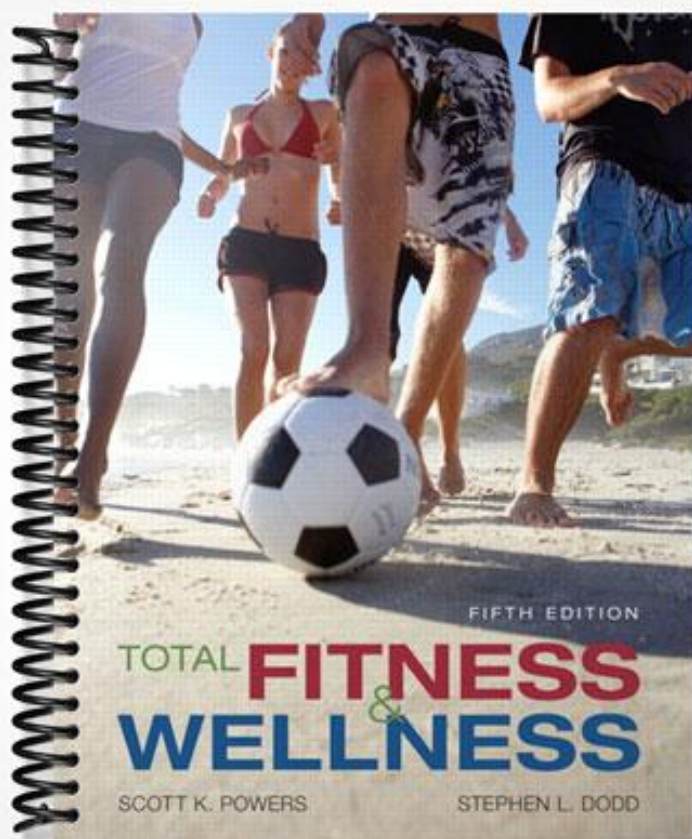


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FIFTH EDITION

TOTAL **FITNESS**
&
WELLNESS

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CHAPTER 2

THE GLOBAL ENVIRONMENT: CULTURE, ETHICS, AND SOCIAL RESPONSIBILITY

Chapter Outline

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- A. Management and Culture
- B. Mission
- C. Resources
- D. Systems Process
- E. Structure

II. ORGANIZATIONAL CULTURE

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- B. Three Levels of Culture
- C. Strong and Weak Cultures
- D. Managing, Changing, and Merging Cultures
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III. THE EXTERNAL ENVIRONMENT

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VI. SOCIAL RESPONSIBILITY

- A. Social Responsibility to Stakeholders
- B. Does It Pay to Be Socially Responsible?

CHANGES FROM THE 3/E

-) As in all chapters, references have been updated; new company examples have been added throughout the chapter; the Review and Discussion Questions at the end of the chapter have been split into two separate sets of questions: Review Questions and Communication Skills; a set of True/False questions has been added to the Review Questions; and the Skill Builders now identify the management skills, AACSB competencies, and management functions developed through the exercise.
-) The prior Chapter 2's opening case on Ford and General Motors has been replaced with the prior Chapter 3's opening case on Amazon.com. The opening case and questions throughout the chapter have been updated.
-) The section on The External Environment has been cut in length and reorganized. Instead of having a subsection on each external environmental factor, all nine factors are now discussed in the new External Environmental Factors subsection.
-) The prior Chapter 3's section on The Global Environment has been moved and heavily revised. The Role of Technology and the Internet in the Global Village subsection has been cut. The Economic Environment subsection has been re-titled Foreign Trade, with the discussion on Economic Development and Infrastructure being cut and replaced with a discussion on Protectionism. The Governmental Environment subsection has been cut, except for the discussion on the World Trade Organization (WTO) and the various other Trade Alliances, which is now included in the Foreign Trade subsection.
-) The prior Chapter 3's Taking a Business Global section is now a subsection in The Global Environment section. The subsections on Global Sourcing, Importing and Exporting, Licensing, Contracting, Joint Venture, Direct Investment, and Business Practices of Global Companies are now discussed in the Taking a Business Global subsection. The Role of the Internet subsection in the prior Taking a Business Global section has been cut.
-) The prior Chapter 3's Global Diversity section has been heavily revised. It is now titled GLOBE Diversity and is a subsection in The Global Environment section. The subsections on Cultural Diversity, Diversity in Work-Related Values, and the Diversity in Management Functions have been cut. A new Exhibit 2-10 on GLOBE Dimensions has been added and the prior Exhibit 3-5 on Global Diversities has been cut. The prior Chapter 3's Applying the Concept 3 on Work-Related Values is now on the GLOBE Dimensions. The answer choices have been changed to reflect the GLOBE Dimensions discussed in the new Exhibit 2-10.
-) With the addition of the material from the prior Chapter 3 comes two new Learning Outcomes; a new Self-Assessment exercise; three new Join the Discussion: Ethics & Social Responsibility boxed features; four new Exhibits; three new Work Applications; two new Applying the Concepts; a new Skill Builder; and seven new key terms: global village, ethnocentrism, international business, multinational corporation (MNC), global sourcing, joint venture, and direct investment.
-) A new end-of-chapter case on Wal-Mart has been added.

Lecture Outline

Note: The textbook supplements include a PowerPoint Presentation for each chapter, which can be used rather than, or in addition to, this lecture outline.

I. THE INTERNAL ENVIRONMENT

Learning Outcome (LO) 1. Explain the five internal environmental factors.

Management refers to the people responsible for an organization's performance. Mission is the organization's purpose or reason for being. The organization has human, physical, financial, and informational resources to accomplish its mission. The systems process is the method of transforming inputs into outputs as the organization accomplishes its mission. Structure refers to the way in which the organization groups its resources to accomplish its mission.

The organization's **internal environment** includes the factors that affect its performance from within its boundaries. They are called internal factors because they are within the organization's control, as opposed to the external factors, which are outside of the organization's control. The five internal environmental factors that you will learn about in this section include management and culture, mission, resources, the systems process, and structure.

Review Question (RQ) 1. What are the factors within the internal environment?

The five internal environmental factors are management and culture, mission, resources, the systems process, and structure.

A. Management and Culture

Managers are responsible for the organization's performance.

Managers are also responsible for linking employees to the organizational culture. An **organizational culture** consists of the values, beliefs, and assumptions about appropriate behavior that members of an organization share. Managers, with employees, make the culture part of the environment so everyone knows what they should be doing at work and how to do it.

B. Mission

The organization's **mission** is its purpose or reason for being. Developing the mission is top management's responsibility.

The mission should be relevant to all stakeholders. **Stakeholders** are people whose interests are affected by organizational behavior. Among a company's stakeholders are employees, shareholders, customers, suppliers, and the government.

The mission is an expression of the ends that the organization strives to attain. The other internal environmental factors are considered the means to achieve the ends. Note that managers develop the mission and set objectives, but the managers are a means to the end.

WORK APPLICATION Example student answer. For each work application in this chapter, use a different organization, or several different ones, for your examples.

1. State the mission of an organization, preferably an organization you work for or have worked for.

The mission of Springfield College is to educate students in spirit, mind, and body for leadership in service to humanity by building upon a foundation of Humanics and academic excellence.

C. Resources

As stated in Chapter 1, organizational resources include human, financial, physical, and informational. Human resources are responsible for achieving the organization's mission and objectives.

D. Systems Process

The **systems process** is the method used to transform inputs into outputs. The systems process has four components:

1. *Inputs.* Inputs are an organization's resources (human, financial, physical, and informational) that are transformed into products or services.
2. *Transformation.* Transformation is the conversion of the inputs into outputs.
3. *Outputs.* Outputs are the products or services offered to customers.
4. *Feedback.* Feedback provides a means of control to ensure that the inputs and transformation process are producing the desired results.

RQ 2. What are the components of the systems process?

The systems process has four components: (1) inputs, (2) transformation, (3) outputs, and (4) feedback.

WORK APPLICATION Example student answer

2. Illustrate the systems process for an organization you work for or have worked for.

At McDonald's we get inputs including meat, buns, lettuce, cheese, pickles, onions, sauce, and Big Mac boxes. We cook the all-beef patties; put them on a bun with lettuce, cheese, pickles, onions, and sauce. Then we put them in a box as our Big Mac output.

1. Quality

Quality is an internal factor because it is within the control of the organization. Customers determine **quality** by comparing a product's actual functioning to their requirements to determine value. **Customer value** is the perceived benefits of a product, used by customers to determine whether or not to buy a product. Customers don't simply buy a product itself. They buy the benefit they expect to derive from that product. Value is what motivates us to buy products.

RQ 3. How is quality determined, and why do people buy products?

Customers determine quality by comparing a product's actual functioning to their requirements to determine value. People buy products for the perceived benefits of the product.

Communication Skills Question (CSQ) 1. Do you believe that most organizations focus on creating customer value?

Answers will vary.

WORK APPLICATION Example student answer

3. Identify the quality and value of a product you purchased recently.

I bought a used 2003 Honda Accord because of its reputation for being a quality automobile. My Honda was a good value because I got a good price on it, but more importantly it provides me with the pleasure of being able to go where I want to go, when I want to go, and I'm doing it in a sporty-looking car with a standard shift; so it's fun to drive.

2. Total Quality Management (TQM)

LO 2. List and explain the need for the two primary principles of total quality management (TQM).

The two primary principles of TQM are (1) focusing on delivering customer value and (2) continually improving the system and its processes. To be successful, businesses must continually offer value to attract and retain customers. Without customers, you don't have a business.

TQM is the commonly used term for stressing quality within an organization. **Total quality management (TQM)** is the process that involves everyone in an organization focusing on the customer to continually improve product value. The two primary principles of TQM are (1) focusing on delivering customer value and (2) continually improving the system and its processes.

CSQ 2. Do you think that all organizations should use total quality management (TQM)? Explain your answer.

Answers will vary, but students should realize the importance of the two TQM principles in all organizations.

E. Structure

Structure refers to the way in which the organization groups its resources to accomplish its mission. As discussed in Chapter 1, an organization is a system structured into departments such as finance, marketing, production,

personnel, and so on. Each of these departments affects the organization as a whole, and each department is affected by the other departments. Organizations structure resources to transform inputs into outputs. All of an organization's resources must be structured effectively to achieve its mission.

CSQ 3. What is the relationship among management and mission, resources, the systems process, and structure? Which of these internal factors are ends, and which are means?

Management determines the mission, resources, systems process, and structure; all affect organizational performance. The mission is an expression of the ends the organization strives to attain. The other internal environmental factors are considered the means to achieve the ends.

APPLYING THE CONCEPT Answers

AC 1—The Internal Environment

- d 1. Systems process. Inputs are being converted into outputs.
- b 2. Mission. Domino's is in the business of delivering pizza and, more recently, buffalo wings.
- c 3. Resources. People are human resources.
- e 4. Structure. A new department adds to the existing structure.
- a 5. Management and culture. Management has authority to make decisions or to delegate the authority.

JOIN THE DISCUSSION: ETHICS & SOCIAL RESPONSIBILITY – 1

Downsizing and Part-Time Workers

Answers will vary based on opinion.

II. ORGANIZATIONAL CULTURE

Fostering the right organizational culture is one of the most important responsibilities of a chief executive. Management needs to be involved in establishing the shared values, beliefs, and assumptions so that employees know how to behave.

A. Learning the Organization's Culture

Organizational culture is primarily learned through observing people and events in the organization. There are five artifacts of organizational culture, which are important ways that employees learn about it:

1. *Heroes*
2. *Stories*
3. *Slogans*
4. *Symbols*
5. *Ceremonies*

RQ 4. What are the five artifacts of organizational culture?

The five artifacts of culture are: (1) heroes, (2) stories, (3) slogans, (4) symbols, and (5) ceremonies.

CSQ 4. Which of the five artifacts, or important ways that employees learn about organizational culture, is the most important?

Answers will vary.

WORK APPLICATION Example student answer

4. Identify the cultural heroes, stories, slogans, symbols, and ceremonies for an organization you are/were a member of.

At Springfield College, I've heard that Dogget was a hero. I don't recall any stories. The Springfield College triangle of spirit, mind, and body is the symbol used at the college. The Humanics Philosophy is a Springfield College slogan. There are a few awards ceremonies, such as Stepping Up Day.

B. Three Levels of Culture

LO 3. Describe the three levels of organizational culture and their relationship to each other.

Level 1 of culture is behavior—the actions employees take. Level 2 is values and beliefs. Values represent the way people believe they ought to behave, and beliefs represent if-then statements. Level 3 is assumptions—values and beliefs that are deeply ingrained as unquestionably true. Values, beliefs, and assumptions provide the operating principles that guide decision making and behavior.

The three **levels of culture** are behavior, values and beliefs, and assumptions. Exhibit 2-4 illustrates the three levels of culture.

1. Level 1. Behavior

Behavior includes the observable things that people do and say or the action employees take. *Artifacts* result from behavior and include written and spoken language, dress, material objects, and the organization's physical layout. Heroes, stories, slogans, symbols, and ceremonies are all part of behavior-level culture. The behavior level is also called the *visible level*. Values, beliefs, and assumptions are considered the *invisible level*, as you cannot actually observe them.

2. Level 2. Values and Beliefs

Values represent the way people believe they ought to behave, and beliefs represent “if-then” statements: “If I do *X*, then *Y* will happen.” Values and beliefs provide the operating principles that guide decision making and shape the behavior that result in level 1 culture. Values and beliefs cannot be observed directly; we can only infer from people's behavior what they value and believe.

The slogan is critical to level 2 culture. A *slogan* expresses key values. Slogans are part of organizational mission statements, while a philosophy (People-Service-Profit) is a formal statement of values and beliefs.

3. Level 3. Assumptions

Assumptions are values and beliefs that are so deeply ingrained that they are considered unquestionably true. Because assumptions are shared, they are rarely discussed. They serve as an “automatic pilot” to guide behavior. In fact, people often feel threatened when assumptions are challenged. If you question employees on why they do something or suggest a change, they often respond with statements like, “That's the way it's always been done.” Assumptions are often the most stable and enduring part of culture and are difficult to change.

RQ 5. What are the levels of culture?

The three levels of culture are behavior, values and beliefs, and assumptions.

C. Strong and Weak Cultures

Organizational cultural strength is on a continuum from strong to weak. Organizations with strong cultures have employees who unconsciously know the shared assumptions; consciously know the values and beliefs; agree with the shared assumptions, values, and beliefs; and behave as expected.

The primary benefits of a strong culture include easier communication and cooperation. Employees exhibit unity of direction, and consensus is easier to reach. The primary disadvantage is the threat of becoming stagnant.

CSQ 5. What is the difference between a strong and weak organizational culture, and which is preferable?

Organizations with strong cultures have employees who subconsciously know the shared assumptions; consciously know the values and beliefs; agree with the shared assumptions, values, and beliefs; and behave as expected. A positive strong culture is preferred.

WORK APPLICATION Example student answer

5. Describe the organizational culture at all three levels for a firm you work for or have worked for. Does the organization have a strong or weak culture?

I work at Abdows Big Boy Restaurant. Our major assumption is deeply ingrained so that is it the same as our values and beliefs. Our value and belief is customer satisfaction. We are trained, and see by example, how important it is to give quick, courteous service. One of the expected behaviors is to help others provide customer service. For example, if one table server is busy and another is not, you wait on tables that are not yours until the person catches up. Table servers also help bus people to clean tables when they are busy.

APPLYING THE CONCEPT Answers

AC 2—Strong and Weak Cultures

- a 6. Strong culture. It appears that there is conformity with everyone dressing similarly. If some people wear jackets and ties and others don't, it's optional and a weak part of expected behavior.
- a 7. Strong culture. Stories are a part of a strong culture.
- b 8. Weak culture. When expected behavior is not clear, there is a weak culture.
- b 9. Weak culture. Unclear values are an indication of a weak culture.
- a 10. Strong culture. The group is giving a "dirty look" to convey that ethical jokes are not acceptable behavior. Employees enforcing behavior comes from a strong culture.

D. Managing, Changing, and Merging Cultures

Symbolic leaders articulate a vision for an organization and reinforce the culture through slogans, symbols, and ceremonies. Symbolic leaders manage, change, and merge cultures.

Organizational culture can be managed by drawing attention to heroes and using stories, symbols, slogans, and ceremonies. If any of these five elements of a strong culture are missing or weak, top management can work to strengthen the culture. However, strengthening an organizational culture is not a program with a starting and ending date; it is an ongoing process.

Organizational cultures often need to be changed to ensure organizational success. However, changing cultures is not easy.

A key strategy that big businesses use to compete in the global environment is to take part in mergers and acquisitions. However, almost one-half of acquired companies are sold within five years, and 90 percent of mergers never live up to expectations. One of the major reasons for failure is the inability to integrate the organizational cultures.

CSQ 6. What is symbolic leadership? Is it important?

Symbolic leaders articulate a vision for the organization and reinforce the culture through slogans, symbols, and ceremonies.

Yes. As stated in the text, managing culture is an important part of top management. To successfully change or merge cultures, a strong symbolic leader is needed.

E. Learning Organizations

A **learning organization** has a culture that values sharing knowledge so as to adapt to the changing environment and continuously improve. Solving problems and identifying and exploiting opportunities is critical to continuous improvement in learning organizations.

RQ 6. What is a learning organization?

A learning organization has a culture that values sharing knowledge so as to adapt to the changing environment and continuously improve.

1. Creating a Learning Organization

Creating a learning organization requires changes in many areas and demands strong leadership, a team-based structure, employee empowerment, open information, a participative strategy, and a strong adaptive culture. These six characteristics of learning organizations are interrelated through the systems effect, as each one affects all the others.

CSQ 7. What is a learning organization? Should a manager create one?

A learning organization has a culture that values sharing knowledge so as to adapt to the changing environment and continuously improve.

Yes. Managers that don't change with the environment will not be successful in the long run.

III. THE EXTERNAL ENVIRONMENT

LO 4. Describe how the nine external environmental factors—customers, competition, suppliers, labor force, shareholders, society, technology, the economy, and governments—can affect the internal business environment.

Customers decide what products the business offers, and without customer value there are no customers or business. Competitors' business practices often have to be duplicated in order to maintain customer value. Poor-quality inputs from suppliers result in poor-quality outputs without customer value. Without a qualified labor force, products and services will have little or no customer value. Shareholders, through an elected board of directors, hire top managers and provide directives for the organization. Society pressures business to perform or not perform certain activities, such as pollution control. The business must develop new technologies, or at least keep up with them, to provide customer value. Economic activity affects the organization's ability to provide customer value. For example, inflated prices lead to lower customer value. Governments set the rules and regulations that business must adhere to.

The organization's **external environment** includes the factors outside its boundaries that affect the organization's performance. Although managers can control the internal environment, they have very limited influence over what happens outside the organization.

RQ 7. What is the external environment?

The organization's external environment includes the factors outside its boundaries that affect its performance.

A. External Environmental Factors

The nine major external factors are customers, competition, suppliers, labor force/unions, shareholders, society, technology, the economy, and governments. The first five are known as *task factors*, and the other four are known as *general factors*.

-) **Customers.** Customers have more power today than ever before, as they have a major effect on the organization's performance through their purchase of products. Without customers, there is no need for an organization.

- J **Competition.** Organizations must compete for customers. Competitors' changing strategic moves affect the performance of the organization.

WORK APPLICATION Example student answer

6. Give an example of how one firm's competitors have affected that business.

In East Longmeadow, there is a Big Y Supermarket that had no competitors nearby. However, an Edward's Supermarket moved in across the street from the Big Y. As a result, Big Y has lost some customers it would have kept if Edward's had not moved in across the street.

- J **Suppliers.** Organizations buy resources from suppliers. Therefore, a firm's performance is affected by suppliers.
- J **Labor Force.** The employees of the organization have a direct effect on its performance. Management recruits human resources from the available labor force outside its boundaries. Unions also provide employees for the organization, and they are considered an external factor because they become a third party when dealing with the organization.
- J **Shareholders.** The owners of a corporation, known as *shareholders*, influence management. Most shareholders of large corporations are generally not involved in the day-to-day operation of the firm, but they do vote for the directors of the corporation. The board of directors is also generally not involved in the day-to-day operation of the firm. However, it hires and fires top management.
- J **Society.** Individuals and groups have formed to pressure business for changes. People who live in the same area with a business do not want it to pollute the air or water or otherwise abuse the natural resources.
- J **Technology.** Few organizations operate today as they did even a decade ago. Products not envisioned a few years ago are now being mass-produced. Computers and the Internet have changed the speed and the manner in which organizations conduct and transact business, and they are often a major part of a firm's systems process.

WORK APPLICATION Example student answer

7. Give an example of how technology has affected one or more organizations, preferably one you work or have worked for.

When I used to shop at Costco Wholesale, it had two people at the checkout. One person would read the product numbers to the other one who would type them into the cash register. But now Costco Wholesale finally upgraded its technology to the modern computer scanners. Now it only needs one person at each cashier station. It is more accurate and faster at checking people out, so it has created customer value.

- J **The Economy.** No organization has control over economic growth, inflation, interest rates, foreign exchange rates, and so on. In general, as measured by gross domestic product (GDP), businesses do better when the economy is growing than during times of decreased economic activity, or recession.

During periods of inflation, businesses experience increased costs. When interest rates are high, it costs more to borrow money. Foreign exchange rates affect businesses both at home and abroad. Thus, the economy has a direct impact on a firm's performance—profits.
- J **Governments.** National, state, and local governments all set laws and regulations that businesses must obey.

Governments create both opportunities and threats for businesses.

CSQ 8. If you can't control the external environment, why be concerned about it anyway?

Businesses should be concerned about the external environment because it can affect the business's performance. Although a business can't control the external environment, it needs to try to influence the external factors to their advantage, or at least adjust to them.

APPLYING THE CONCEPT Answers**AC 3—The External Environment**

- g 11. Technology. A new material is a technology change.
- b 12. Competition. AT&T lost its monopoly as it has competition now.
- h 13. The economy. The government can influence the economy through monetary policy of changing the amount of money in the economy.
- e 14. Shareholders. They own the company and appoint top managers.
- i 15. Governments. The government can stop mergers and acquisitions when it believes society will be harmed by the business transaction.

JOIN THE DISCUSSION: ETHICS & SOCIAL RESPONSIBILITY – 2**Auto Fuel Efficiency**

Answers will vary based on opinion.

B. Chaos Interactive Management

In many industries, the environment is changing at an incredibly fast pace. Operating in such an environment is commonly referred to as being “in chaos.” Today’s managers must be able to thrive on chaos. But at the same time, change should be interactive.

According to Russell Ackoff, unlike reactive managers (who make changes only when forced to by external factors) and responsive managers (who try to adapt to the environment by predicting and preparing for change before they are required to do so), interactive managers design a desirable future and invent ways of bringing it about. They believe they are capable of creating a significant part of the future and controlling its effects on them. They try to prevent threats, not merely prepare for them, and to create opportunities, not merely exploit them.

IV. THE GLOBAL ENVIRONMENT

Technology, particularly transportation and communications technology (the Internet), has made it possible to travel to multiple countries in the same day and to communicate instantly with most of the world. In other words, technology has changed the way business is conducted in the global village. The **global village** refers to companies conducting business worldwide without boundaries.

A. Ethnocentrism Is Out and “Made in America” Is Blurred

Parochialism means having a narrow focus, or seeing things solely through one’s own perspective. **Ethnocentrism** is regarding one’s own ethnic group or culture as superior to others. Thus, a parochial view is part of ethnocentrism.

Many consumers subscribe to the idea behind “Buy American,” but few know the country of origin of the products they regularly buy.

CSQ 9. Should people in the United States make an effort to buy products made in America? If so, how should “made in America” be defined?

Answers will vary.

JOIN THE DISCUSSION: ETHICS & SOCIAL RESPONSIBILITY – 3**Buy American**

Answers will vary based on opinion.

B. Foreign Trade

Foreign trade is about conducting business with other countries. The total country exchange results in the balance of trade. The *balance of trade* is the difference between the value of the products (including services) it exports and the value of the products it imports. A country importing more than it exports runs a trade deficit, and a country exporting more than it imports runs a trade surplus. The balance of trade is affected by currency exchange rates, protectionism, the World Trade Organization (WTO), and trade agreements.

1. Exchange Rates

The *exchange rate* is how much of one country's currency you get for another country's. Your own currency is considered strong when you get more of another country's currency than you give up in the exchange, and weak when you get less. As an American traveling to other countries, a strong dollar gives you greater buying power, as you get more for your money. However, when a U.S. business conducts foreign trade, the opposite is true. When the dollar is weak, foreign goods are more expensive in the United States, and when it is strong, foreign goods are less expensive. Thus, a weak dollar helps to create opportunities for American global businesses.

CSQ 10. As a business owner in the United States exporting goods to Japan, which currency do you prefer to be strong—the dollar or the yen? Why?

The yen. A weak dollar helps to create opportunities for American global business.

2. Protectionism

To help domestic businesses compete with foreign companies at home, governments use protectionism.

Three primary protection methods are tariffs, quotas, and embargoes. A *tariff* is a tax on imports to make them more expensive. A *quota* sets a maximum quantity of a product that can be imported or exported during a set period of time. An *embargo* is a total ban on the importing of a product from one or more countries.

RQ 8. What is protectionism, and what methods are used to protect domestic businesses from foreign competitors?

Protectionism is giving an advantage to domestic businesses in competing with foreign competitors. The three primary protection methods are tariffs, quotas, and embargoes.

3. World Trade Organization (WTO)

The World Trade Organization (WTO) establishes and enforces world trade laws. The WTO is an international organization to which over 150 countries belong. It works to develop general agreements among all members and acts as a mediator for member countries that cannot resolve differences.

RQ 9. What is the role of the World Trade Organization (WTO)?

The role of the WTO is to establish and enforce world trade laws.

4. Trade Alliances

The largest trade alliance is the European Union (EU), formerly called the European Community, which consists of 27 member states. Since 1993, the EU has been a single market without national barriers to travel, employment, investment, and trade. EU member have developed a single currency (the Euro) to create an Economic and Monetary Union (EMU).

The North American Free Trade Agreement (NAFTA) was implemented in 1994 with the United States–Canada Free Trade Agreement of 1998 being expanded to include Mexico. NAFTA called for immediately eliminating duties on the majority of tariffs on products traded among the United States, Canada, and Mexico and gradually phasing out other tariffs over a 15-year period. In 2003, officials of 34 nations met in Mexico to discuss a proposed

agreement to eliminate or gradually reduce trade barriers among all countries on the American continent. The proposed agreement, known as the Free Trade of the Americas (FTAA), is an extension of NAFTA.

Asia and the Pacific Rim comprise an important trade area. The Association of Southeast Asia Nations (ASEAN) is a trade agreement among 10 countries. The Asia-Pacific Economic Cooperation (APEC) is a broader agreement with 21 member countries, including the United States.

CSQ 11. Is the North American Free Trade Agreement (NAFTA) of more benefit or harm to the United States?

Answers will vary.

5. Classifying Businesses in the Global Village

LO 5. Contrast the classification of businesses in the global village.

A domestic firm does business in only one country. An international firm is primarily based in one country but transacts business with other countries. MNCs have significant operations in more than one country.

A *domestic business* conducts business in only one country. An **international business** is based primarily in one country but transacts business in other countries. A **multinational corporation (MNC)** has significant operations in more than one country.

RQ 10. How are businesses classified in the global village?

Businesses in the global village are classified as a domestic business, international business, or multinational corporation (MNC).

WORK APPLICATION Example student answer

8. Classify a business you work for or have researched as domestic, international, or multinational. If the business is international or an MNC, list some of the countries where it does business.

I worked for McDonald's and it has restaurants all over the global village. The United States, all EU countries listed in the text, and Japan are example countries.

C. Taking a Business Global

LO 6. List the six activities that make a business global, in order from lowest to highest cost and risk.

A business can become a global one by participating in global sourcing, importing and exporting, licensing, contracting, joint ventures, and direct investment. Global sourcing is the least expensive and risky of these activities, and it can be a part of any of the others.

The primary reason that companies have gone global is to increase sales.

A domestic business can become a global one through any of six activities: global sourcing, importing and exporting, licensing, contracting, joint ventures, and direct investment.

1. Global Sourcing

Global sourcing is the use of worldwide resources. It is also called *outsourcing* and *offshoring*. Both international corporations and MNCs are increasing their use of global sourcing.

2. Importing and Exporting

With *importing*, a domestic firm buys products from foreign firms and sells them at home. When *exporting*, a domestic firm sells its products to foreign buyers.

3. Licensing

Under a *licensing* agreement, one company allows another to use its assets (intellectual property), such as brand name, a trademark, a particular technology, a patent, or a copyright.

A common form of licensing is a *franchise*, in which the franchiser provides a combination of trademark, equipment, materials, training, managerial guidelines, consulting advice, and cooperative advertising to the franchisee for a fee and a percentage of the revenues.

4. Contracting

With *contract manufacturing*, a company has a foreign firm manufacture the goods that it sells as its own. With *management contracting*, a company provides management services for a foreign firm.

5. Joint Venture

A **joint venture** is created when firms share ownership of a new enterprise. The two firms share the costs and risk, but both lose some control over how business is conducted and must share the rewards. A *strategic alliance* is an agreement that does not necessarily involve shared ownership.

6. Direct Investment

Direct investment is the construction or purchase of operating facilities (subsidiaries) in a foreign country.

RQ 11. What activities make a business global?

The six activities that make a business global are: global sourcing, importing and exporting, licensing, contracting, joint ventures, and direct investment.

WORK APPLICATION Example student answer

9. Select a business and identify its globalization strategy.

IBM uses a globalization strategy to ensure that all products are designed to meet the needs of the global market, thereby supporting the language, culture, and character encoding needs of their worldwide customers. For example, IBM currently supports a minimum of 122 language and region combinations known as locales. They also provide user interfaces for all products in ten strategic languages.

APPLYING THE CONCEPT Answers

AC 4—Taking a Business Global

- c 16. Licensing. Burger King is giving a franchise.
- e 17. Joint venture. This is a strategic alliance, which is a form of partnership joint venture even though a new company is not created.
- f 18. Direct investment. This is a foreign subsidiary.
- b 19. Exporting/Importing. Selling computers in another country is exporting.
- d 20. Contracting. The foreign firm only manufactures the product.
- a 21. Global sourcing. This is using foreign resources in a local product.
- f 22. Direct investment. Buying a building is a direct investment.
- c 23. Licensing. Licensing involves allowing another country the right to use an asset.
- a 24. Global sourcing. This is using foreign resources in a local product.
- b 25. Exporting/Importing. Buying foreign goods for sale is importing.

7. Business Practices of Global Companies

Although both multinational corporations and small international companies compete in the global environment, they use different business practices, based on size and resources. There are six major business practices that differ between the two types of global companies:

Global Management Team. Leading MNCs have top-level managers who are foreign nationals and subsidiaries managed by foreign nationals. Small businesses often can't afford to hire foreign managers, but some use consultants and agents.

Global Strategy. In an MNC, there is one strategy for the entire company, not one per subsidiary. Global strategy utilizes direct investment, joint ventures, and strategic alliances. The common small business global strategies are outsourcing and importing and exporting.

Global Operations and Products. MNCs have standardized operations worldwide to attain economies of scale, and they make products to be sold worldwide, not just in local markets. Small businesses can sell standard global products, but they commonly use contractors and exporting.

Global Technology and R&D. Technology and research and development (R&D) are centralized in one country, rather than duplicated at each subsidiary, to develop world products. Global sourcing of technology and R&D is used. Small businesses are creative; though they have limited funds for R&D, they are often quick to adopt new technology.

Global Financing. MNCs search world markets to get the best rates and terms when borrowing money for the long term; short-term financing is largely arranged in individual countries using local financial institutions. Product prices are quoted in foreign currencies, rather than the home currency. MNCs sell stock in their subsidiary to the people in the currency where the subsidiary is located.

Many small business owners turn to the Export-Import Bank (Ex-Im Bank) when they are ready to go global. The Ex-Im Bank is a government agency responsible for aiding the export of U.S. goods and services through a variety of loan guarantees and insurance programs.

Global Marketing. Global products and marketing are adapted for local markets.

Products used to be developed in the home market and then brought to other countries later, but the trend is toward global introduction of products (time-based competition). Many products are now introduced and distributed globally. Small international businesses can use export management companies, agents, and distributor services to conduct their marketing. In addition, small business managers can attend trade shows, network through trade centers, and advertise in industry publications.

WORK APPLICATION Example student answer

10. Select a company and identify as many of its global business practices as you can.

General Electric is a MNC with a policy of only being in a line of business in which it can be the world leader, or a close second. It uses outsourcing, exporting, strategic alliances, and direct investment. GE is a leading global company with a global management team, strategy, operations and products, technology and R&D, financing, and marketing.

APPLYING THE CONCEPT Answers

AC 5—Global Practices

- a 26. Large MNCs. Small companies do not have the resources.
- b 27. Small international companies. They do not usually have the resources to introduce/market the product globally.
- b 28. Small international companies. They don't have the resources to have their own facilities in other countries so they tend to import and export.
- a 29. Large MNCs. They have foreign nationals running direct investment facilities.
- a 30. Large MNCs. Small companies usually cannot afford to invest in R&D, so they quickly copy MNCs.

JOIN THE DISCUSSION: ETHICS & SOCIAL RESPONSIBILITY – 4

File Sharing

Answers will vary based on opinion.

D. GLOBE Diversity

To be successful in the global village, you need to be sensitive to other cultures. Global companies are training employees in language, local customs, and local business practices so they can be successful in the global market. MNCs need executives with global mindsets and cross-cultural leadership abilities, but there is a shortage of global managers with the necessary skills.

JOIN THE DISCUSSION: ETHICS & SOCIAL RESPONSIBILITY – 5

Bribes

Answers will vary based on opinion.

1. GLOBE

GLOBE stands for *Global Leadership and Organizational Behavior Effectiveness*, which is an outgoing cross-cultural investigation of leadership and national culture. The GLOBE research team used data from 825 organizations, with 18,000 managers, in 62 countries to identify nine dimensions in which national cultures are diverse. See Exhibit 2-10 for a list of the dimensions with examples of country ratings.

RQ 12. What is GLOBE?

GLOBE stands for Global Leadership and Organizational Behavior Effectiveness, which is an ongoing cross-cultural investigation of leadership and national culture.

WORK APPLICATION Example student answer

11. Give an example of cultural diversity you encountered, preferably at work.

I work in a U.S. factory. We have many Hispanics working there. Some can hardly speak English, so the diversity in language makes it harder to work with them. To help adapt, most of the supervisors can speak both English and Spanish and they translate when necessary.

APPLYING THE CONCEPT Answers

AC 6—GLOBE Dimensions

- d 31. Uncertainty avoidance. They fear the uncertainty and uncomfortable feeling change brings.
- h 32. Performance orientation. The statement illustrates high achievement and material success. You cannot tell if the incentives are individual or collective rewards.
- f 33. Societal collectivism. The preferred sports are team sports rather than individual sports.
- e 34. Power distance. Status symbols represent and show power distance.
- i 35. Humane orientation. Replacing employees if they complain shows low caring toward people.

2. Managerial Implications

GLOBE has provided a framework for managing in the global village. National culture has a major impact on employees’ work-related values and attitudes and thus should affect the way organizations manage. In countries that are more like the United States (such as Australia, Canada, and England), American managers have fewer adjustments to make, whereas countries with cultures that are quite different from that of the United States (such as China, India, and Japan) require greater adjustment.

In taking a business global, particularly when using strategic alliances and joint ventures, managing cultures is critical to success.

V. BUSINESS ETHICS

Ethics are the standards of right and wrong that influence behavior. Right behavior is considered ethical, and wrong behavior is considered unethical. Government laws and regulations are designed to govern business behavior.

However, ethics go beyond legal requirements. What is considered ethical in one country may be unethical in another. It is not always easy to distinguish between ethical and unethical behavior.

A. Does Ethical Behavior Pay?

Ethical behavior *is* worthwhile. Research studies have reported a positive relationship between ethical behavior and leadership effectiveness.

CSQ 12. Do you believe that ethical behavior will pay off in the long run?

Answers will vary, but students should realize the importance of ethics in business.

B. How Personality Traits and Attitudes, Moral Development, and the Situation Affect Ethical Behavior

1. Personality Traits and Attitudes

In Chapter 8, you will learn more about personality. For now, you probably already realize that because of their personalities, some people have a higher level of ethics than others. Unfortunately, a culture of lying and dishonesty is infecting American business and society as these behaviors have become more acceptable.

2. Moral Development

LO 7. Compare the three levels of moral development.

At the lowest level of moral development, the preconventional, behavior is motivated by self-interest and people seek rewards and attempt to avoid punishment. At the second level, the conventional, behavior is motivated by a desire to meet group expectations to fit in by copying others' behavior. At the highest level, the postconventional, behavior is motivated by a desire to do the right thing, at the risk of alienating the group. The higher the level of moral development, the more ethical is one's behavior.

A second factor affecting ethical behavior is *moral development*, which refers to understanding right from wrong and choosing to do the right thing. People's ability to make ethical choices is related to their level of moral development.

There are three levels of personal moral development, as outlined in Exhibit 2-11. At the first level, the *preconventional* level, a person chooses right and wrong behavior based on self-interest and the likely consequences of the behavior (reward or punishment). Those whose ethical reasoning has advanced to the second, *conventional* level seek to maintain expected standards and live up to the expectations of others. Those at the third level, the *postconventional* level, make an effort to define moral principles for themselves; regardless of leaders' or the group's ethics, they do the right thing.

RQ 13. What are the levels of moral development?

The three levels of moral development are preconventional, conventional, and postconventional.

WORK APPLICATION Example student answer

12. Give an example from an organization where you work or have worked of behavior at each of the three levels of moral development.

At CDR Grocery, where I used to work, many of my coworkers displayed preconventional behavior by lying to look good. Also, many of my coworkers would display conventional behavior by taking longer breaks because they felt it was justified since "everyone else did it." I displayed postconventional behavior because I tended to work faster than the rest of my coworkers when we stocked shelves, even though they complained about it.

3. The Situation

A third factor affecting ethical behavior is the situation. Unsupervised people in highly competitive situations are more likely to engage in unethical behavior. Unethical behavior occurs more often when there is no formal ethics policy or code of ethics and when unethical behavior is not punished; unethical behavior is especially prevalent when it is rewarded.

C. How People Justify Unethical Behavior

Moral justification is the process of reinterpreting immoral behavior in terms of a higher purpose. People who behave unethically say that they do so for the good of the organization or its employees. People at the preconventional and conventional levels of moral development more commonly use the following justifications:

-) **Displacement of responsibility** is the process of blaming one's unethical behavior on others.
-) **Diffusion of responsibility** occurs when those in a group behave unethically and no one person is held responsible.
-) **Advantageous comparison** is the process of comparing oneself to others who are worse.
-) **Disregard or distortion of consequences** is the process of minimizing the harm caused by the unethical behavior.
-) **Attribution of blame** is the process of claiming the unethical behavior was caused by someone else's behavior.
-) **Euphemistic labeling** is the process of using "cosmetic" words to make the behavior sound acceptable.

RQ 14. How do people justify unethical behavior?

People justify unethical behavior by using moral justification for the behavior, including displacement of responsibility, diffusion of responsibility, advantageous comparison, disregard or distortion of consequences, attribution of blame, and euphemistic labeling.

WORK APPLICATION Example student answer

13. Give at least two organizational examples of unethical behavior and the justification that was used in each instance.

Moral justification—I lied to get competitor information only to help the company.

Advantageous comparison—I only take a long lunch once in a while; Tom does it all the time.

D. Simple Guides to Ethical Behavior

1. Golden Rule

Everybody is familiar with the Golden Rule: "Do unto others as you want them to do unto you," or "Don't do anything to anyone that you would not want someone to do to you." Following the Golden Rule will help you to be ethical.

2. Four-Way Test

Rotary International developed the four-way test to guide one's thoughts and behavior in business transactions. The four questions are (1) Is it the truth? (2) Is it fair to all concerned? (3) Will it build goodwill and better friendship? (4) Will it be beneficial to all concerned? When making a decision, if you can answer yes to these four questions, your potential course of action is probably ethical.

3. Stakeholders' Approach to Ethics

LO 8. Explain the stakeholders' approach to ethics.

Managers who use the stakeholders' approach to ethics create a win-win situation for the relevant parties affected by the decision. If you are proud to tell relevant stakeholders about your decision, it is probably ethical. If you are not proud to tell stakeholders, or if you keep rationalizing the decision, it may not be ethical.

Under the **stakeholders' approach to ethics**, when making decisions, you try to create a win-win situation for all relevant stakeholders so that everyone benefits from the decision. You can ask yourself one simple question to help you to determine if your decision is ethical from a stakeholders' approach: "Would I be proud to tell relevant stakeholders my decision?" If you would be proud to tell relevant stakeholders your decision, it is probably ethical. If you would not be proud to tell others your decision or you keep rationalizing it, the decision may not be ethical.

RQ 15. What is the stakeholders' approach to ethics?

Under the stakeholders' approach to ethics, when making decisions, you try to create a win-win situation for all relevant stakeholders so that everyone benefits from the decision.

CSQ 13. Do you have your own guide to ethical behavior that you follow now? Will you use one of the guides from the text? If yes, which one and why?

Answers will vary.

E. Managing Ethics

An organization's ethics are based on the collective behaviors of its employees. If each individual is ethical, the organization will be ethical. The starting place for ethics is you.

1. Codes of Ethics

Codes of ethics, also called *codes of conduct*, state the importance of conducting business in an ethical manner and provide guidelines for ethical behavior. Most large businesses have written codes of ethics.

2. Top Management Support and Example

It is the responsibility of management from the top down to develop codes of ethics, to ensure that employees are trained and instructed on what is and what is not considered ethical behavior, and to enforce ethical behavior. However, the primary responsibility is to lead by example. Employees tend to look to managers, especially top managers, for examples of behavior. If managers are not ethical, employees will not be ethical.

3. Enforcing Ethical Behavior

If employees are rewarded rather than punished for their unethical behavior, they will engage in unethical business practices. Many organizations have developed ethics committees that act as judges and juries to determine if unethical behavior has occurred and what the punishment should be for violating company policy. More companies are establishing ethics offices to establish ethics policies, listen to employees' complaints, conduct training, and investigate abuses.

As a means of enforcing ethical behavior, employees should be encouraged to become internal whistle-blowers. *Whistle-blowing* occurs when employees expose what they believe to be unethical behavior by their fellow employees.

CSQ 14. Can ethics be taught and learned?

According to a study done at Harvard, the answer is yes; however, not everyone agrees. But most people realize that in learning about ethics and possible ethical situations, students are better prepared to handle ethics when the need arises on the job.

WORK APPLICATION Example student answer

14. Select a business and identify how it manages ethics.

When I worked at Allstate Insurance, it had a code of ethics that stressed being fair to the policyholder. Top management did give a good example of ethical behavior. As an auto accident adjuster, I was not paid by commission, so there was no need for me to try to give people less money than it took to do the job correctly. My boss also reminded me to be fair to the customers; it was one criteria of my performance appraisal.

VI. SOCIAL RESPONSIBILITY

Ethics and social responsibility are closely related. **Social responsibility** is the conscious effort to operate in a manner that creates a win-win situation for all stakeholders.

RQ 16. What is social responsibility?

Social responsibility is the conscious effort to operate in a manner that creates a win-win situation for all stakeholders.

A. Social Responsibility to Stakeholders

Companies have a responsibility to try to create a win-win situation for stakeholders. For customers, the company must provide safe products and services with customer value. For society, the company should improve the quality of life, or at least not destroy the environment. The company must compete fairly with competitors. Through technology, the company should develop new ways of increasing customer value and the quality of life. The company must work with suppliers in a cooperative manner. It must abide by the laws and regulations of government. The company must strive to provide equal-employment opportunities for the labor force. It must be financially responsible in relation to the economy. The company must provide shareholders with a reasonable profit. It must provide employees with safe working conditions with adequate pay and benefits.

B. Does It Pay to Be Socially Responsible?

Various researchers have tried to determine the relationship between social responsibility and financial performance. However, results have been inconsistent. Although there is no clear link between social responsibility and profits, it is certainly true that social responsibility does not hurt performance. Social responsibility does benefit many stakeholders in many different ways.

CSQ 15. Do you believe that companies benefit from being socially responsible? Why or why not?

Answers will vary.

WORK APPLICATION Example student answer

15. Select a business and identify how it is socially responsible on a specific issue.

I’m the coach for the Blue Angels Little League baseball team in my hometown. I went to Pizza Plaza and got it to be our sponsor. Pizza Plaza paid for new uniforms, and on the back of each shirt it says “Pizza Plaza.” Pizza Plaza used social reaction by granting the request for sponsorship of the Blue Angels.

JOIN THE DISCUSSION: ETHICS & SOCIAL RESPONSIBILITY – 6

TV and Movie Sex and Violence

Answers will vary based on opinion.

1. Social Audit

A *social audit* is a measure of a firm’s social behavior. Many large corporations include a social audit in their annual report.

LEARNING OUTCOMES AND ANSWERS

The chapter summary is organized to answer the learning objectives for Chapter 2. They are also found at the end of the chapter and can be used as short answer questions on exams.

These learning outcomes are included in the test bank in the concept section.

1. Explain the five internal environmental factors.

Management refers to the people responsible for an organization's performance. Mission is the organization's purpose or reason for being. The organization has human, physical, financial, and informational resources to accomplish its mission. The systems process is the method of transforming inputs into outputs as the organization accomplishes its mission. Structure refers to the way in which the organization groups its resources to accomplish its mission.

2. List and explain the need for the two primary principles of total quality management (TQM).

The two primary principles of TQM are (1) focusing on delivering customer value and (2) continually improving the system and its processes. To be successful, businesses must continually offer value to attract and retain customers. Without customers, you don't have a business.

3. Describe the three levels of organizational culture and their relationship to each other.

Level 1 of culture is behavior—the actions employees take. Level 2 is values and beliefs. Values represent the way people believe they ought to behave, and beliefs represent if-then statements. Level 3 is assumptions—values and beliefs that are deeply ingrained as unquestionably true. Values, beliefs, and assumptions provide the operating principles that guide decision making and behavior.

4. Describe how the nine external environmental factors—customers, competition, suppliers, labor force, shareholders, society, technology, the economy, and governments—can affect the internal business environment.

Customers decide what products the business offers, and without customer value there are no customers or business. Competitors' business practices often have to be duplicated in order to maintain customer value. Poor-quality inputs from suppliers result in poor-quality outputs without customer value. Without a qualified labor force, products and services will have little or no customer value. Shareholders, through an elected board of directors, hire top managers and provide directives for the organization. Society pressures business to perform or not perform certain activities, such as pollution control. The business must develop new technologies, or at least keep up with them, to provide customer value. Economic activity affects the organization's ability to provide customer value. For example, inflated prices lead to lower customer value. Governments set the rules and regulations that business must adhere to.

5. Contrast the classification of businesses in the global village.

A domestic firm does business in only one country. An international firm is primarily based in one country but transacts business with other countries. MNCs have significant operations in more than one country.

6. List the six activities that make a business a global one, in order from lowest to highest cost and risk.

A business can become a global one by participating in global sourcing, importing and exporting, licensing, contracting, joint ventures, and direct investment. Global sourcing is the least expensive and risky of these activities, and it can be a part of any of the others.

7. Compare the three levels of moral development.

At the lowest level of moral development, the preconventional, behavior is motivated by self-interest and people seek rewards and attempt to avoid punishment. At the second level, the conventional, behavior is motivated by a desire to meet group expectations to fit in by copying others' behavior. At the highest level, the postconventional, behavior is motivated by a desire to do the right thing, at the risk of alienating the group. The higher the level of moral development, the more ethical is one's behavior.

8. Explain the stakeholders' approach to ethics.

Managers who use the stakeholders' approach to ethics create a win-win situation for the relevant parties affected by the decision. If you are proud to tell relevant stakeholders your decision, it is probably ethical. If you are not proud to tell stakeholders, or if you keep rationalizing the decision, it may not be ethical.

WORK APPLICATION SAMPLE ANSWERS

(Most of the answers are actual student answers or based on student answers. You may give these answers as part of your lecture before, after, or in place of getting student answers.)

These work applications are included in the test bank in the application section.

1. State the mission of an organization, preferably an organization you work for or have worked for.

The mission of Springfield College is to educate students in spirit, mind, and body for leadership in service to humanity by building upon a foundation of Humanics and academic excellence.

2. Illustrate the systems process for an organization you work for or have worked for.

At McDonald's we get inputs including meat, buns, lettuce, cheese, pickles, onions, sauce, and Big Mac boxes. We cook the all-beef patties; put them on a bun with lettuce, cheese, pickles, onions, and sauce. Then we put them in a box as our Big Mac output.

3. Identify the quality and value of a product you purchased recently.

I bought a used 2003 Honda Accord because of its reputation for being a quality automobile. My Honda was a good value because I got a good price on it, but more importantly it provides me with the pleasure of being able to go where I want to go, when I want to go, and I'm doing it in a sporty-looking car with a standard shift; so it's fun to drive.

4. Identify the cultural heroes, stories, slogans, symbols, and ceremonies for an organization you are/were a member of.

At Springfield College, I've heard that Dogget was a hero. I don't recall any stories. The Springfield College triangle of spirit, mind, and body is the symbol used at the college. The Humanics Philosophy is a Springfield College slogan. There are a few awards ceremonies, such as Stepping Up Day.

5. Describe the organizational culture at all three levels for a firm you work for or have worked for. Does the organization have a strong or weak culture?

I work at Abdows Big Boy Restaurant. Our major assumption is deeply ingrained so that is it the same as our values and beliefs. Our value and belief is customer satisfaction. We are trained, and see by example, how important it is to give quick, courteous service. One of the expected behaviors is to help others provide customer service. For example, if one table server is busy and another is not, you wait on tables that are not yours until the person catches up. Table servers also help bus people to clean tables when they are busy.

6. Give an example of how one firm's competitors have affected that business.

In East Longmeadow, there is a Big Y Supermarket that had no competitors nearby. However, an Edward's Supermarket moved in across the street from the Big Y. As a result, Big Y has lost some customers it would have kept if Edward's had not moved in across the street.

7. Give an example of how technology has affected one or more organizations, preferably one you work for or have worked for.

When I used to shop at Costco Wholesale, it had two people at the checkout. One person would read the product numbers to the other one who would type them into the cash register. But now Costco Wholesale finally upgraded its technology to the modern computer scanners. Now it only needs one person at each cashier station. It is more accurate and faster at checking people out, so it has created customer value.

8. Classify a business you work for or have researched as domestic, international, or multinational. If the business is international or an MNC, list some of the countries where it does business.

I worked for McDonald's and it has restaurants all over the global village. The United States, all EU countries listed in the text, and Japan are example countries.

9. Select a business and identify its globalization strategy.

IBM uses a globalization strategy to ensure that all products are designed to meet the needs of the global market, thereby supporting the language, culture, and character encoding needs of their worldwide customers. For example, IBM currently supports a minimum of 122 language and region combinations known as locales. They also provide user interfaces for all products in ten strategic languages.

10. Select a company and identify as many of its global business practices as you can.

General Electric is an MNC with a policy of only being in a line of business in which it can be the world leader, or a close second. It uses outsourcing, exporting, strategic alliances, and direct investment. GE is a leading global company with a global management team, strategy, operations and products, technology and R&D, financing, and marketing.

11. Give an example of cultural diversity you encountered, preferably at work.

I work in a U.S. factory. We have many Hispanics working for there. Some can hardly speak English, so the diversity in language makes it harder to work with them. To help adapt, most of the supervisors can speak both English and Spanish and they translate when necessary.

12. Give an example from an organization where you work or have worked of behavior at each of the three levels of moral development.

At CDR Grocery, where I used to work, many of my coworkers displayed preconventional behavior by lying to look good. Also, many of my coworkers would display conventional behavior by taking longer breaks because they felt it was justified since “everyone else did it.” I displayed postconventional behavior because I tended to work faster than the rest of my coworkers when we stocked shelves, even though they complained about it.

13. Give at least two organizational examples of unethical behavior and the justification that was used in each instance.

Moral justification—I lied to get competitor information only to help the company.

Advantageous comparison—I only take a long lunch once in a while; Tom does it all the time.

14. Select a business and identify how it manages ethics.

When I worked at Allstate Insurance, it had a code of ethics that stressed being fair to the policyholder. Top management did give a good example of ethical behavior. As an auto accident adjuster, I was not paid by commission, so there was no need for me to try to give people less money than it took to do the job correctly. My boss also reminded me to be fair to the customers; it was one criteria of my performance appraisal.

15. Select a business and identify how it is socially responsible on a specific issue.

I'm the coach for the Blue Angels Little League baseball team in my hometown. I went to Pizza Plaza and got it to be our sponsor. Pizza Plaza paid for new uniforms, and on the back of each shirt it says “Pizza Plaza.” Pizza Plaza used social reaction by granting the request for sponsorship of the Blue Angels.

REVIEW QUESTION ANSWERS

T/F Answers are found at the end of the chapter.

These review questions are included in the test bank in the concept section.

1. What are the factors within the internal environment?

The five internal environmental factors are management and culture, mission, resources, the systems process, and structure.

2. What are the components of the systems process?

The systems process has four components: (1) inputs, (2) transformation, (3) outputs, and (4) feedback.

3. How is quality determined, and why do people buy products?

Customers determine quality by a product's actual functioning to their requirements to determine value. People buy products for the perceived benefits of the product.

4. What are the five artifacts of organizational culture?

The five artifacts of culture are: (1) heroes, (2) stories, (3) slogans, (4) symbols, and (5) ceremonies.

5. What are the levels of culture?

The three levels of culture are behavior, values and beliefs, and assumptions.

6. What is a learning organization?

A learning organization has a culture that values sharing knowledge so as to adapt to the changing environment and continuously improve.

7. What is the external environment?

The organization's external environment includes the factors outside its boundaries that affect its performance.

8. What is protectionism, and what methods are used to protect domestic businesses from foreign competitors?

Protectionism is giving an advantage to domestic businesses in competing with foreign competitors. The three primary protection methods are tariffs, quotas, and embargoes.

9. What is the role of the World Trade Organization (WTO)?

The role of the WTO is to establish and enforce world trade laws.

10. How are businesses classified in the global village?

Businesses in the global village are classified as a domestic business, international business, or multinational corporation (MNC).

11. What activities make a business global?

The six activities that make a business global are: global sourcing, importing and exporting, licensing, contracting, joint ventures, and direct investment.

12. What is GLOBE?

GLOBE stands for Global Leadership and Organizational Behavior Effectiveness, which is an ongoing cross-cultural investigation of leadership and national culture.

13. What are the levels of moral development?

The three levels of moral development are preconventional, conventional, and postconventional.

14. How do people justify unethical behavior?

People justify unethical behavior by using moral justification for the behavior, including displacement of responsibility, diffusion of responsibility, advantageous comparison, disregard or distortion of consequences, attribution of blame, and euphemistic labeling.

15. What is the stakeholders' approach to ethics?

Under the stakeholders' approach to ethics, when making decisions, you try to create a win-win situation for all relevant stakeholders so that everyone benefits from the decision.

16. What is social responsibility?

Social responsibility is the conscious effort to operate in a manner that creates a win-win situation for all stakeholders.

COMMUNICATION SKILLS ANSWERS

Applications may also be used as class discussion questions or written assignments to develop communication skills. *These communication skills questions are included in the test bank in the skills section.*

1. Do you believe that most organizations focus on creating customer value?

Answers will vary.

2. Do you think that all organizations should use total quality management (TQM)? Explain your answer.

Answers will vary, but students should realize the importance of the two TQM principles in all organizations.

3. What is the relationship among management and mission, resources, the systems process, and structure? Which of these internal factors are ends, and which are means?

Management determines the mission, resources, systems process, and structure; all affect organizational performance. The mission is an expression of the ends the organization strives to attain. The other internal environment factors are considered the means to achieve the ends.

4. Which of the five artifacts, or important ways that employees learn about organizational culture, is the most important?

Answers will vary.

5. What is the difference between a strong and weak organizational culture, and which is preferable?

Organizations with strong cultures have employees who subconsciously know the shared assumptions; consciously know the values and beliefs; agree with the shared assumptions, values, and beliefs; and behave as expected. A positive strong culture is preferred.

6. What is symbolic leadership? Is it important?

Symbolic leaders articulate a vision for the organization and reinforce the culture through slogans, symbols, and ceremonies.

Yes. As stated in the text, managing culture is an important part of top management. To successfully change or merge cultures, a strong symbolic leader is needed.

7. What is a learning organization? Should a manager create one?

A learning organization has a culture that values sharing knowledge so as to adapt to the changing environment and continuously improve.

Yes. Managers that don't change with the environment will not be successful in the long run.

8. If you can't control the external environment, why be concerned about it anyway?

Businesses should be concerned about the external environment because it can affect the business's performance. Although a business can't control the external environment, it needs to try to influence the external factors to their advantage, or at least adjust to them.

9. Should people in the United States make an effort to buy products made in America? If so, how should "made in America" be defined?

Answers will vary.

10. As a business owner in the United States exporting goods to Japan, which currency do you prefer to be strong—the dollar or the yen? Why?

The yen. A weak dollar helps to create opportunities for American global businesses.

11. Is the North American Free Trade Agreement (NAFTA) of more benefit or harm to the United States? Why?

Answers will vary.

12. Do you believe that ethical behavior will pay off in the long run?

Answers will vary, but students should realize the importance of ethics in business.

13. Do you have your own guide to ethical behavior that you follow now? Will you use one of the guides from the text? If yes, which one and why?

Answers will vary.

14. Can ethics be taught and learned?

According to a study done at Harvard, the answer is yes; however, not everyone agrees. But most people realize that in learning about ethics and possible ethical situations, students are better prepared to handle ethics when the need arises on the job.

15. Do you believe that companies benefit from being socially responsible? Why or why not?

Answers will vary.

APPLYING THE CONCEPT ANSWERS

There are similar questions in the test bank in the application section.

AC 1—The Internal Environment

- d 1. Systems process. Inputs are being converted into outputs.
- b 2. Mission. Domino's is in the business of delivering pizza and, more recently, buffalo wings.
- c 3. Resources. People are human resources.
- e 4. Structure. A new department adds to the existing structure.
- a 5. Management and culture. Management has authority to make decisions or to delegate the authority.

AC 2—Strong and Weak Cultures

- a 6. Strong culture. It appears that there is conformity with everyone dressing similarly. If some people wear jackets and ties and others don't, it's optional and a weak part of expected behavior.
- a 7. Strong culture. Stories are a part of a strong culture.
- b 8. Weak culture. When expected behavior is not clear, there is a weak culture.
- b 9. Weak culture. Unclear values are an indication of a weak culture.
- a 10. Strong culture. The group is giving a "dirty look" to convey that ethical jokes are not acceptable behavior. Employees enforcing behavior comes from a strong culture.

AC 3—The External Environment

- g 11. Technology. A new material is a technology change.
- b 12. Competition. AT&T lost its monopoly as it has competition now.
- h 13. The economy. The government can influence the economy through monetary policy of changing the amount of money in the economy.
- e 14. Shareholders. They own the company and appoint top managers.
- i 15. Governments. The government can stop mergers and acquisitions when it believes society will be harmed by the business transaction.

AC 4—Taking a Business Global

- c 16. Licensing. Burger King is giving a franchise.
- e 17. Joint venture. This is a strategic alliance, which is a form of partnership joint venture even though a new company is not created.
- f 18. Direct investment. This is a foreign subsidiary.
- b 19. Importing/Exporting. Selling computers in another country is exporting.
- d 20. Contracting. The foreign firm only manufactures the product.
- a 21. Global sourcing. This is using foreign resources in a local product.
- f 22. Direct investment. Buying a building is a direct investment.
- c 23. Licensing. Licensing involves allowing another country the right to use an asset.
- a 24. Global sourcing. This is using foreign resources in a local product.
- b 25. Importing/Exporting. Buying foreign goods for sale is importing.

AC 5—Global Practices

- a 26. Large MNCs. Small companies do not have the resources.
- b 27. Small international companies. They do not usually have the resources to introduce/market the product globally.
- b 28. Small international companies. They don't have the resources to have their own facilities in other countries so they tend to import and export.
- a 29. Large MNCs. They have foreign nationals running direct investment facilities.
- a 30. Large MNCs. Small companies usually cannot afford to invest in R&D, so they quickly copy MNCs.

AC 6—GLOBE Dimensions

- d 31. Uncertainty avoidance. They fear the uncertainty and uncomfortable feeling change brings.
- h 32. Performance orientation. The statement illustrates high achievement and material success. You cannot tell if the incentives are individual or collective rewards.
- f 33. Societal collectivism. The preferred sports are team sports rather than individual sports.
- e 34. Power distance. Status symbols represent and show power distance.
- i 35. Humane orientation. Replacing employees if they complain shows low caring toward people.

OBJECTIVE CASE ANSWERS

Wal-Mart

- a 1. Management and culture. Good decisions by management throughout the years led to Wal-Mart's continued success.
- b 2. Level 2. Slogans are part of level 2 culture.

- b 3. Competition. Although competition is important, without serving customers with the products they want at low prices, and without suppliers providing Wal-Mart with merchandise for resale at low prices, it wouldn't be successful.
- e 4. Technology. As stated in the case, technology plays an important role in helping Wal-Mart stay customer-focused and ahead of its competition.
- c 5. Multinational. Wal-Mart has significant operations in 14 countries.
- a 6. Global sourcing. Wal-Mart searched the world for suppliers with the lowest prices.
- f 7. Direct investment. Wal-Mart acquired several foreign retailers to go global.
- c 8. Operations and products. Wal-Mart primarily planned to standardize operations worldwide to maintain its economies of scale.
- b 9. False. What is considered ethical in one country may be unethical in another.
- a 10. True. The case lists examples of social responsible behavior that Wal-Mart is engaged in.

11. Do you shop at Wal-Mart? Why or why not?

Answers will vary.

12. Does Wal-Mart have a strong or weak culture?

Wal-Mart has a strong culture.

13. Was going overseas a good strategic move for Wal-Mart?

Yes. In order to continue to grow, globalization was a good option.

14. Can Wal-Mart operate its overseas stores in the same manner as its U.S.-based stores?

Yes and no. Yes, because it can use its great technology systems. No, because it must adapt its product mixes to local customs and taste in order to truly have what the customers want to buy.

15. Do you believe that Wal-Mart is ethical and socially responsible? Why or why not?

Answers will vary.

Cumulative Case Questions

16. Which manager resources have given Wal-Mart a competitive advantage over its competitors? (Chapter 1)

Wal-Mart's top managers (*human resources*), its expansion from selling stock and making profits (*financial resources*), the number of stores and amount of inventory (*physical resources*), and its technology (*information resources*) have given it a competitive advantage over competitors.

17. Which management level and type of managers had the primary responsibility for expanding and taking Wal-Mart global, and what skills and functions did they primarily use to go global? (Chapter 1)

The *top-level managers (general managers)* had the responsibility for expanding and taking Wal-Mart global. They primarily used *decision-making skills* through the *planning* and *organizing* functions for the globalization of Wal-Mart.

REEL TO REAL VIDEO CASE ANSWERS

On the Job—Caterpillar (Run time: 10:51)

1. Caterpillar went to a great deal of effort to clarify its organizational values and to get employees from 120 facilities in 23 countries on the same page. Why did it do this?

The project Caterpillar embarked on in 2003 found that companies that aligned themselves with a set of core values historically did better business. When teammates share the same values, they are more likely to get along, help each other, and create a pleasant work environment for one another. Employees whose values are aligned with those of the company they work for are more likely to take pride in their work, show loyalty and commitment, and bring in increased returns.

2. How can Caterpillar's organizational culture, which springs from the organization's internal environment, impact the external environment?

Successful corporate culture aligns organizational strategy with the needs of the customers in the external environment. If the culture is healthy, and the company is equipped to fulfill the demands in the external environment, then the organization profits while the external environment's needs are met. A company's organizational culture influences the way organization members think, feel, and behave. When the values of a

culture are positively aligned and employees feel good about what they do, they are likely to positively impact those they encounter in the external environment, whether they are customers, family members, or acquaintances.

3. What are the most essential values that should be integrated into an organization's culture? Why?

The answer to this question will vary from student to student. Values to encourage include: honor and loyalty, mutual respect and understanding, sense of responsibility, teamwork and collaboration, encouraging diversity, and an atmosphere of coaching and mentoring.

BizFlix—Backdraft (Run time: 1:36)

1. What elements of the Chicago fire department culture does this scene show? Does the scene show any cultural artifacts or symbols? If it does, what are they?

The scene shows many cultural artifacts of the Chicago Fire Department. Some are bold symbols, such as the fire trucks, loud sirens, fast driving, bright red fire hydrant, and roaring fire. Others are equally important cultural symbols but less bold in presentation. For example, nicknames appear on the backs of the firefighters' jackets. Stephen McCaffrey's jacket says, "Bull."

2. Does the scene show any values that guide the firefighters' behavior?

In-use values guide much of the veteran firefighters' behavior. No one told the firemen to smash the windows of the Mercedes Benz so they could get the fire hose to the fire hydrant. Brian quickly learns this value as he stares in disbelief. There is little time while fighting a fire to describe values, although Stephen gives his brother some guidance about how to attach his equipment and stay beside him while fighting the fire.

3. What does Brian McCaffery learn on his first day at work?

Other aspects of a firefighter's culture appear in the scene. New firefighters ("probies") must accept their subordinate status during their first workdays and take wanted or unwanted guidance from the more senior firemen.

SKILL BUILDER 1 IDEAS

Ethics and Whistle-Blowing

Total Time (0–30 minutes)

Select a total amount of class time you want to spend on the exercise. Much of the learning takes place in the out-of-class preparation, but it is reinforced in class. Based on the amount of time you want to spend, select options. For example, if you only want to spend 10 minutes on the exercise, just do Procedure 1 and skip Procedure 2, making quick concluding remarks. Times will vary with the size of your class and the amount of discussion.

You may want to focus your discussion on whether or not students/employees should blow the whistle. Are some unethical behaviors ever enough to warrant whistle-blowing and others not? If so, which ones should you blow the whistle about and which shouldn't you?

You may want to remind students that they do not have to reveal their ethics score.

Doing Skill Builder 1 in Class

Objective

To determine your level of ethics.

Preparation

Students should have completed the preparation for this exercise.

Experience

Have students share their answers to the discussion questions, but don't request them to share their ethics score.

Procedure 1 (5–10 minutes)

Write the numbers 1–20 on the board. For each statement, have students raise their hands if they observed this behavior, and again if they reported the behavior. Write the numbers on the board. (Note: Procedures 1 and 2A may be combined.)

Procedure 2 (10–20 minutes)

Option A. As you take a count of the students who have observed and reported unethical behavior, lead a discussion on the statements.

Option B. Break the class into groups of 4–6 and have students share their answers to the discussion questions at the end of the preparation part of this exercise. The groups may be asked to report their general consensus to the entire class. If so, select a spokesperson before the discussion begins.

Option C. Lead a class discussion on the discussion questions at the end of the preparation part of this exercise.

Conclusion

Lead a class discussion and/or make concluding remarks.

Sharing

Volunteers give their answers to the Apply It section.

SKILL BUILDER 2 IDEASCultural Diversity Awareness*Total Time (15–40 minutes)*

Select a total amount of class time you want to spend on the exercise.

The size of the class and diversity will affect the time for this exercise. As suggested, start with international students, then move to those who have visited other countries. If these two groups don't take up the amount of time you want to spend on the exercise, go on to nationalities of natives of the country.

Doing Skill Builder 2 in Class*Objective*

To develop your awareness of cultural diversity.

Preparation

No preparation is required for this exercise.

Experience

Students will share their international experience and nationalities, and will share their knowledge of cultural differences.

Procedure 1 (4–6 minutes)

Have students share their international experience and nationalities. Start with people who have lived in another country, then move to those who have visited another country, and follow with discussion of nationality. Write the countries on the board until several countries/nationalities are listed or the time is up.

Procedure 2 (10–30 minutes)

Have students share their knowledge of cultural differences between the country in which the course is being taught and those listed on the board.

Conclusion

Lead a class discussion and/or make concluding remarks.

Sharing

Volunteers give their answers to the Apply It section.

SKILL BUILDER 3 IDEAS

The Organizational Environment and Management Practices Analysis

Total Time (0–50 minutes)

Select a total amount of class time you want to spend on the exercise. The skill development comes from the out-of-class preparation and is reinforced in class. You could choose to have students pass in the preparation, rather than to spend class time on the exercise.

If you want to devote class time to the exercise, select one of the options and follow the procedures in the textbook.

Doing Skill Builder 3 in Class

Objective

To determine an organization's environment, culture, and ethics.

Preparation

Students should have completed the organizational environment preparation before class.

Experience

The primary skill building comes from the preparation for this exercise. Class members will share their answers to the preparation questions to reinforce learning.

Procedure (10–30 minutes)

Option 1. The class breaks into groups of 3–5 members. Each member tells the others his or her answers to the preparation questions. One student's example may be selected and presented to the entire class.

Option 2. Call on different students to give their answers to different parts of the preparation.

Conclusion

Lead a class discussion and/or make concluding remarks.

Sharing

Volunteers give their answers to the Apply It section.

Testing on Skill Builder 3

The preparation for this exercise can also be typed up and passed in, as an individual or group project, and graded. The 20 questions from the exercise are in the skills section of the Test Bank. You should make it clear to students that specific (all) questions may be on the test as skill-building questions.