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International Business Management

Succeeding in a Culturally
Diverse World

Second Edition

 Springer

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Additional material to this book can be downloaded from <https://www.springer.com/us/book/9783319966212>

Originally published by SAGE Publications, Inc, California, 2008

ISSN 2192-4333 ISSN 2192-4341 (electronic)
Springer Texts in Business and Economics
ISBN 978-3-319-96621-2 ISBN 978-3-319-96622-9 (eBook)
<https://doi.org/10.1007/978-3-319-96622-9>

Library of Congress Control Number: 2018953046

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The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

Kamal Fatehi

This book is dedicated to my family

Jeongho Choi

This book is dedicated to my family:

*My lovely wife, Julie-Kunyoung, and
my sons, Philip and Leonard*

Preface

We are living in a world where the only certainty is the uncertainty in the human affairs. A few decades ago, it was common among the academicians to discuss a future where large multinational corporations would be in charge and the national governments would exist in name only without meaningful powers. There were predictions that the world would become a “global village” in which the people would face a new reality very much akin to living in a village. The villagers collectively would be aware of each other. Their lives would be subject to scrutiny by others and be impacted by them. Now, not only we have arrived at such a “village,” we are transforming this village beyond recognition, and a wrong move by any “government in name only” could doom us all. Even without such a catastrophe, our lifestyle and our industrial activities are so myopic and contrary to maintaining a healthy and sustainable life that continuing it would not be much different than a grave mistake by a national government that could have a disastrous consequence. We are locked in a zero-sum game in which the selfish attempt for the individual gain at the expense of our neighbors is becoming a norm and not an exception. Some are engaged in an international trade where they sacrifice long-term results and bargain for short-term benefits. Let’s hope that these issues are just aberrations.

Globalization is well underway. There is no exaggeration if we claim that we have arrived at the “global village.” The arrival is not celebrated by the villagers, and there is not a welcome mat. Instead, the arrival is marked with a note of caution and a reminder.

The caution note warns us that there are unanticipated outcomes to globalization such as heightened security concerns due to rising acts of violence and terror instigated by, among other things, the stark awareness of value differences. These value differences are brought forth by globalization forces that threaten the possibility of preserving separate ethnic identities and the prospects of assimilation of all by the forces of modernity. The isolation of cultures, nations, and markets of the previous period has been replaced by close interaction, intermingling, and integration among them, actually or virtually. International business and international management have significant roles in all this. To move cautiously in the uncharted waters of global business and to mitigate unanticipated consequences of globalization necessitate the study of international management.

The reminder is to shake us up from the comfortable complacency that is an attribute of success. The past technological progress in product developments and processes has lulled firms from industrialized nations into the false assumption that past success can continue unabated into the future. This is far from the true reality. The challenge to this comfortable position comes from business corporations from the emerging markets of Asia, the Middle East, and Latin America. Business enterprises from emerging markets that are going global pose formidable challenges to existing rivals from industrialized countries. In these markets, which are home to the majority of the world population, the emerging global firms have an advantage of being insiders. These are the future firms in the future markets. These markets are growing at much faster rates than their counterparts in developed countries. Supplying these markets successfully requires understanding their uniqueness, which is due to systemic and cultural differences. It is international management that can teach us about the complexity and intricacy of these markets and their people that often are as exotic as they are mysterious to the uninitiated.

Globalization and vanishing national borders have influenced almost everything that we do, particularly in business organizations. Although conflicts between nations have not disappeared, commonality of interest among them in creating a better life for their people is amply evident. This commonality of interest, in part, is manifested through international business. While national governments are obligated to take a nationalistic posture, multinational companies (MNCs) are slowly but inexorably forced to transcend national boundaries. They have the difficult task of integrating the varied values of their diverse workforce in establishing a vision and setting goals for the whole corporation. They have to manage people whose values and expectations are dissimilar. The responsibility of managing across national borders and competing in a culturally diverse world can be satisfied if these managers assume a multicultural perspective. This book offers such a perspective.

The world economy, particularly with the advent of the Internet, is moving ever faster toward a highly interrelated, interdependent state, in which no nation will be immune from the forces of the global market. Increased interdependency, however, does not mean market uniformity or universality of management practices. Cultural, political, and, to some extent, economic diversity differentiates nations and creates unique market segments. Managing a business, be it domestic or international, in such a milieu requires understanding of these diversities.

Realizing the impact and the influence of the global market in managing the firms, most business schools are offering an international management course, along with other international business courses, to cover the worldwide dimension of business. This book is for use in such a course. It deals with the fundamental concepts of managing from an international perspective. Although the book is primarily for business students, managers will find it useful as well. The book offers conceptual frameworks and theoretical explanations useful for the daily challenges of a practicing manager. The insight thus gained could provide managers with added competitive advantage in the culturally diverse global market.

The scope and intensity of operations that expand and exceed national domestic markets vary among firms and industries. This variation determines different levels of commitment by a firm to the global market. Nomenclaturally, however, most scholars have not differentiated among these varied levels of commitment. All business activities beyond the domestic market are commonly referred to as international, multinational, transnational, and global. Strategy differentiation such as multidomestic versus global is, however, acknowledged. These terms, nonetheless, are beginning to acquire specific meanings, though there is no consensus on their usage.

Among these terminologies, international is more popular. Many scholars have used the term international to connote all business activities that go beyond the domestic market, regardless of the size or scope of the operation. Almost all business schools use the label “international management” for the title of the course that covers the management concepts of such an operation. Also, they use “international business” as a major field of study. For this reason, in this book, the terms multinational company and international management are used to describe a firm that operates beyond the domestic market and the management of such a business operation, respectively. Throughout the text, however, to differentiate among firms with various levels of commitment to the world market, whenever necessary, other terminologies have been applied.

The book emphasizes the importance of cultural differences and the difficulties of working with people of diverse cultural backgrounds. It provides its readers with the understanding that international management involves not just conducting international business transactions abroad but also working with people who may not share our basic values and assumptions.

The 12 chapters of this book are divided into 4 parts. The first part is an introduction; it elaborates on the importance of international business and management in the first chapter and the critical implications of ethical, social, and environmental aspects of international operations in the second chapter. The three chapters of the second part discuss cultural and behavioral dimensions, cultural influences, communication and negotiation, and leadership and motivation. The five chapters of the third part present operational aspects: international strategic planning, international strategic alliance, organization and structure, control factors, and information systems management of international firms. Industrial relations topics are in the last part, which includes two chapters. One chapter deals with human resource management and the other with labor relations topics.

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Acknowledgments

We would like to acknowledge the support and encouragement of Dr. Kathy Schwaig, Dean of Coles College of Business, and Dr. Robin Cheramie, Director of School of Management, Entrepreneurship and Hospitality. Both have been very instrumental in my intellectual accomplishments including the completion of this book. Last but not least, special thanks go to Dr. Rama Yelkur, Dean of School of Business at St. John Fisher College. Thanks a lot, Kathy, Robin, and Rama!

Additionally, we would like to thank Springer team for their efforts and dedications in producing the second edition of the textbook. Our special appreciation goes to Nitza Jones-Sepulveda, Nicholas Philipson, and many other individuals at Springer.

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