**Chapter 3**

**MANAGING DIVERSITY IN A GLOBAL ENVIRONMENT**

Chapter Outline

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2. Classifying Businesses in the Global Village
3. Ethnocentrism Is Out and “Made in America” Is Blurred
4. Global Business Practices
5. FOREIGN TRADE
6. Trade Barriers
7. World Trade Organization (WTO)
8. Trade Agreements
9. Exchange Rates and Balance of Payments
10. Standard of Living and the Effects of Foreign Trade
11. TAKING A BUSINESS GLOBAL
12. Global Sourcing
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Changes From 5e to 6e Chapter 3

* This is a new chapter taking content from Chapters 2 (global) and 6 (diversity) and reorganizing and writing expanded coverage of both topics.
* The references have been updated, and 99 percent are new to this edition.
* The section on classifying businesses in the global village has been moved up to the beginning of the discussion of the global environment and now includes *global new venture/global start-up* and *subsidiaries*.
* The section on trade agreements has been expanded to include the Dominican Republic-Central American Free Trade Agreement (CAFTA-DR) and the Union of South American Nations (UNASUR).
* The Foreign Trade section has been reorganized and expanded, and Global Diversity has been moved to the Diversity section. There are four new key terms.
* The section on taking a business global has been expanded with more examples and now includes advantages and disadvantages of each of the methods. Some of the key terms have been changed and new ones added.
* The section on practices of global companies now includes “think globally, act locally.”
* Join the Discussion, File Sharing has been shortened and now includes global piracy with a new question.
* The Diversity section has been expanded to include a discussion of diversity types—age, sex, race, disability, and others.
* The Self-Assessment now includes attitudes toward minorities, as well as women’s advancement.
* There is a new online self-assessment for diversity.
* The section Managing Diversity has been expanded to include more policies and practices.
* The major Global Diversity section now includes subsections: Hofstede National Cultural Diversity and International Assignments.
* There is a new Skill Builder 3–1 exercise focusing on the global environment, diversity, and global management practices. Skill Builder 3–2, Diversity Training 6–2, has been moved to this chapter.

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.

1. *THE GLOBAL ENVIRONMENT*

As the title implies, we are expanding the external environment from the last chapter to be global.

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| Learning Outcome (LO) 3–1. Contrast the classification of businesses in the global village.  A domestic business does business in only one country. An international company is based primarily in one country but transacts business in other countries. A multinational corporation (MNC) owns operations in two or more countries. International companies are generally smaller than MNCs and are commonly importers and exporters, whereas MNCs tend to make the products and services in or nearer to the countries they sell to. |

1. **Classifying Businesses in the Global Village**

Let’s begin with defining *global business* as the buying and selling of goods and services among different countries. The **global village** *refers to companies conducting business worldwide without boundaries.* The word *village* implies something small and emphasizes that the world, although very large, is becoming smaller through technology.

1. **Domestic and International Businesses**

A *domestic business* conducts business in only one country. An **international company** *is based primarily in one country but transacts business in other countries.* International companies commonly buy and sell products through importing and exporting. A **multinational corporation (MNC)** *has* *ownership in operations in two or more countries.* The foreign are commonly referred to as *foreign* *subsidiaries or affiliates*;in essence, a *subsidiary* is a company owned and controlled by another company, making up a combined company, called the *holding company* or *parent company*.

There is also a *transnational company*, a type of MNC that eliminates artificial geographical barriers without having a real single national headquarters. A new form of global company is a *global new venture* or *global start-up* that starts with a global strategy and sales in multiple countries at the same time.

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| **Work Application**  3–1. 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 in which it does business. |

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| |  | | --- | | WORK APPLICATION Example student answer  I work delivering pizza for a one-store Italian guy, Tony, and it is a domestic business. | |

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| **RQ 3–1. How are businesses classified in the global village?**  Businesses in the global village are classified as domestic businesses, international businesses, or multinational corporations (MNCs). |

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| **CSQ 3–1. How does globalization affect your life and that of your family and friends?**  Answers will vary. |

1. **Ethnocentrism Is Out And “Made In America” Is Blurred**

*Parochialism* means having a narrow focus or seeing things solely from one’s own perspective. **Ethnocentrism** *is regarding one’s own ethnic group or culture as superior to others*. Successful managers of large companies headquartered in the United States are not ethnocentric; they don’t view themselves simply as American companies, but rather as companies conducting business in a global village.

There is a Self-Assessment 3–1, Country of Ownership Origin of Products.

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| JOIN THE DISCUSSION: ETHICS & SOCIAL RESPONSIBILITY – 3–1  Buy American  Answers will vary based on opinion. |

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| **Work Application**  3–2. Do you try to buy American products? Should you? |

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| WORK APPLICATION Example student answer  I don’t try to buy American. I look for the best product and price. No. Why should I buy American when I can get a better deal? |

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| **CSQ 3–2. 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. | |

1. *FOREIGN TRADE*

Foreign trade is about conducting business with other countries.

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| LO 3–2. Differentiate the common barriers to trade.  There are four primary barriers to trade to protect domestic companies from foreign companies. An *embargo* is a total ban on the importing of a product from one or more countries; it is often based on import standards. A *quota* sets a limit on the number or volume of a product that can be imported or exported during a set period of time. *Subsidies* include government grants, loans, and taxes. A *tariff* is a direct tax on imports, whereas embargos, quotas, and subsidies restrict trade without taxing the importing company. |

***A. Trade Barriers***

Foreign trade benefits companies, but it can also hurt. For example, it is difficult for the United States to compete against China because of the large difference in labor costs. Also, some companies don’t play fair through *dumping*. Thus, to help domestic businesses compete with foreign companies at home, governments use *protectionism*—a government’s use of trade barriers to protect domestic companies and their workers from foreign competition. The first three are nontax barriers and the last is a tax method.

See Exhibit 3–1 for an illustration of Trade Barrier.

1. **Embargos**

An *embargo* is a total ban on the importing of a product from one or more countries. This protects domestic companies and employees, as it stops foreign products from entering the home country. *Import standards* are often set to protect the health and safety of citizens, but they are also used like embargos to ban imports.

1. **Quotas**

A *quota* sets a limit on the number or volume of a product that can be imported or exported during a set period of time.

1. **Subsidies**

*Subsidies* include government grants, loans, and tax breaks given to domestic companies.

1. **Tariffs**

A *tariff* is a direct tax on imports to make them more expensive.

For more information on U.S. trade barriers, visit [www.usa.gov](http://www.usa.gov).

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| **Work Application**  3–3. Give an example of how a domestic company benefits from trade barriers. |

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| WORK APPLICATION Example student answer  If the government puts a barrier on a product, like a Samsung smart phone, it will most likely cost more. This would give an advantage to Apple iPhones. |

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| **RQ 3–2. What are the four trade barriers?**  The four trade barriers include embargos, quotas, subsides, and tariffs. | |

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| **CSQ 3–3. Should your home country drop all or some of its trade barriers?**  Answers will vary, but the trend is toward free trade. |

1. **World Trade Organization (WTO)**

Replacing the **General Agreement on Tariffs and Trade (GATT)**, the **World Trade Organization (WTO)** is an international organization dedicated to global free trade. It is a forum for governments to negotiate trade agreements. The WTO is a place for countries to settle trade disputes. It operates and enforces a system of trade rules. Essentially, the WTO is a place where its 159 member governments try to sort out the trade problems they face with each other.

Visit http://www.wto.org for updated information about the World Trade Organization.

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| **RQ 3–3. What is the role of the World Trade Organization (WTO)?**  The primary role is to facilitate free global trade by setting and enforcing trade rules and agreements among its members. |

1. **Trade Agreements**

See Exhibit 3–3, Trade Agreements, for a map of the countries in each alliance.

1. **The Americas**

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.

The United States is also a member of the **Dominican Republic-Central American Free Trade Agreement (CAFTA-DR**) with the DR and five Central American countries. For more information on CAFTA-DR, visit http://www.caftadr.net. There is also a trading bloc, the **Union of South American Nations (UNASUR)**, with 12 South American countries.

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| **CSQ 3–4. Is the North American Free Trade Agreement (NAFTA) of more benefit or harm to the United States? Why?**  Answers will vary, but the text does say benefits are flowing back to the United States. |

1. **Europe**

The largest European trade alliance is the **European Union (EU)**, formerly called the European Community, which consists of 27 member states as of 2013. Seventeen EU members have developed a single currency (the euro) to create an Economic and Monetary Union (EMU). The euro makes conducting business and traveling much easier in this trading bloc. For more about the EU and its members, visit http://europa.eu.

1. **Asia**

The Association of Southeast Asian Nations (ASEAN) is a trade agreement among 10 countries. For updated information, visit http://www.aseansec.org. The Asia-Pacific Economic Cooperation (APEC) is a forum for 21 Pacific Rim countries (formally Member Economies) that seeks to promote free trade and economic cooperation throughout the Asia-Pacific region. For a list of members and updated information, visit <http://www.apecsec.org>.

**RQ 3–4. What are the six major trade agreements?**

The six major trade agreements are NAFTA, CAFTA-DR, UNASUR, EU, ASEAN, and APEC.

**CSQ 3–5. Should there be one global trade agreement rather than the six major agreements?**

Answers will vary.

1. **Exchange Rates and Balance of Payments**
2. **Exchange Rates**

The *exchange rate* is how much of one country’s currency you get for that of another country. 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 generally priced higher to cover exchange rate losses, making them more expensive in the United States; but when it is strong, foreign goods are less expensive.

See Exhibit 3–3 for an example. For current exchange rates, visit http://www.x-rates.com.

**RQ 3–5. Which country has the foreign trade advantage based on exchange rates?**

The country with the weak currency has the advantage.

1. **Balance of Trade**

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. For more information on U.S. trade policies, visit www.usa.gov.

**CSQ 3–6. Should countries with a trade deficit create barriers to trade to eliminate the deficit?**

Trade barriers tend to lead to retaliation by the other country, and running a trade deficit can be beneficial to the country.

1. **Standard of Living and the Effects of Foreign Trade**
2. **Standard of Living**

*Standard of living* refers to the level of wealth, comfort, material goods, and necessities available to a certain socioeconomic class in a certain geographic area. People in developed countries have a higher standard of living because they get paid more and have greater *purchasing power*—the relative cost of a product in different countries.

1. **The Effects of Foreign Trade**

Foreign trade is generally agreed to be beneficial to developing countries. Although advocacy groups complain that MNCs take advantage of cheap labor and have employees working in sweat shops, these people are willing to work in these conditions because it does in fact increase their standard of living. With time, wages and working conditions do improve. America once faced the same situation during the Industrial Revolution. Some complain about jobs being moved overseas. But others say total jobs are not lost; it is the type of jobs the country specializes in that changes. Protecting inefficient jobs only raises the cost of the products and services and increases the prices to customers.

**CSQ** **3–7. Overall, are the effects of foreign trade more positive or negative for your home country?**

Answers will vary, but as stated in the textbook, it should be positive for most people. However, if people lost their jobs to global outsourcing, they will most likely think it is negative for them.

**Work Application**

3–4. Would you be willing to pay more for the same product made domestically than abroad? For example, if Nike made sneakers in America and sold them for $125 and made them abroad and sold them for $100, which would you buy?

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| WORK APPLICATION Example student answer  Heck no. I want the low price to save me money. |

1. TAKING A BUSINESS GLOBAL

Businesses sell their products and services globally because they can make more money than they can selling in only their home countries.

Exhibit 3–4 presents these methods in order by cost and risk and indicates what types of companies tend to use them.

LO 3–3. 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 (1) *global sourcing*, hiring others outside the firm to perform work worldwide; (2) *importing and exporting*, buying and selling products between countries; (3) *licensing*—licensor agrees to give a licensee the right to make its products or services or use its intellectual property for a royalty—or f*ranchising,* where the franchisor licenses the entire business to the franchisee for a fee and royalties; (4) *contract manufacturing*, **in which** a company has a foreign firm manufacture the products that it sells as its own; (5) *strategic alliance*, an agreement to share resources that does not necessarily involve creating a new company, or a*joint venture*, created when two or more firms share ownership of a new company; and (6) *direct investment*, building or buying operating facilities in a foreign country. Global sourcing is the least costly and risky of these activities, and it can be a part of any of the others.

1. **Global Sourcing**

**Global sourcing** *is hiring others outside the firm to perform work worldwide*. It is also called *outsourcing* and *offshoring*. Global managers look worldwide for the best deal on materials/parts, labor, and so forth and a location (any country in the world) for producing their products and services. It saves money, better allocates global resources, and benefits everyone, because countries specialize in what they can do better than others.

**CSQ 3–8. Is it too difficult and time consuming to engage in global sourcing?**

Not really. With the Internet, searching with technology is worth it because you can find the best deal globally.

1. **Importing and Exporting**

When *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

**Work Application**

3–5. Select a business and identify how it uses global sourcing and/or importing and exporting.

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| WORK APPLICATION Example student answer  I work for Bit Y supermarket and it imports produce from all over the world to have fresh stuff all year long. |

1. **Licensing and Franchising**

Also known as *cooperative contracts*, international companies and MNCs use these two methods to go global.

1. **Licensing**. *In***licensing**, *a licensor agrees to give a licensee the right to make its products or services or use its intellectual property for a royalty.* Under a global *licensing* agreement, the domestic individual or company *licensor* allows another foreign company *licensee* to make its product, sell its service, or use its intellectual property—brand name, trademark, a particular technology, a patent, or a copyright for a royalty—in a particular foreign market.
2. **Franchising**. In **franchising**, *the franchisor licenses the entire business to the franchisee for a fee and royalties.* The franchiser provides a combination of trademark, equipment, materials, training, managerial guidelines, consulting advice, and cooperative advertising to the franchisee for an initial fee and a percentage of the revenues.

**RQ 3–6. What is the difference between a license and a franchise?**

In **licensing**, a licensor agrees to give a licensee the right to make its products or services or use its intellectual property for a royalty. In **franchising**, the franchisor licenses the entire business to the franchisee for a fee and royalties. With a license, you can essentially manage and run your business any way you want too. But with a franchise, you have to run the business the way the franchisor wants you to.

**Work Application**

3–6. Select a business you buy from that has a global license or franchise.

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| WORK APPLICATION Example student answer  I have an old Starter Lions football jacket that it had a license to use from the NFL. |

1. **Contracting**

Contracting is similar to global sourcing, but it tends to be on a large scale. Global product sourcing commonly includes using materials and parts from other companies in the firm’s product. Conversely, contracting is having the foreign company actually make the product for you. With global **contract manufacturing**, *a company has a foreign firm manufacture the products that it sells as its own*.

**Work Application**

3–7. Select a business you buy from that used contract manufacturing to make your product.

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| WORK APPLICATION Example student answer  I have an iPhone that was made in China by Foxconn and Nike sneakers also made in China. |

1. **Strategic Alliances and Joint Ventures**
2. **Strategic Alliances**

A **strategic alliance** *is an agreement to share resources that does not necessarily involve creating a new company.* The two or more companies remain separate and independently controlled but share resources to sell products and services in other countries, to develop new or improved products, and/or to build production facilities. Your college may have global strategic alliances, such as study abroad programs.

1. **Joint Ventures**

Joint ventures are considered to be the most common strategic alliances. A **joint venture** *is created when two or more firms share ownership of a new company*. The two or more companies remain separate and independently controlled but share the ownership and control of the new company created through the partnership.

1. **Direct Investment**

**Direct investment** *is building or buying operating facilities in a foreign country.* It is also called *wholly owned affiliates or subsidiaries*. The parent/holding company can manage the foreign subsidiary with great *centralized control*, making decisions at home for the subsidiary. Alternatively, the parent can essentially let the subsidiary have its own *decentralized* *local control*, making its own decisions similar to the way a separate company would.

**Work Application**

3–8. Select a business that uses strategic alliances, joint venture, and/or direct investment globally.

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| WORK APPLICATION Example student answer  Amazon.com has direct investment operations in a few other countries. |

**RQ 3–7. What is the difference among a strategic alliance, joint venture, and direct investment?**

A **strategic alliance** is an agreement to share resources that does not necessarily involve creating a new company. A **joint venture** is created when two or more firms share ownership of a new company. **Direct investment** is building or buying operating facilities in a foreign country. So a strategic alliance is generally two companies helping each other, a joint venture is shared ownership of a new company, and a direct investment is generally considered wholly owning a subsidiary in another country.

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| APPLYING THE CONCEPT Answers  AC 3–1—Taking a Business Global  f 1. Direct investment. This is a foreign subsidiary.  b 2. Exporting/Importing. Selling computers in another country is exporting.  d 3. Contracting. The foreign firm only manufactures the product.  a 4. Global sourcing. This is using foreign resources in a local product.  c 5. Licensing. Subway is giving a franchise.  e 6. Joint venture. This is a strategic alliance, which is a form of partnership joint venture even though a new company is not created.  a 7. Global sourcing. This is using foreign resources in a local product.  b 8. Exporting/Importing. Buying foreign goods for sale is importing.  f 9. Direct investment. Buying a building is a direct investment.  c 10. Licensing. Licensing involves allowing another country the right to use an asset. |

1. **Global Business Practices**
2. **Think Globally, Act Locally**

One thing international companies and MNCs have in common is to think globally, but they adapt to local market needs.

1. **Differences in Business Practices of International and MNCs**

There are six major business practices that differ between these two global companies. **ExxonMobil**, being the largest MNC, does think globally and act locally, but it also uses all of these business practices listed in

See Exhibit 3–5 for a list of the six major global business practices.

**RQ 3–8. What do international and multinational companies have in common?**

They both should think globally but act locally by adapting products and services to the needs of the local marketplace.

* **Global Management Team.**
* **Global Strategy.**
* **Global Operations and Products.**
* **Global Technology and R&D.**
* **Global Financing.** For more information on the Ex-Im Bank, visit *http://www.exim.gov*.
* **Global Marketing.**

**Work Application**

3–9. Select a company and identify as many of its global business practices as you can.

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| WORK APPLICATION Example student answer  Amazon.com uses global sourcing of its books and other items it sells by having UPS deliver them globally. It also does some importing and exporting of the things its sells. It has its e-readers made by Foxconn. Amazon also has direct investments in subsidiaries in other countries. |

**RQ 3–9. If you were to start your own small business, would you most likely use contracting, strategic alliances, joint ventures, or direct investment?**

As discussed, small businesses are commonly international and are more likely to use contracting or a strategic alliance. They most likely don’t have the money to make a joint venture or direct investment.

**CSQ 3–9. Are smaller international companies at a disadvantage when competing with large MNCs?**

Answers will vary, but generally the answer is yes and no. Internationals don’t have the finances, but they can create very profitable niches in which to compete. Also, many of them provide products and services to MNCs, so they are actually cooperating or doing business with them rather than competing directly against MNCs.

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| APPLYING THE CONCEPT Answers  AC 3–1—Global Practices  b 11. 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 12. Large MNCs. They have foreign nationals running direct investment facilities.  a 13. Large MNCs. Small companies do not have the resources.  a 14. Large MNCs. Small companies usually cannot afford to invest in R&D, so they quickly copy MNCs.  b 15. Small international companies. They do not usually have the resources to introduce/market the product globally. |

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| JOIN THE DISCUSSION: ETHICS & SOCIAL RESPONSIBILITY – 3–2  File Sharing  Answers will vary based on opinion. |

1. *WORKPLACE DIVERSITY*

LO 3–4. Discuss diversity and why it is important.

**Diversity** *refers to the variety of people with different group identities within the same workplace.* **Discrimination** *is illegal because it gives unfair treatment to diversity groups in employment decisions.* But promoting diversity creates equal opportunities for all employees, so it is the right thing to do. Diversity is also beneficial to business. The global White population is decreasing, while the other races are growing at a fast pace, making developing and selling products and services to non–Caucasians critically important to survival and business growth. Diversity can have positive effects on financial outcomes, as other races are creative at innovating and selling products and services to the growing diverse population.

1. **What Is Diversity?**
2. **What is Diversity?**

**Diversity** *refers to the variety of people with different group identities within the same workplace.* Diversity and work aren’t separate because we tend to judge the nature of work by the gender, race, and other diversity. Workplace diversity includes both employees and customers.

See Exhibit 3–6 for a list of four major diversity group identities.

1. **Differences Between Diversity and Affirmative Action**

Diversity and affirmative action are sometimes thought to be the same—but they aren’t. *Affirmative action* is purposeful steps to create employment opportunities for minorities and women, whereas diversity is broader in scope, as it doesn’t focuses simply on not discriminating against diverse groups and helping only some of them. Most organizations have moved from affirmative action to valuing diversity.

**RQ 3–1.0 What is the difference between diversity and affirmative action?**

Affirmative action is purposeful steps to create employment opportunities for minorities and women, whereas diversity is broader in scope, as it doesn’t focuses simply on not discriminating against diverse groups and helping only some of them.

1. **U.S. Diversity**

The United States population continues to grow slowly, but the growth is coming from minorities, and Hispanics are now the largest minority group. Today, minority births are now the majority.

The Caucasian population in America is not growing, as there is one birth for every death. Globally, the white population is shrinking, as there are more deaths than births, and the percentage of the population that is Caucasian is decreasing. By around 2040, less than half of the total U.S. population will be Caucasian. By 2060, Caucasians are estimated to be 43 percent of the population, and one in three people will be Hispanic.

See Exhibit 3–7 for population statistics comparing 2012 to projected 2060.

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| JOIN THE DISCUSSION: ETHICS & SOCIAL RESPONSIBILITY – 3–3  Speaking English  Answers will vary based on opinion. |

1. **Is Diversity Really Important?**

Discrimination is illegal, and promoting diversity creates equal opportunities for all employees, so it is the right thing to do. Diversity is also beneficial to business.

People unconsciously favor people of their own social groups, so having diverse employees can bring unique cultural sensitivity that appeals to a diverse customer base. People may complain about having to push a button on their phone to talk in English, but if you want diverse customers, you need employees who can speak their language.

**Work Application**

3–10. Explain how diversity is important to your current or past workplace.

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| WORK APPLICATION Example student answer  I’d say around 1/3 of our customers at Anthony Pizza are Black and Hispanic. Without their business, the place most likely would not be profitable. |

**CSQ 3–10. How does diversity effect you personally? Do you really value diversity?**

Answers will vary.

1. TYPES OF DIVERSITY AND MANAGING DIVERSITY

**Discrimination** *is illegal because it gives unfair treatment to diversity groups in employment decisions.* Decisions include hiring, training, promoting, compensating, and terminating (layoffs/firing). *Stereotyping*, the mistaken generalization of an individual to a diversity group, has negative consequences. Through stereotyping, discrimination has numerous negative consequences, as it threatens people’s identity, leading to decreased individual performance, decreased self-esteem, a decreased desire to take on leadership positions, resistance to change efforts, conformance with company rules, conflict between individuals and groups, turnover, and sex-based harassment. So discrimination is not only illegal, it has negative consequences for the organization. We need to break down stereotypes and assess each individual’s qualifications for the job.

LO 3–5. Describe the four major types of diversity groups and practices of managing diversity.

There is diversity in the (1) range of *age*s in the workplace, (2) a mix of male and female *sex*, (3) different *races* and *ethnic groups*, and (4) people with disabilities that substantially limit one or more major life activities. To manage diversity, companies cannot discriminate against any diverse group and should promote equal opportunities for everyone. Practices that promote diversity include (a) *diversity training* to teach people how to get along better with diverse workers, (b) higher-level manager *mentors* who prepare high-potential people for advancement, and (c) *network diversity groups* of employees throughout the organization from a diverse group that share information about how to succeed in the company.

1. **Age Diversity and Management**

There is a wide range of age groups, resulting in different diverse generations in the workplace. To promote age integration, employees and especially managers should understand stereotypes about older and younger workers that are myths versus realities.

*Generational difference* can also cause conflict at work. Older Baby Boomers tend to prefer more face-to-face and telephone time, whereas younger Gen Y employees like texting. Baby Boomers tend to focus on one task at a time, whereas Gen Ys like to multitask. Everyone needs to be flexible and understanding of individual preferences and find ways to work together effectively, and it’s your job as a manager to pull everyone together.

1. **Sex Diversity and Management**

Althoughclose to half of the entire workforce is men and close to half is women, and the numbers of managers and professional jobs are about the same, women earn around 81 percent of what men make. Women also face the **glass ceiling**—*the invisible barrier that prevents women and minorities from advancing to the top jobs in organizations.*

**RQ 3–1.1 What is the glass ceiling?**

The **glass ceiling** is the invisible barrier that prevents women and minorities from advancing to the top jobs in organizations.

Self-Assessment 3–2 helps readers better understand their attitudes about women and minorities advancing.

Each statement in Self-Assessment 3–2 is a negative attitude about women and minorities at work. However, research has shown all of these statements to be false; they are considered myths.

1. **Race and Ethnicity Diversity and Management**

Race and ethnicity are similar yet different. *Race* is a biological characteristic, such as skin color, that creates diverse group identities. *Ethnicity* is a social trait, such as cultural background, customs, or allegiances, again creating diverse groups. Like women, minorities face discrimination, but even more so. Evidence suggests that Blacks are at a disadvantage when they are evaluated in terms of their leadership ability, hurt career advancement

To have equal opportunities for all, a good place to start is with simple statistics. Are the hiring, promoting, and quitting rates significantly different among the sexes and Whites and minorities? Make sure the selection and promotion criteria are clear and objective to help avoid racial bias. Training managers that make hiring and promotion decisions to understand the problem and to be objective can help. Businesses around the world realize that a diverse supplier base with **minority business enterprises (MBEs)** is a critical competitive advantage, as they better connect with their own diverse customer base, and in most cases minority suppliers offer better price, service, and value.

1. **Disability Diversity and Management**

Back in 1990, the Americans with Disabilities Act (ADA) defined a **disability** as *a mental or physical impairment that substantially limits one or more major life activities.* The law prohibits discrimination against people with disabilities (www.ada.gov) by treating them differently because of their disabilities. The ADA also requires companies to make reasonable accommodations so their facilities are accessible to people with disabilities to enable them to perform jobs. Of the four major types of diversity, people with disabilities face the most discrimination.

To give equal opportunities to people with disabilities, the first thing we need to do is change our mindset. Instead of looking for disabilities, look for *abilities*. We should actively recruit qualified workers with disabilities. Companies also need to provide reasonable accommodations; some don’t cost anything and others are not expensive.

**RQ 3–12. When dealing with people with disabilities, what should be the focus?**

The focus should be on the abilities people with disabilities have and matching them to jobs they are qualified to do.

1. **Other Types of Diversity and Management**

There are all kinds of other ways that people are diverse in the workplace, such as weight and sexual orientation, but here we limit the discussion to two of them.

1. **Religious Diversity and Management**

Although fewer people today attend organized religion services, many people identify themselves as belonging to a religion. To promote equal opportunity for all, we need to recognize and be aware of different religions and their beliefs, paying attention to when religious holidays fall. Companies are being flexible with schedules to accommodate religious diversity needs.

1. **Knowledge, Skills, and Attitudes**

Based on different levels of education, training, and experience, employees tend to have diverse knowledge, skills, and attitudes (KSA). People in different functional areas of the company (operations, finance, marketing, human resources) tend to see things from their own departmental perspective and bring different contributions to the company. To maximize performance, companies are using teams and bringing in a variety of KSA. We discuss how to manage teams in Chapter 8.

**CSQ 3–11. What experience have you had with each of the diverse groups?**

I’ve had to work with people of all ages, both males and females but mostly males, my best friend at work is a different race than I am, and there is a guy in the office in a wheelchair that I don’t actually work with. I’m not sure if anyone is religious around here. But the managers here are college grads with experience, whereas their employees don’t have college educations, but several of have a lot more experience than the managers. Being in maintenance, we go to all the departments in the company when they need us.

**Work Application**

3–11. First state the types of diversity where you work(ed). Next, describe how it has affected you personally by being discriminated against, including being unfairly treated through being criticized or excluded in some way for being different in some way from the others.

|  |
| --- |
| WORK APPLICATION Example student answer  In my department we have nine people. Ages range from around 35 to 65, there are seven men and two women, everyone is White, without noticeable disabilities, one guy is Jewish and I think the rest are Christian, and no one has come out as a homosexual. I’ve been discriminated against because of my knowledge and skills. I’m much more productive than the other employees, and it is not appreciated; I’ve had to put up with aggravation because of it. Others have been given more resources from our department budget. A couple of them are jealous and hardly ever talk to me. |

1. **Managing Diversity**

We’ve already discussed ways to manage each of the major diverse groups by promoting diversity to create equal opportunities for all. Here we present approaches that apply to multiple diverse groups as well as to all employees.

1. **Diversity Policies and Practices**

Companies need active policies and practices to promote diversity. The policies and practices should promote a diversity climate that is part of the *organizational culture* (Chapter 2). Records of diverse group hiring and promoting should be kept and efforts made to help these groups succeed in the workplace, often called a *diversity audit*. In promoting diversity, be sure to follow all EEO laws, treat group differences as important but not special, and tailor opportunities to individuals not groups. You should have high standards and hire and advance the most qualified candidates. But given equal qualifications for the job, the diverse candidate (which in some cases will be a White male) can be given the job to support diversity. Make sure diverse employees have access to the same job training and other practices at work to have equal opportunities to advance. Also, have diversity training for all employees. Three practices that promote diversity follow.

**CSQ 3–12. How can you improve your awareness and empathy for diverse groups?**

Answers will vary, but completing Self-Assessments 3–2 and 3–3 can help to identify areas that need improving, which can lead to a plan for change.

1. **Diversity Training**

*Diversity training* teaches people how to get along better with diverse workers. It is designed to bring about harmony and promote better teamwork. It helps diverse people to better understand each other by becoming aware of and more empathetic toward people different from themselves. Training breaks down negative stereotypes and promotes acceptance of differences, viewing people as individuals, and realizing that diversity improves teamwork and organizational performance.

Skill Builder 3–2 is an example diversity training exercise.

Self-Assessment 3–3 is an online method of awareness of attitudes and beliefs about diverse groups.

1. **Mentoring**

*Mentors* are higher-level managers who prepare high-potential people for advancement. Mentoring is a process that enhances management skills, encourages diversity, and improves productivity. Having mentors who are willing to work with you to develop your knowledge, abilities, and skills can help you in both your professional and your personal life. With *e-mentoring*, instead of getting together in person, the two meet and communicate electronically, such as via email and **Skype**.

**CSQ 3–13. Identify mentors you have had in your life (relatives, friends, teachers, coaches, managers) and how they helped you to succeed. Also, will you seek out a mentor(s) to help you advance in your career?**

Answers will vary, but hopefully students have had positive mentor experiences and will seek them in the future.

1. **Network Diversity Groups**

*Network diversity groups* have employees throughout the organization from a diverse group that share information about how to succeed in the company and how to help the company succeed.

**Work Application**

3–12. Describe a company’s policies and practices for promoting diversity, preferably a business you work(ed) for.

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| --- |
| WORK APPLICATION Example student answer  In my company we do yard work, and the majority of the employees are of minority groups. The owner hires the best potential workers, but if they don’t work hard, they get fired regardless of race. |

**RQ 3–13. What are three practices used to promote diversity?**

The three practices are diversity training, mentoring, and diversity network groups.

1. *GLOBAL DIVERSITY*

Employees from different countries do not see the world in quite the same way because they come from different national cultures. We live and work in the global village, with multicultural workplaces, being managed by MNCs.

LO 3–6. Compare and contrast the Hofstede National Culture dimensions with the GLOBE initiative.

The two are similar because they both measure cultural diversity among countries. Conversely, back in the 1970s and 1980s, Hofstede identified five dimensions of diversity (power distance inequality versus power equality, individualism versus collectivism, assertiveness versus nurturing, uncertainty avoidance or acceptance, long-term versus short-term orientation) using employees of one company, IBM, in 40 countries. GLOBE confirmed that the Hofstede five dimensions are still valid today and extended and expanded his five dimensions into nine (assertiveness, future orientation, gender differences, uncertainty avoidance, power distance, societal collectivism, in-group collectivism, performance orientation, humane orientation), and the sample includes hundreds of companies from more than 60 countries. GLOBE is also an ongoing study.

1. **Hofstede National Cultural Diversity**

Back in the 1970s and 1980s, Geert Hofstede surveyed more than 116,000 **IBM** employees in 40 countries about their work-related values. He identified five cultural dimensions on a continuum in which employees differ.

* Power distance inequality versus power equality
* Individualism versus collectivism
* Assertiveness versus nurturing
* Uncertainty avoidance or acceptance
* Long-term versus short-term orientation

**RQ 3–14. What are the five dimensions of Hofstede’s cultural diversity?**

Power distance inequality versus power equality, individualism versus collectivism, assertiveness versus nurturing, uncertainty avoidance or acceptance, and long-term versus short-term orientation

1. **GLOBE**

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

**RQ 3–15. What is GLOBE?**

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

See Exhibit 3–8 for a list of the nine GLOBE dimensions with country examples of:

* assertiveness
* future orientation
* gender differences
* uncertainty avoidance
* power distance
* societal collectivism
* in-group collectivism
* performance orientation
* humane orientation

**RQ 3–16. What are the nine dimensions of Project GLOBE?**

Assertiveness, future orientation, gender differences, uncertainty avoidance, power distance, societal collectivism, in-group collectivism, performance orientation, and humane orientation.

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| WORK APPLICATION Example student answer  3–13. 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. |

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| JOIN THE DISCUSSION: ETHICS & SOCIAL RESPONSIBILITY – 3–4  Bribes  Answers will vary based on opinion. |

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| APPLYING THE CONCEPT Answers  AC 3–3—GLOBE Dimensions  f 16. Societal collectivism. The preferred sports are team sports rather than individual sports.  e 17. Power distance. Status symbols represent and show power distance.  i 18. Humane orientation. Providing poor working conditions shows low caring toward people.  d 19. Uncertainty avoidance. They fear the uncertainty and uncomfortable feeling change brings.  h 20. Performance orientation. The statement illustrates high achievement and material success. You cannot tell if the incentives are individual or collective rewards. |
|  |

1. **International Assignments**

**Expatriates** *live and work outside their native country*. It can be difficult to adjust to a different language, culture, and social differences. Being abruptly placed in a very different foreign country often leads to what is called *culture shock*. As a result, expatriates often unknowingly use inappropriate behaviors when they travel to a foreign country.

Global companies train managers and employees in local language, local customs, and local business practices so they can be successful in the global market. Be sure to get some training for you and your family as part of your internal assignment to ensure you are multicultural and can have a successful assignment.

**CSQ 3–14. Should expatriates be given global cultural diversity training, and should their families get training too?**

At the cost of a $1 million for a three-year international assignment, and with family adjustment to the new foreign culture being the most important factor in determining the success or failure of the international assignment, it seems like a good investment to offer training to the expatriate and family.

**Work Application**

3–14. How do you feel about taking an international assignment? What countries would be more appealing to you?

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| --- |
| WORK APPLICATION Example student answer  I’d like to go one of the major European countries, especially England because they speak English and I could get to see lots of countries. Because China is so important internationally, I’d think about going there if it would definitely help me advance in my career. |

LEARNING OUTCOMES AND ANSWERS

The chapter summary is organized to answer the learning objectives for Chapter 3. 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.*

**3–1. Contrast the classification of businesses in the global village.**

A *domestic* company does business in only one country. An *international company* is based primarily in one country but transacts business in other countries. A *multinational corporation (MNC)* owns operations in two or more countries. International companies are generally smaller than MNCs and are commonly importers and exporters whereas MNCs tend to make the products and services in or nearer to the countries they sell to.

**3–2. Differentiate the common barriers to trade.**

There are four primary barriers to trade to protect domestic companies from foreign companies. (1) An *embargo* is a total ban on the importing of a product from one or more countries; it is often based on import standards. (2) A *quota* sets a limit on the number or volume of a product that can be imported or exported during a set period of time. (3) *Subsidies* include government grants, loans, and taxes. (4) A *tariff* is a direct tax on imports, whereas embargos, quotas, and subsidies restrict trade without taxing the importing company.

**3–3. 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 (1) *global sourcing*, hiring others outside the firm to perform work worldwide; (2) *importing and exporting*, buying and selling products between countries; (3) *licensing*—licensor agrees to give a licensee the right to make its products or services or use its intellectual property for a royalty—or f*ranchising,* where the franchisor licenses the entire business to the franchisee for a fee and royalties; (4) *contract manufacturing*, **in which** a company has a foreign firm manufacture the products that it sells as its own; (5) *strategic alliance*, an agreement to share resources that does not necessarily involve creating a new company, or a*joint venture*, created when two or more firms share ownership of a new company; and (6) *direct investment*, building or buying operating facilities in a foreign country. Global sourcing is the least costly and risky of these activities, and it can be a part of any of the others.

**3–4. Discuss diversity and why it is important.**

*Diversity* refers to the variety of people with different group identities within the same workplace. *Discrimination* is illegal because it gives unfair treatment to diversity groups in employment decisions. But promoting diversity creates equal opportunities for all employees, so it is the right thing to do. Diversity is also beneficial to business. The global White population is decreasing while the other races are growing at a fast pace making developing and selling products and services to non–Caucasians critically important to survival and business growth. Diversity can have positive effects on financial outcomes as other races are creative at innovating and selling products and services to the growing diverse population.

**3–5. Describe the four major types of diversity groups and practices of managing diversity.**

There is diversity in the (1) range of *age*s in the workplace, (2) a mix of male and female *sex*, (3) different *races* and *ethnic groups*, and (4) people with disabilities that substantially limits one or more major life activities. To manage diversity, companies cannot discriminate against any diverse group and should promote equal opportunities for everyone. Practices that promote diversity include (a) *diversity training* to teach people how to get along better with diverse workers, (b) higher-level manager *mentors* who prepare high-potential people for advancement, and (c) *network diversity groups* of employees throughout the organization from a diverse group that share information about how to succeed in the company.

**3–6. Compare and contrast the Hofstede National Culture dimensions with the GLOBE initiative.**

The two are similar because they both measure cultural diversity among countries. Conversely, back in the 1970s and 1980s, Hofstede identified five dimensions of diversity (power distance inequality versus power equality, individualism versus collectivism, assertiveness versus nurturing, uncertainty avoidance or acceptance, long-term versus short-term orientation) using employees of one company, IBM, in 40 countries. GLOBE confirmed that the Hofstede five dimensions are still valid today and extended and expanded his five dimensions into nine (assertiveness, future orientation, gender differences, uncertainty avoidance, power distance, societal collectivism, in-group collectivism, performance orientation, humane orientation), and the sample includes hundreds of companies from more than 60 countries. GLOBE is also an ongoing study.

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.*

**3–1. 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 in which 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.

**3–2. Do you try to buy American products? Should you?**

I don’t try to buy American. I look for the best product and price. No. Why should I buy American when I can get a better deal?

**3–3. Give an example of how a domestic company benefits from trade barriers.**

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| If the government puts a barrier on a product, like a Samsung smart phone, it will most likely cost more. This would give an advantage to Apple iPhones. |

**3–4. Would you** be willing to pay more for the same product made domestically than abroad? For example, if Nike made sneakers in America and sold them for $125 and made them abroad and sold them for $100, which would you buy?

|  |
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| Heck no. I want the low price to save me money. |

**3–5. Select a business and identify how it uses global sourcing and/or importing and exporting.**

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| I work for Bit Y supermarket and it imports produce from all over the world to have fresh stuff all year long. |

**3–6. Select a business you buy from that has a global license or franchise.**

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| I have an old Starter Lions football jacket that it had a license to use from the NFL. |

**3–7. Select a business you buy from that used contract manufacturing to make your product.**

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| I have an iPhone that was made in China by Foxconn and Nike sneakers also made in China. |

**3–8. Select a business that uses strategic alliances, joint venture, and/or direct investment globally.**

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| Amazon.com has direct investment operations in a few other countries. |

**3–9 Select a company and identify as many of its global business practices as you can.**

Amazon.com uses global sourcing of its books and other items it sells by having UPS deliver them globally. It also does some importing and exporting of the things its sells. It has its e-readers made by Foxconn. Amazon also has direct investments in subsidiaries in other countries.

**3–10. Explain how diversity is important to your current or past workplace.**

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| I’d say around 1/3 of our customers at Anthony Pizza are Black and Hispanic. Without their business, the place most likely would not be profitable. |

**3–11. First state the types of diversity where you work(ed). Next, describe how it has affected you personally by being discriminated against, including being unfairly treated through being criticized or excluded in some way for being different in some way from the others.**

In my department we have nine people. Ages range from around 35 to 65, there are seven men and two women, everyone is White, without noticeable disabilities, one guy is Jewish and I think the rest are Christian, and no one has come out as a homosexual. I’ve been discriminated against because of my knowledge and skills. I’m much more productive than the other employees, and it is not appreciated; I’ve had to put up with aggravation because of it. Others have been given more resources from our department budget. A couple of them are jealous and hardly ever talk to me.

**3–12 Describe a company’s policies and practices for promoting diversity, preferably a business you work(ed) for.**

In my company we do yard work, and the majority of the employees are of minority groups, mostly Hispanics. The owner hires the best potential workers, but if they don’t work hard, they get fired regardless of race.

**3–13. 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.

**3–14. How do you feel about taking an international assignment? What countries would be more appealing to you?**

I’d like to go one of the major European countries, especially England because they speak English and I could get to see lots of countries from there. Because China is so important internationally, I’d think about going there if it would definitely help me advance in my career

REVIEW QUESTION ANSWERS

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

**3–1. How are businesses classified in the global village?**

Businesses in the global village are classified as domestic businesses, international businesses, or multinational corporations (MNCs).

**3–2. What are the four trade barriers?**

The four trade barriers include embargos, quotas, subsides, and tariffs.

**3–3. What is the role of the World Trade Organization (WTO)?**

The primary role is to facilitate free global trade by setting and enforcing trade rules and agreements among its members.

**3–4. What are the six major trade agreements?**

The six major trade agreements are NAFTA, CAFTA-DR, UNASUR, EU, ASEAN, and APEC.

**3–5. Which country has the foreign trade advantage based on exchange rates?**

The country with the weak currency has the advantage in foreign trade.

**3–6. What is the difference between a license and a franchise?**

In **licensing**, a licensor agrees to give a licensee the right to make its products or services or use its intellectual property for a royalty. In **franchising**, the franchisor licenses the entire business to the franchisee for a fee and royalties. With a license, you can essentially manage and run your business any way you want too. But with a franchise, you have to run the business the way the franchisor wants you to.

**3–7. What is the difference among a strategic alliance, joint venture, and direct investment?**

A **strategic alliance** is an agreement to share resources that does not necessarily involve creating a new company. A **joint venture** is created when two or more firms share ownership of a new company. **Direct investment** is building or buying operating facilities in a foreign country. So a strategic alliance is generally two companies helping each other, a joint venture is shared ownership of a new company, and a direct investment is generally considered wholly owning a subsidiary in another country.

**3–8. What do international and multinational companies have in common?**

They both should think globally but act locally by adapting products and services to the needs of the local marketplace.

**3–9. If you were to start your own small business, would you most likely use contracting, strategic alliances, joint ventures or direct investment?**

As discussed, small businesses are commonly international and are more likely to use contracting or a strategic alliance. They most likely don’t have the money to make a joint venture or direct investment.

**3–10. What is the difference between diversity and affirmative action?**

Affirmative action is purposeful steps to create employment opportunities for minorities and women, whereas diversity is broader in scope as it doesn’t focuses simply on not discriminating against diverse groups and helping only some of them.

**3–11. What is the glass ceiling?**

The **glass ceiling** is the invisible barrier that prevents women and minorities from advancing to the top jobs in organizations.

**3–12. When dealing with people with disabilities, what should be the focus?**

The focus should be on the abilities people with disabilities have and matching them to jobs they are qualified to do.

**3–13. What are three practices used to promote diversity?**

The three practices are diversity training, mentoring, and diversity network groups.

**3–14. What are the five dimensions of Hofstede’s Cultural Diversity?**

Power distance inequality versus power equality, individualism versus collectivism, assertiveness versus nurturing, uncertainty avoidance or acceptance, and long-term versus short-term orientation

**3–15. What is GLOBE?**

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

**3–16. What are the nine dimensions of Project GLOBE?**

Assertiveness, future orientation, gender differences, uncertainty avoidance, power distance, societal collectivism, in-group collectivism, performance orientation, and humane orientation.

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.*

**3–1. How does globalization affect your life and that of your family and friends?**

Answers will vary.

**3–2. 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.

**3–3. Should your home country drop all or some of its trade barriers?**

Answers will vary, but the trend is toward free trade.

**3–4. Is the North American Free Trade Agreement (NAFTA) of more benefit or harm to the United States? Why?**

Answers will vary, but the text does say benefits are flowing back to the United States.

**3–5. Should there be one global trade agreement rather than the six major agreements?**

Answers will vary.

**3–6. Should countries with a trade deficit create barriers to trade to eliminate the deficit?**

Trade barriers tend to lead to retaliation by the other country, and running a trade deficit can be beneficial to the country.

**3–7. Overall, are the effects of foreign trade more positive or negative for your home country?**

Answers will vary, but as stated in the textbook, it should be positive for most people. However, if people lost their jobs to global outsourcing, they will most likely think it is negative for them.

**3–8. Is it too difficult and time consuming to engage in global sourcing?**

Not really. With the Internet, searching with technology is worth it because you can find the best deal globally.

**3–9. Are smaller international companies at a disadvantage when competing with large MNCs?**

Answers will vary, but generally the answer is yes and no. Internationals don’t have the finances, but they can create very profitable niches in which to compete. Also, many of them provide products and services to MNCs, so they are actually cooperating or doing business with them rather than competing directly against MNCs.

**3–10. How does diversity effect you personally? Do you really value diversity?**

Answers will vary.

**3–11. What experience have you had with each of the diverse groups?**

I’ve had to work with people of all ages, both males and females but mostly males, my best friend at work is a different race than I am, and there is a guy in the office in a wheelchair that I don’t actually work with. I’m not sure if anyone is religious around here. But the managers here are college grads with experience, whereas their employees don’t have college educations, but several of have a lot more experience than the managers. Being in maintenance, we go to all the departments in the company when they need us.

**3–12. How can you improve your awareness and empathy for diverse groups?**

Answers will vary, but completing Self-Assessments 3–2 and 3–3 can help to identify areas that need improving, which can lead to a plan for change.

**3–13. Identify mentors you have had in your life (relatives, friends, teachers, coaches, managers) and how they helped you to succeed. Also, will you seek out a mentor(s) to help you advance in your career?**

Answers will vary, but hopefully students have had positive mentor experiences and will seek them in the future.

**3–14. Should expatriates be given global cultural diversity training, and should their families get training too?**

At the cost of a $1 million for a three-year international assignment, and with family adjustment to the new foreign culture being the most important factor in determining the success or failure of the international assignment, it seems like a good investment to offer training to the expatriate and family.

APPLYING THE CONCEPT ANSWERS

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

AC 3–1—Taking a Business Global

f 1. Direct investment. This is a foreign subsidiary.

b 2. Importing/Exporting. Selling computers in another country is exporting.

d 3. Contracting. The foreign firm only manufactures the product.

a 4. Global sourcing. This is using foreign resources in a local product.

c 5. Licensing. Subway is giving a franchise.

e 6. Joint venture. This is a strategic alliance, which is a form of partnership joint venture even though a new company is not created.

a 7. Global sourcing. This is using foreign resources in a local product.

b 8. Importing/Exporting. Buying foreign goods for sale is importing.

f 9. Direct investment. Buying a building is a direct investment.

c 10. Licensing. Licensing involves allowing another country the right to use an asset.

AC 3–2—Global Practices

b 11. 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 12. Large MNCs. They have foreign nationals running direct investment facilities.

a 13. Large MNCs. Small companies do not have the resources.

a 14. Large MNCs. Small companies usually cannot afford to invest in R&D, so they quickly copy MNCs.

b 15. Small international companies. They do not usually have the resources to introduce/market the product globally.

AC 3–3—GLOBE Dimensions

f 16. Societal collectivism. The preferred sports are team sports rather than individual sports.

e 17. Power distance. Status symbols represent and show power distance.

i 18. Humane orientation. Providing poor working conditions shows low caring toward people.

d 19. Uncertainty avoidance. They fear the uncertainty and uncomfortable feeling change brings.

h 20. Performance orientation. The statement illustrates high achievement and material success. You cannot tell if the incentives are individual or collective rewards.

CASE ANSWERS

**3–1.** What group of people did Sheryl Sandberg focus on in her book?

Women at work. Sandberg felt her years of hard work climbing the corporate ladder at Google and Facebook provided her a story that needed to be told.

**3–2.** How did Sheryl Sandberg break through the glass ceiling?

At first Sandberg did not break through the glass ceiling. She actually ran into it the first time she led a funding meeting and was the first woman to lead such an important meeting. The rest of the men at the meeting didn’t even know where the women’s bathroom was located. But she worked hard, proved herself, and was driven to succeed. She removed what she called the hidden barriers. These barriers would be a lack of self-confidence (example: women not raising their hands) and women pulling back when they should be leaning in.

**3–3.** Which of the global practices is most similar to Sandberg’s desire to promote diversity?

Managing diversity. Business is global. To succeed in the global environment, the company must deal with its own organizational culture and national cultures in other countries and integrate them. As Sandberg discusses in her book, managing your organizational culture with a diverse workforce is an important global practice.

**3–4.** Which of the five dimensions of Hofstede’s Cultural Diversity most apply Sandberg’s ideas?

Although answers can vary, assertiveness versus nurturing appears to be the most important dimension. Assertive cultures are more aggressive and competitive, with a focus on achievement and material possessions, whereas nurturing cultures emphasize the importance of relationships, modesty, caring, and quality of life. A nurturing country is likely to have a woman leader since women are usually more modest and caring.

**3–5.** Which dimensions of the GLOBE most apply to Sandberg’s “lean in” theory?

Gender differences and performance orientation are two possible answers. But answers besides gender differences could vary. From the table below, Sweden, Denmark, and the United States are three countries in which differences between gender differences are low.

Cumulative Case Questions

**3–6.** How do Sandberg’s views on gender issues highlight the four management functions?

(Chapter 1) Although answers can vary, Sandberg is a true pioneer and leader in the field of social media. She certainly is qualified to plan, organize, and control the processes at Facebook. But she has become famous for her leadership skills. Sandberg has been successful at Yahoo and at Facebook—which makes her an important person to listen to regarding the treatment of women at work.

**3–7.** Are Sandberg’s gender issues relevant in countries outside of the United States?

(Chapter 2). As the case shows, the book has already been published in many countries. The title of the book was slightly modified from country to country since the term “lean in” might not mean as much as the different names that were listed in the case. More importantly, it shows that men and women around the world still have much to learn about the role of women within companies.

SKILL BUILDER 3–1 IDEAS

**The Global Environment, Diversity, and Management Practices Analysis**

*Total Time* (15–50 minutes)

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

1. Have students present their answers to the seven questions to the class.
2. Have the students break up into small groups and discuss their answers.
3. Same as #2, but the class selects the best example to be presented to the class.

Doing Skill Builder 3–1 in Class

**Objective**

To better understand an organization’s global environment, diversity, and practices that can help get a job candidate a position with the company.

Preparation

Students need to complete the answers to the seven questions.

**Conclusion**

Lead a class discussion and/or make concluding remarks.

**Sharing**

Volunteers give their answers to the Apply It section.

SKILL BUILDER 3–2 IDEAS

**Diversity Training**

*Total Time* (15–50 minutes)

Select a total time you want to devote to this exercise, then allocate the time to the procedures.

Doing Skill Builder 3–2 in Class

Objective

To become more aware of and sensitive to diversity.

**Preparation**

Students should have answered the preparation questions for this exercise.

**Experience**

Students will share their answers to the preparation questions for this exercise.

*Procedure 1* (2–3 minutes)

Break the class into groups of 4 to 6 with as much diversity as possible. Check the diversity levels and reassign people to groups to improve diversity if necessary. Select a spokesperson to give the group’s best one or two example answers to the Prejudice, Stereotypes, Discrimination question; it is not necessary to report on any other areas.

*Procedure 2* (10–30 minutes)

Set a time limit and select the topics in the preparation to be discussed. (You may want to prioritize the areas of diversity that you feel are most important to your class.) Start with areas of differences first, but be sure to allow time (about 5 minutes) to complete the Prejudice, Stereotypes, Discrimination question. If students finish the question to be reported before the time is up, have them go over other areas of differences that were not assigned.

*Procedure 3* (5–20 minutes)

The spokesperson from each group gives the one or two best example answers to the Prejudice, Stereotypes, Discrimination question.

**Conclusion**

Lead a class discussion and/or make concluding remarks.

**Sharing**

Volunteers give their answers to the Apply It section.

SKILL BUILDER 3–3 IDEAS

**Cultural 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 3–2 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.