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Managing Diversity in a Global Environment

Learning Objectives

After studying this chapter, you should be able to:

- 3-1.** Contrast the classification of businesses in the global village. **PAGE 74**
- 3-2.** Define ethnocentrism. **PAGE 76**
- 3-3.** Describe issues managers encounter through foreign trade. **PAGE 78**
- 3-4.** Discuss diversity and inclusion and why they are important. **PAGE 81**
- 3-5.** Describe the six major types of diversity groups and practices of managing diversity. **PAGE 85**
- 3-6.** Compare and contrast the Hofstede national culture dimensions with Project GLOBE. **PAGE 94**
- 3-7.** Rank the six forms that make a business a global one, in order from lowest to highest cost and risk. **PAGE 97**

Ideas on Management at SHI International

You probably haven't heard of **Thai Lee** or the company she cofounded. But **SHI International** is the largest minority- and woman-owned business enterprise (MWBE) in the United States. It's made Thai Lee one of just 18 self-made female billionaires in the United States.

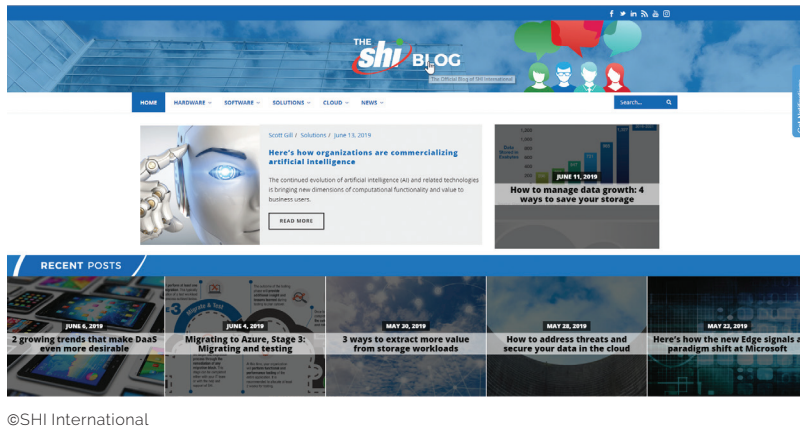
Lee was born in Thailand, spent most of her childhood in Korea, and moved to America in her teens to live with a family friend. Lee graduated from Amherst College and received her MBA from Harvard and gained experience working for **Procter & Gamble** and **American Express** in preparation for her college-planned plunge into entrepreneurship.

In 1989, Lee (and her cofounder husband—60/40% ownership each) bought a failing company with five employees and about as many customers and changed the name to Software House International. Under CEO Thai's management, she grew the company into one of the biggest and best-regarded IT providers in the global economy, with more than \$6 billion in sales. SHI has 17,500 customers including **Boeing, Johnson & Johnson**, and **AT&T**, serviced by 3,000 employees worldwide.



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Building a private company without selling any stock to raise money for expansion and without any mergers or acquisitions would not have been possible without a strong and stable management structure. CEO Thai Lee says the key to her success is her obsession with an organizational culture of keeping customers and employees happy. SHI empowers employees to solve customer problems while trying to make sure everybody feels valued, because in this social compact they in turn create value.

In 2019, the company achieved the following:

- It acquired Corporate Training Group in order to expand its services to include a wide range of training solutions for IT professionals.
- It was named a Best Employer for Diversity by *Forbes* magazine.
- It was named a CRN Elite Service Provider.
- It announced that it reached \$10 billion in revenue, representing an 18% increase in 2018.

IOM 1. How is SHI's business classified in the global village?

IOM 2. Is SHI ethnocentric, and is it involved in foreign trade?

IOM 3. Does SHI promote workplace diversity and inclusion in the United States and globally?

IOM 4. What global business practices does SHI practice, and which form of global business does it use?

You'll find answers to these **IOM** questions throughout the chapter. To learn more about SHI, visit www.shi.com.

Sources: Information for this case was taken from SHI International website, accessed January 5, 2017; D. M. Ewalt, "The Modest Tycoon," *Forbes* (June 15, 2015): 77–80; <https://www.roi-nj.com/2019/04/16/tech/somerset-shi-adds-training-to-menu-with-deal-for-iselin-firm/>; <https://www.forbes.com/companies/shi-international/?list=best-employers-diversity/#56ddg3173d3f>; <https://www.shi.com/CustomerServices/ShowContentAll.aspx?cView=2&cID=95518>.

Poll: Importance of Diversity and Inclusion

Are diversity and inclusion important globally and in the United States?

- Yes
- No
- I'm not sure.

Feedback: More and more, diversity and inclusion play a critical role in the success of businesses, both in the United States and worldwide, as you will discover throughout the chapter.

THE GLOBAL ENVIRONMENT

>> LO 3-1: Contrast the classification of businesses in the global village.

Interacting effectively with a global diversity of people and managing a global company are what this chapter is all about. We start this chapter with an overview of

globalization and international trade in this section, move from diversity in general to global diversity, and then discuss management of the global business.

As the title implies, we are expanding the external environment from the last chapter to be global. Globalization is one of the most vital business trends of the past 50 years,¹ as large corporations have employees from and conduct business all over the globe.² It is important to realize that no matter where you are, you live in and are affected by the global environment. Globalization may require you to interact effectively with people from many different cultural backgrounds:³ “as an employee” with coworkers, suppliers, and customers; “as a customer” in a local store; “as a student” in college; and “as a consumer” you use and buy products from other countries. You may work for a foreign-owned company and work overseas.⁴

Think about the complexity of **FedEx**’s environment, delivering an average of 14 million packages a day to more than 220 countries and territories worldwide.⁵ Therefore, it has to follow the rules and regulations of different governments in countries with different economies, labor forces, societies, and so on. Refer to Chapter 2, Exhibit 2-3, for a review of the environment. Clearly, a global mind-set is a key standard for contemporary managers.⁶ In this section, we classify businesses in the global village and discuss ethnocentrism, managing foreign trade, and how trade affects standards of living.

Classifying Businesses in the Global Village

Let’s begin with defining *global business* as the buying and selling of products (again includes both 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. Global businesses are conducting business internationally but adapting their products to local customs.⁷ Hence, the popular phrase: think global, act local. Technology and the Internet have changed the way business is conducted in the global village. In its first 30 days, **Amazon.com** went global, recording sales in all 50 U.S. states and 45 other countries.⁸ Global businesses are recruiting candidates with global management skills.⁹

global village Refers to companies conducting business worldwide without boundaries.

Domestic and International Businesses

A *domestic business* conducts business in only one country. Most small businesses, like **Anthony’s Pizza Place**, are domestic businesses. But most domestics will get equipment, material, supplies, and so forth that are made in other countries.

An **international company** is based primarily in one country but transacts business in other countries. With Canadian hockey teams and U.S. hockey teams, the **NHL** is international. International companies commonly buy and sell products through importing and exporting. **Pier1** sells imported products.¹⁰ **Ferrari** cars are made in Italy and imported for sale by car dealers in other countries.

international company An organization that is based primarily in one country but transacts business in other countries.

Multinational Corporations (MNCs)

A **multinational corporation (MNC)** has ownership in operations in two or more countries. The MNC can have partial or full ownership of the operations—a separate independent business facility (factories or offices) in another country. Partial ownership comes commonly through buying stock in a foreign company or through a strategic alliance.

The foreign company is commonly referred to as a *foreign subsidiary or affiliate*; 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*. **FedEx** expanded globally by acquiring several other companies to deliver its packages to other countries globally. But companies can also have same-country subsidiaries.

The parent company **PepsiCo**’s primary businesses include **Frito-Lay**, **Quaker**, **Pepsi-Cola**, **Tropicana**, and **Gatorade**, with operations in the United States and globally selling national and (local) brands. PepsiCo has several divisions: three in North America, one in Europe + Sub-Saharan Africa; plus divisions in Asia, the Middle East, and North Africa.¹¹

multinational corporation (MNC) An organization that has ownership in operations in two or more countries.

There is also a *transnational company*, a type of MNC that eliminates artificial geographical barriers without having a real single national headquarters. **IBM** changed its structure from a country-based structure to industry groups to transcend boundaries. **SHI (IOM 1)** is a transnational, multinational corporation because it focuses on providing services and doing business in many different countries rather than limiting itself to the geographic location of its national headquarters in the United States. This is an effective strategy for SHI, given that it recognizes it operates in a global economy where “going global” can greatly expand its growth opportunities.

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.

ETHNOCENTRISM IS OUT AND “MADE IN AMERICA” IS BLURRED

>> LO 3.2: Define ethnocentrism.

ethnocentrism Regarding one's own ethnic group or culture as superior to others.

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. Thus, a parochial view is part of ethnocentrism, which is a negative stereotype. In the global village, we need a global perspective.¹² Another negative stereotype is the *not-invented-here (NIH)* syndrome, described as a negative attitude toward knowledge/technology/products from other external sources.¹³

Successful managers of large companies headquartered in the United States (including **Coca-Cola** and **Google**, to name just two) are not ethnocentric and do not have a NIH attitude; they view themselves not simply as American companies but rather as companies conducting business in a global village. If MNCs can buy or make better or cheaper materials, parts, or products and make a profit in another country, they do so.

There is no evidence that **SHI (IOM 2)** is ethnocentric in terms of its strategy or corporate culture and it is involved in foreign trade. SHI has more than 30 offices across the United States, Canada, United Kingdom, France, and Hong Kong. In addition, the company recently won an award for being one of the best companies for diversity.

Many consumers subscribe to the idea behind “buy American,” but few know the country of ownership or origin of the products they regularly buy. Look at the labels in your brand-name clothes and you will realize that most clothing is not made in America. Some **General Motors (GM)**, **Fiat Chrysler**, and **Ford** cars are made in America with more foreign than American parts. **Toyota** and **Honda** make some cars in America with fewer parts coming from foreign companies. So which is “really” made in America? The **Made in America Store** has a challenge stocking the store with fashionable only-American merchandise and hasn't been able to find any electric or electronic products because they are all made abroad.¹⁴

In addition to not knowing which products are foreign, some people don't care where the products they buy come from; price is more important to them. Plus, some people prefer products, such as cars, made by foreign companies. Test your global knowledge of company and product country of ownership by completing Self-Assessment 3-1.

WORK APPLICATION 3-2

Do you try to buy American products? Should you?

3-1 SELF-ASSESSMENT

Country of Origin Ownership of Products

For each item, determine the country of origin. If your answer is the United States, place a check in the center

column. If it's another country, write the name of the country in the right-hand column.

PRODUCT	UNITED STATES	OTHER (LIST COUNTRY)
1. Shell gasoline		
2. Nestlé hot cocoa		
3. Dove soap		
4. Pep Boys auto centers		
5. L'Oreal cosmetics		
6. Johnson & Johnson baby powder		
7. Burger King fast food		
8. Samsung televisions		
9. Bayer aspirin		
10. Bud Light beer		
11. Volvo cars		
12. AMC theaters		
13. Spotify music		
14. Reebok sneakers		
15. Tide detergent		

1. Shell is owned by Royal Dutch Shell of the Netherlands. 2. Nestlé is headquartered in Switzerland. 3. Dove is a brand of Unilever, which is British. 4. Pep Boys is Japanese. 5. L'Oreal is French. 6. Johnson & Johnson is a U.S. company. 7. Burger King stock is controlled by Brazilian 3G Capital. 8. Samsung is South Korean. 9. Bayer is German. 10. Bud is owned by

Anheuser-Busch InBev and is Belgian owned. 11. Volvo and 12. AMC are both Chinese owned. 13. Spotify is Swedish owned. 14. Reebok is owned by German Adidas. 15. Tide is a brand of Procter & Gamble and is U.S. owned.

How many did you get correct?

3-1 JOIN THE DISCUSSION • ETHICS & SOCIAL RESPONSIBILITY



Buy American

You most likely have heard the slogan "Buy American." Many labor unions urge Americans to buy products made in the United States, because that helps retain jobs for American workers. On the other hand, some Americans ask why they should buy American products if they cost more or their quality or style is not as good

as that of foreign-made products. But as you've seen, it isn't always easy for consumers to know the country of ownership of many products they buy.

1. Is it ethical and socially responsible to ask people to buy American?
2. Is it ethical and socially responsible to buy foreign products?

MANAGING FOREIGN TRADE

>> LO 3-3: Describe issues managers encounter through foreign trade.

Foreign trade is about conducting business with other countries, so managers need to understand trade barriers. MNCs, including **Hershey** candy, need to grow through selling more products in more countries, but will face regulatory and trade barriers.¹⁵ Global managers also need to know about the World Trade Organization (WTO), trade agreements, and how exchange rates affect their profits at home. Here we discuss managing these foreign trade issues.

Trade Barriers

Overall, foreign trade benefits business and countries by creating more jobs globally,¹⁶ but it does create losers as well as winners. 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*. They sell products in one country at a high profit and sell in another country at a loss with the intention of driving out the competition. Thus, to help the domestic businesses compete with foreign companies at home, governments use *protectionism*—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 and what follows for definitions.

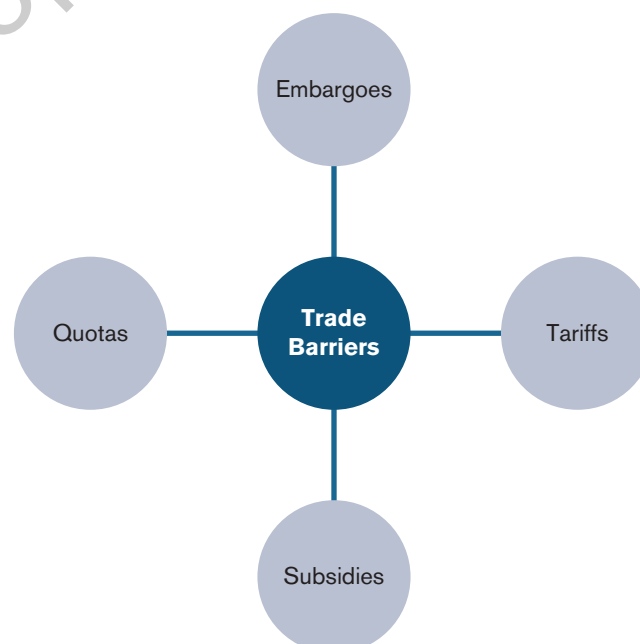
An *embargo* is a total ban on the importing of a product from one or more countries. This protects domestic companies and employees, as it stops foreign products from entering the home country.

A *quota* sets a limit on the number or volume of a product that can be imported or exported during a set period. This tends to decrease the supply of products, which tends to result in higher prices of the imported products, giving the home country an advantage over foreign competitors.

Subsidies include government grants, loans, and tax breaks given to domestic companies. A grant is a gift that doesn't have to be paid back. Loans are usually set at below-market interest rates. Tax breaks allow the company to retain more of its

EXHIBIT 3-1

Trade Barriers



revenues. Subsidies tend to lower the cost and price of domestic products to compete with foreign companies.

A *tariff* is a direct tax on imports to make them more expensive. This tends to increase the price of exports, making them above or closer to the price of domestic products.

WORK APPLICATION 3-3

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

Managers need to understand these four foreign trade barriers and how to use them at home and to help prevent them from being used against them in other countries. For more information on U.S. trade barriers, visit www.usa.gov. Today, capitalism is under attack, as global protectionism is increasing. President Donald Trump has increased U.S. protectionism, and China has retaliated, causing a trade war.¹⁷ Our next two topics discuss how countries facilitate global free trade with the help of the World Trade Organization.

World Trade Organization (WTO)

Managers should know that if they are being treated unfairly in most other countries, the WTO can help them. Organizations and governments are working together to develop free trade among countries. 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 164 member governments try to sort out the trade problems they face with each other. A WTO panel can order unfair practices stopped or allow the country claiming unfair practices to retaliate.¹⁸ Visit www.wto.org for updated information about the World Trade Organization.

The world needs the WTO with a commitment from the U.S. to free trade, but President Trump has taken a protectionist approach.¹⁹ Trump and others say that China doesn't allow free trade, and they accuse the WTO of not moving China toward Western trading norms, enabling China to flood the world with cheap exports while limiting foreign access to its own markets.²⁰ Virtually all 164 WTO countries are members of one or more trade agreements administered by the WTO, our next topic.

3-1 APPLYING THE CONCEPT

Trade Barriers

Identify the trade barrier exemplified by each statement.

- A. Embargo
- B. Quota
- C. Subsidies
- D. Tariff

1. ____ President Donald Trump says the Chinese are not trading fairly with America, so he imposes a tax on imports to make

Chinese products more expensive in the United States.

2. ____ The Chinese government is giving grants to its domestic car business.
3. ____ The Japanese government will not let us export any cars.
4. ____ The South Korean government is raising our prices by placing a tax on our exported cars.
5. ____ The South African government will only let us export 100 cars a year.

EXHIBIT 3-2

Trade Agreements

AGREEMENT	WEBSITE
North American Free Trade Agreement (NAFTA)	www.naftanow.org
Dominican Republic–Central America Free Trade Agreement (CAFTA-DR)	www.trade.gov/cafta/
Union of South American Nations (UNASUR)	www.unasursg.org
European Union (EU)—Maastricht Treaty of Europe	http://europa.eu
Association of Southeast Asian Nations (ASEAN)	www.asean.org
Asia-Pacific Economic Cooperation (APEC)	www.apec.org

Trade Agreements

If managers are seeking to expand sales overseas, it is important to know what trade agreements their home country participates in, as these countries usually have fewer trade barriers to doing business with member countries, which generally makes them good opportunities for expansion. There are six major trade agreements around the globe. For a list of the countries in each trade agreement and more information on these trade agreements, see Exhibit 3-2 and visit their websites, listed in the exhibit. In addition, aside from trade agreements, many global companies are expanding in the BRIC (Brazil, Russia, India, and China) countries.

Exchange Rates

International managers need to understand exchange rates because they can affect their companies' profits at home. 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. If

you are 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, realizing that currencies don't usually fluctuate dramatically, but they can. For current exchange rates, visit www.x-rates.com.

EXHIBIT 3-3

Exchange Rates

Suppose you are selling a product in China for 8,000 yuan. With an exchange rate of 8 yuan to 1 dollar, you get \$1,000 (8,000 [yuan selling price] divided by 8 [8 yuan = \$1]) for each product you sell. Suppose that this price and exchange rate give you a 25% profit margin. Now let's see what happens with the extreme fluctuations in exchange rates that sometimes occur:
If the exchange rate becomes 6 yuan to 1 dollar, the yuan is strong (and the dollar is weak). When you exchange the yuan for dollars, you get \$1,333.33 (8,000 [yuan selling price] divided by 6 [6 yuan = \$1]) for each product you sell.
Now let's make the dollar strong and the yuan weak. If the exchange rate goes to 10 yuan to the dollar, you get \$800 (8,000 [yuan selling price] divided by 10 [10 yuan = \$1]).
You can either change your yuan selling price to maintain your 25% profit margin or make more or less based on the exchange rate. Now think about the complexity of FedEx doing business in more than 100 currencies.

The International Monetary Fund (IMF)

The **International Money Fund (IMF)** is an organization of 189 countries working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. The IMF's primary purpose is to ensure the stability of the international monetary system—the system of exchange rates and international payments enabling countries (and their citizens) to transact with each other. It includes all macroeconomic and financial-sector issues that bear on global stability.²¹ For more information on the IMF, visit its website, www.imf.org.

Standard of Living and the Effects of Foreign Trade

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. The key to increasing the standard of living is to increase productivity—think about how modern farming has helped feed the world. You will learn how to calculate productivity in Chapter 15.

The *Economist* magazine produces the Big Mac index interactive currency-comparison tool to show the differences in purchasing power (how much you get for your money) across countries. For example, in January 2019, a **McDonald's** Big Mac cost £3.19 in Britain and USD\$5.58 in the United States. The implied exchange rate is 0.57. The difference between this and the actual exchange rate, 0.78, suggests the British pound is 27% undervalued.²²

Visit www.economist.com/content/big-mac-index to compare the prices among several countries.

The Future of Global Trade

Whether you agree with free trade or not, despite its recent setback involving protectionism from President Trump and others, globalization remains an irreversible trend of our times.²³ Let's face it, just about every country needs trade in order to provide products that it doesn't have to maintain or in order to increase its standard of living. Typically, the only way most large MNCs can continue to grow sales and profits that increase jobs is through global trade. If you want to be a successful top-level manager, you would do well to develop a global mind-set.²⁴

WORKPLACE DIVERSITY AND INCLUSION

>> LO 3-4: Discuss diversity and inclusion and why they are important.

In this section, we discuss what diversity and inclusion are and answer the question, “Are they really important globally and in the United States?” In the next section, we explain the types of diversity and end by discussing how to manage diversity.

What Are Diversity and Inclusion?

Let's start by defining diversity and then show the progression going from a focus on affirmative action to diversity to inclusion. Next, we give U.S. diversity data and end with a discussion of discrimination, stating not only what diversity is but also what it isn't, followed by how the United States is truly diversified and will continue to be more so.

Diversity

When you are in class, at work, or just out in public somewhere, look around, and you will most likely see that people are both the same and different. Tension exists when people don't accept differences.²⁵ **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 workers by the gender, race, and other diversity of the people who do the work. Workplace diversity includes both employees and customers. See Exhibit 3-4 for a list of six major diversity group identities, which we will discuss shortly.

diversity The variety of people with different group identities within the same workplace.

EXHIBIT 3-4

Types of Workforce Diversity

Age and Generation
Gender and Sexual Orientation (LGBT+)
Race and Ethnicity
Disability and Ability
Religion
Other

Differences Between Valuing Diversity and Affirmative Action

Diversity and affirmative action are sometimes thought to be the same—but they aren't. *Affirmative action* policies are designed to improve work outcomes for underrepresented groups by providing them with extra help in the employment process. It started in the United States as a Federal Executive Order back in the 1960s; for more information visit www.usa.gov. Some other countries have similar policies under different names.

Affirmative action plans have increased the number of women and minorities in several occupations and in management and thus help promote

diversity at work.²⁶ Valuing diversity is broader in scope, as it doesn't focus simply on not discriminating against diverse groups and helping only some of them, sometimes at the expense of others through reverse discrimination. White males who are more qualified than minorities have brought lawsuits claiming they were not admitted to college (1996 **University of Texas**, recently **Harvard**), or employed because of reverse discrimination. But valuing diversity still has a focus on accepting differences and on helping certain groups. Today, several firms, including **Twitter**, are setting targets as the key to diversity.²⁷

From Valuing Diversity to Inclusion Focus

The terms *diversity* and *inclusion* are often used interchangeably, but they are different. Most organizations have moved from affirmative action to accepting differences to valuing diversity to inclusion—valuing all types of diversity, which includes integrating everyone to work together while maintaining their differences.²⁸ **Inclusion** is a practice of ensuring that all employees feel they belong as valued members of the organization. An inclusive value system creates a sense of belonging: a feeling of being respected, being valued for who you are; feeling a level of supportive energy and commitment from others so that everyone can do their best work. It also includes being engaged with the communities where you conduct business.²⁹

inclusion A practice of ensuring that all employees feel they belong as valued members of the organization.

Many organizations have replaced the term *diversity* with the term *inclusion* to better reflect the shift away from diversity to inclusion. Why? In a **Deloitte** survey, 80 percent of respondents said inclusion is an important factor in choosing an employer.³⁰ **Frito-Lay, Home Depot, Procter & Gamble**, and many others now focus on inclusion.³¹ On your present or past job, did they care about you as a unique individual?³² Did you feel included as a valued member of the organization? Is your present or past workplace truly inclusive, or are there in-groups and out-groups?

Being Personally Inclusive

To be inclusive, we all need to *empathize* with everyone—put ourselves in their shoes and try to understand where they are coming from and accept them for who they are rather than reject them or try to make them into who we want them to be—just like us. One thing we should realize is that “our way” of interacting with others (or doing things) is not the only one right style (or way of doing things). Are you truly open to letting people who are very different from you at work be who they are? Recall that being happy is about relationships, and firms are placing a top priority on recruiting employees who can work with and manage a diversity of employees. Let's move from tolerating differences,³³ to being diversity blind and consciously accepting others,³⁴ to reaching out to include others different from us.

U.S. Diversity

We all know there is diversity in cultures throughout the world. But do you realize there are people from all over the globe living in America? The United States has cultural diversity at home as a country populated by immigrants.

The U.S. population continues to grow slowly as American women have children at lower rates.³⁵ With more than 328 million people, the population is rapidly diversifying.³⁶ The Caucasian population is decreasing, as there are more deaths than births. The population growth is coming from minorities, and Hispanics are now the largest minority group. Today, minority births are now the majority. By around 2040, less than half of the total U.S. population will be Caucasian.³⁷ By 2060, Caucasians are estimated to be 43.6% of the population, and 28.6% (close to 1 in 3 or 33%) will be Hispanic.³⁸ See Exhibit 3-5 for population statistics.

Discrimination

There is a global pattern in which discrimination is fostered by beliefs about the inferiority of women, minorities, and other groups of people.³⁹ As shown in Exhibit 3-4, there are six major types of diverse groups in the workplace, including others not listed, that are often subjected to discriminatory, unfavorable treatment.⁴⁰ As you most likely already know, it is illegal to discriminate against most groups. **Discrimination** is illegal because it results in unfair treatment to diversity groups, both in employment decisions and other matters.

discrimination An illegal practice that gives unfair treatment to diversity groups in employment decisions.

EXHIBIT 3-5

Population by Race and Hispanic Origin: 2014 and 2060 (in thousands)

RACE AND HISPANIC ORIGIN ^a	2014		2060		CHANGE, 2014–2060	
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
TOTAL POPULATION	318,748	100.0	416,795	100.0	98,047	30.8
One Race	310,753	97.5	390,772	93.8	80,020	25.8
White	246,940	77.5	285,314	68.5	38,374	15.5
Non-Hispanic White	198,103	62.2	181,930	43.6	–16,174	–8.2
Black or African American	42,039	13.2	59,693	14.3	17,654	42.0
American Indian and Alaska Native	3,957	1.2	5,607	1.3	1,650	41.7
Asian	17,083	5.4	38,965	9.3	21,882	128.1
Native Hawaiian and Other Pacific Islander	734	0.2	1,194	0.3	460	62.6
Two or More Races	7,995	2.5	26,022	6.2	18,027	225.5
RACE ALONE OR IN COMBINATION^b						
White	254,009	79.7	309,567	74.3	55,558	21.9
Black or African American	45,562	14.3	74,530	17.9	28,968	63.6
American Indian and Alaska Native	6,528	2.0	10,169	2.4	3,640	55.8
Asian	19,983	6.3	48,575	11.7	28,592	143.1
Native Hawaiian and Other Pacific Islander	1,458	0.5	2,929	0.7	1,470	100.8
HISPANIC OR LATINO ORIGIN						
Hispanic	55,410	17.4	119,044	28.6	63,635	114.8
Not Hispanic	263,338	82.6	297,750	71.4	34,412	13.1

a. Hispanic origin is considered an ethnicity, not a race. Hispanics may be of any race. Responses of "Some Other Race" from the 2010 Census are modified. For more information, see www.census.gov/ipeds/data/historical/cbliles/mrsf-01-US1.pdf.

b. "In combination" means in combination with one or more other races. The sum of the five race groups adds to more than the total population, and more than 100% percent because individuals may report more than one race.

Source: U.S. Census Bureau, <https://www.census.gov/content/dam/Census/library/publications/2015/demo/p25-1143.pdf> Table 2, page 9 accessed March 11, 2019.

Stereotyping, the mistaken generalization of the perceived characteristics of a diversity group to an individual, has negative consequences.⁴¹ Through stereotyping, discrimination has numerous negative consequences, as it threatens one's identity, leading to decreased self-esteem and individual performance, conflict between individuals and groups, turnover, and harassment.⁴² We need to understand cultural differences, but break down stereotypes and assess each person as an individual to make better decisions.⁴³ We will discuss the legal issues of discrimination in more detail in Chapter 9, "Human Resources Management."

We have more biases than we realize. Bias is often subconscious. It is common to stereotype because it can be learned as part of our culture. Gender diversity is a case in point. We will discuss gender diversity in the next major section. But for now, pause for a moment and list words you would use to describe the traits of men and women.

In a **Pew Research Center** survey, people most often used the words *protective*, *father*, and *honorable* to describe men; they used *multitasking*, *brain*, *beautiful*, and *maternal* to describe women.⁴⁴ To better understand your views on gender and how they compare with those of other Americans, complete Self-Assessment 3-2.

3-2 SELF-ASSESSMENT

How Do Your Views on Gender Compare With Those of Other Americans?

To complete this self-assessment, go to the Pew Research Center website, www.pewresearch.org. In the search box, type "How do your views on gender compare with those of other Americans?" As you answer each of the nine question areas, you will see how your answers are similar and different from others who took the survey.

Note there is no actual score because there is no right or better answer—you are simply comparing your views with others' views. However, we all should be more inclusive. Do your answers reflect being open to diversity and inclusion?

We tend to view the world from our own self-focused viewpoint, with an *ethnocentric* view of our group.⁴⁵ We need to consciously break away from our stereotypes and prejudices to be more inclusive.

Are Diversity and Inclusion Really Important?

Yes! Discrimination is illegal. Promoting diversity and inclusion creates equal opportunities for all employees, so it is the right thing to do.⁴⁶ But diversity is also beneficial to business. Why? There is a wealth of evidence that diversity helps teams and organizations perform better in terms of creativity, innovation, revenue, and profits.⁴⁷ If employees don't feel included, they generally will not place a high value on organizational membership and will not be as productive as those who do.⁴⁸

Think about this! Even if a company only wanted to hire and do business with Caucasians, do you really believe it could be successful or even survive? The global white population is decreasing, making diversity an important topic within the workplace.⁴⁹ Diversity is critical to successful strategy implementation.⁵⁰

People unconsciously think like and 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.⁵¹ **Travelers Insurance** and **Airbnb**, along with other companies, say diversity is a business imperative and train their people to be inclusive.⁵²

Diversity is going to continue to grow. The better you can work with diverse people, the greater are your chances of having a successful business career. So

3-2 JOIN THE DISCUSSION • ETHICS & SOCIAL RESPONSIBILITY



Speaking English

The United States was once known as the "melting pot," as people from all over the world came to the country and adjusted to its culture. In the past, generally, immigrants had to speak English in order to be a job candidate at a workplace where English speaking was the norm. Today, however, many organizations hire people who don't speak English, and they use translators and have policies written in multiple

languages for these employees. Government agencies at the federal, state, and local levels are also providing translators and written materials in other languages.

1. Why are some organizations no longer requiring workers to speak English?
2. Should a worker be required to speak English to get a job in the United States?
3. Is it ethical and socially responsible to refuse to consider hiring people who don't speak English?

avoid ethnocentrism and develop your global mind-set.⁵³ As a manager, are you willing to commit to offering inclusion of diverse people into your homogeneous groups?

WORK APPLICATION 3-4

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

TYPES OF DIVERSITY AND MANAGING DIVERSITY

>> LO 3-5: Describe the six major types of diversity groups and practices of managing diversity.

Here we focus on the challenges of managing a diverse workforce, breaking down stereotypes, and creating equal opportunities for all individuals. Part of the challenge comes from the notion that people tend to get along better with people in their own group. Do you tend to associate with people of your own age, gender, race/ethnicity, disability/ability, or religion? As a manager, you need to get everyone to work together. We discuss how to manage these diverse groups through inclusion.

Note that most diverse groups are legally protected against discrimination. While here we focus on diversity in general, we will discuss the laws that protect the legal rights of diverse groups in Chapter 9, “Human Resources Management.”

Age and Generational Diversity

The **United Nations** says the aging of the world’s populations is one of the most significant social transformations of the 21st century,⁵⁴ and in the United States, the number of elders will surpass the number of children by 2035.⁵⁵ Generational differences manifest themselves in many ways and have significant effects on individual, team, and organizational performance.⁵⁶ Because workers tend to retire at a later age in their lives,⁵⁷ businesses today have the challenge of encouraging multigenerational workers who are up to 60 years apart in age to work well together as a team. See Exhibit 3-6 for an overview of the five various age groups. Note that Generation Z is the largest age group and is now entering full-time employment.⁵⁸

Negative stereotypes about age abound. These include the stereotypes that older workers don’t understand technology or don’t want to learn new things, millennials

EXHIBIT 3-6

Generational Differences

DIFFERENCES	SILENT & GREATEST GENERATION	BABY BOOMERS	GENERATION X	GENERATION Y/ MILLENNIALS	GENERATION Z
Birth year	1925–1945	1946–1964	1965–1980	1981–1996	1997–after
Age group 2019	74+	55–73	39–54	23–38	22–7
Percentage of U.S. population	8%	22%	18%	22%	30%

Sources: Data from U.S. Census Bureau, reported in *Fortune* (July 1, 2017): 9; Pew Research Center, www.pewresearch.org, accessed March 13, 2019. For more detailed comparison charts by age groups, search for “Generational Differences in the Workplace.”⁵⁹



In order to better support an aging workforce, many organizations are proving assistance such as kneepads to make older workers more comfortable on the job.

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have no company loyalty and constantly job hop, and the young are entitled and have a poor work ethic.⁶⁰ To help overcome these stereotypes, some organizations are conducting intergenerational training to get younger and older employees to better understand each other and to work together.⁶¹ We should realize that we tend to be influenced by negative stereotypes. Rather than make generalizations based on age group, we should be inclusive and get to know our coworkers as individuals.

Managers should make decisions based on an individual's qualifications for the job to be done regardless of age. Negative stereotypes tend to break down as people get to know each other on a personal level, so be sure younger and older people work together. One solution businesses are implementing, including **Pitney Bowes**, is getting younger and older workers to share their knowledge and skills with the aim of improving everyone's job performance.⁶²

Diversity of Gender

The terms *sex* and *gender* are often used interchangeably, but they are different. *Sex* distinguishes biological males and females. *Gender* does include sex, but it also includes common behavioral characteristics, language used to describe gender, clothes, and other things used to refer to the genders, which are often learned through social interactions generalized by sex, often referred to as *masculine* (he's tough; he's good at math) and *feminine* (she's nurturing; she's good at English). Recall our stereotypes about gender.⁶³ There are also negative terms used to pressure people into conforming to gender stereotypes (he's a sissy; she's a tomboy). We need to be aware of gender stereotypes and not judge others because they don't fit into our view of how males and females should look and act.

Job Gender Stereotypes

We also need to break stereotypes of the jobs men (doctor, policeman, fireman, mailman, serviceman, construction worker) and women (nurse, child care provider, teacher, secretary, hairdresser) should pursue. One thing we can do is stop using words that stereotype jobs and use gender-neutral terms—*police officer*, *firefighter*, *letter carrier*, *administrative assistant*, and so on. We need to look at the qualifications of the individual and not discourage people or, much worse, discriminate against them by not hiring them for jobs they are qualified to do.

Leadership Gender Stereotypes and Discrimination

Despite strong evidence suggesting that women tend to be rated as better leaders than men,⁶⁴ part of the reason why women are underrepresented in leadership roles is that stereotyping perpetuates the idea that males are better leaders.⁶⁵ Men are stereotyped as possessing qualities associated with leadership, such as assertiveness, confidence, dominance, and independence, whereas women are expected to be helpful, nurturing, and kind. Pregnant women and women with children are also presumed to be less committed to their jobs. This stereotyping predisposes the belief that men are more capable leaders than women, so males tend to have the advantage in management evaluations and get promoted at a greater rate.⁶⁶

Women who behave with aggressive male leadership characteristics are often penalized and criticized as being bossy.⁶⁷ COO **Sheryl Sandberg**, who is given much of the credit for growing **Facebook**, says that America and the world are not comfortable with women in leadership roles.⁶⁸ To get more women into management roles, we have to address our culture's discomfort with female leadership.⁶⁹ Complete Self-Assessment 3-3 to determine your attitude about women and minorities advancing.

Gender Discrimination and the Glass Ceiling

Non-whites and women outnumber white men in the workplace by a margin of two to one in the United States, but they are underrepresented at all levels of management,⁷⁰

3-3 SELF-ASSESSMENT

Attitudes About Women and Minorities Advancing

Be honest in this self-assessment, as your assessment will not be accurate if you don't. Also, you should not be asked to share your score with others.

the number 1 (*disagree*), 2, 3, 4, or 5 (*agree*) on the line before each statement for women and at the end of each statement for minorities.

Answer the 10 questions below twice, once related to women and a second time related to minorities. Place

5	4	3	2	1
Agree				Disagree

WOMEN	MINORITIES
____ 1. Women/Minorities lack motivation to get ahead.	1. ____
____ 2. Women/Minorities lack the education necessary to get ahead.	2. ____
____ 3. Women/Minorities working has caused rising unemployment among white men.	3. ____
____ 4. Women/Minorities are not strong enough or emotionally stable enough to succeed in high-pressure jobs.	4. ____
____ 5. Women/Minorities have a lower commitment to their work than white men.	5. ____
____ 6. Women/Minorities are too emotional to be effective managers.	6. ____
____ 7. Women/Minorities who are managers have difficulty in situations calling for quick and precise decisions.	7. ____
____ 8. Women/Minorities have a higher turnover rate than white men.	8. ____
____ 9. Women/Minorities are out of work more often than white men.	9. ____
____ 10. Women/Minorities have less interest in advancing than white men.	10. ____
Total	

Women—To determine your attitude score toward women, add up the total of your answers on the lines before

each statement and place it on the total line and on the following continuum.

10	20	30	40	50
Positive attitude				Negative attitude

Minorities—To determine your attitude score toward minorities, add up the total of your answers on the lines

after each statement and place it on the total line and on the following continuum.

10	20	30	40	50
Positive attitude				Negative attitude

Each statement in Self-Assessment 3-3 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.

especially top executive levels.⁷¹ Only about one in five (20%) senior leaders is a woman, and one in twenty-five (4%) is a woman of color.⁷²

Women also make less than men—this is known as the *Gender Wage Gap*.⁷³ It is especially common in professional and managerial occupations.⁷⁴ Women make 18% less than male executives and 80 percent less than CEOs.⁷⁵ Globally, women hold fewer leadership roles and make less compensation.⁷⁶

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

The barriers to upward mobility in organizations are commonly called the **glass ceiling**—the invisible barrier that prevents women and minorities from advancing to the top jobs in organizations. Women CEOs face extra pressures and scrutiny, as they must overcome the glass ceiling.⁷⁷ For women of color, it's called a "concrete ceiling" because they face even more discrimination than white women.⁷⁸ Women are also more likely than men to be promoted to CEO when the company is struggling or is in crisis, placing them on the risky *glass cliff*—after years of climbing to the top, they are at risk to tumble and not make it back up again to that level if they are fired.⁷⁹ No woman fired or pressured to resign has ever returned to be a CEO of a *Fortune 500* company, whereas 5 of 93 men regained a CEO position.⁸⁰

The United States has the Equal Employment Opportunity Commission (EEOC) to handle legal charges of sex-based discrimination and a federal Glass Ceiling Commission to help eliminate the problem. However, as you just read, despite legislative remedies, they haven't made much progress.

Promoting Gender Equality. Why?

Companies with higher proportions of women in upper management achieve higher profits.⁸¹ It's no secret: Having more women in leadership roles is good for business. It improves financial results, enhances innovation, and eases talent shortfalls. Companies with diverse inclusive cultures are better positioned to adapt, grow, and thrive in a changing business environment.⁸²

It is suboptimal to select top leaders from white men that comprise only 34 percent of the population; especially when strong evidence supports that women tend to be rated as better leaders than men.⁸³ **Warren Buffett**, chairman of **Berkshire Hathaway**, says women are the key to America's prosperity and asks fellow males to get on board and fully employ the talent of all its citizens.⁸⁴

Women Helping Women Advance

Melinda Gates, co-chair of the **Bill & Melinda Gates Foundation**, is considered one of the most powerful advocates in the world with a singular focus on women and girls. *Forbes* called her "the first woman of women." Gates says, "When you get women in roles of leadership, we make things happen."⁸⁵

Self-made billionaire **Sheryl Sandberg** is promoting making it safe to talk about gender in the workplace and helping women get into positions of power everywhere⁸⁶ through her *Lean In* organization; visit <https://leanin.org> for more information. Sandberg suggests more women get into the higher-paying jobs in STEM (science, technology, engineering, and mathematics) fields. **GM** CEO **Mary Barra**, a role model for women in engineering, a male-dominated industry, is also helping women advance everywhere. The **Financial Women's Association (FWA)** is helping females advance to the C-suite and to become tomorrow's CEOs. For more information on FWA, visit <http://fwa.org>.

Author of *Unfinished Business* **Anne-Marie Slaughter** says that nothing is going to change for professional women in the realm of work, life, and family demands until men get on board. Close to half of American couples have both individuals working at a career, yet men don't come close to shouldering half of the family responsibilities. The so-called woman's issue of juggling both a career and a family should be reframed as a "caring issue" for everyone.

Diversity of Sexual Orientation (LGBT+)

LGBT is intended to emphasize a diversity of sexuality and gender identity-based cultures. LGBT refers to people who are lesbian, gay, bisexual, and transgender. There are other diversities including Q = for those who identify as queer or are questioning their sexual identity (LGBTQ); I = to include intersex people (LGBTI); and A = asexual (LGBT A). Putting them all together would be LGBTQIA. So LGBT+ is becoming more common.

They face harassment and discrimination.⁸⁷ Although the Supreme Court legalized same-sex marriage, the Civil Rights Act of 1964 doesn't mention sexual-orientation

protection. However, court cases are being tried on the basis that sexual orientation discrimination is inherently a form of sex discrimination, so the federal law might change.⁸⁸

Regardless of the law, our beliefs, or religious attitudes, for a company to have true inclusion, it must include LGBT+s. To this end, most *Fortune* 500 companies provide nondiscrimination protection and provide same-sex partner benefits.⁸⁹ Over the years, the general population has become more accepting of LGBTs. **Apple** CEO **Tim Cook** came out stating he is gay. Many religions teach that we should not judge others, and it is generally not a good idea to promote our religious beliefs in corporate America. We need to include LGBT people in our workplace groups, avoiding *homophobia* (an aversion to homosexuals) and bias and discrimination based on a person's sexual orientation if we want to get along well with all people. The neutral gender- and sexual-orientation terms replacing *husband* or *wife* and *boyfriend* or *girlfriend* are *significant other* and *partner*.

Diversity of Race and Ethnicity

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. Most people identify themselves as part of a racial group; therefore, race diversity is an integral part of a country's culture. However, there is a slow trend of selecting more than one racial group.

As discussed under the heading "U.S. Diversity" (page 82), the global white population is decreasing, and the other diverse groups are growing at a fast pace, so the United States is increasingly racially and ethnically diversified.⁹⁰ Negative race stereotypes lead to discrimination.⁹¹

Although companies with the most ethnically diverse teams are 35% more likely to have returns above the national industry median,⁹² minorities are stereotyped and discriminated against.⁹³ Black workers still make less than whites with the same college degrees.⁹⁴ Research also supports that blacks are at a disadvantage when they are evaluated in terms of their leadership ability, as they are negatively stereotyped, which leads to poorer prospects for career advancement.⁹⁵ Review Self-Assessment 3-2. How is your attitude toward minority advancement?

Research clearly supports that people of color (non-white of any race or ethnicity) clearly have the work ethic and intelligence to advance in organizations.⁹⁶ A survey found that black, Hispanic, and Asian women of color actually have a higher ambition to advance and to be promoted to top executive positions than do white women and men.⁹⁷ Women of color are more likely than white women to want to be a top executive.⁹⁸ However, the glass (and concrete) ceiling is even more difficult for people of color to break.

Not surprisingly, people of color and foreign-born Americans often choose to start their own businesses. Nearly a third of America's 50 richest self-made women were born abroad. Like **SHI (IOM 3)** CEO **Thai Lee**, these executives and entrepreneurs built their fortunes after moving to the United States. SHI was recognized as being a great company for diversity. This means that the company recruits, develops, and retains individuals from diverse backgrounds through its employment policies and practices. It also means that the leadership of the company supports and values diversity.

To have equal opportunities for all, a good place to start is with simple statistics. Are the hiring, promoting, and quitting rates significantly different between the sexes and between whites and minorities? Differences don't necessarily mean discrimination, but you can take action to improve the numbers in diversity groups. Chief Diversity and Inclusion Officer (CDIO) **Danielle Brown** is studying the numbers and found equal pay is now working to improve minority advancement and retention at **Intel**.⁹⁹

To help promote diversity, *Fortune* lists its *100 Best Workplaces for Diversity*. In 2018, the top three overall ranked organizations were **Hilton**, **Comcast**, and **Publix**. *Fortune* also ranks organizations by the percentages of minorities, women, older people, people with disabilities, and LGBTQ people.¹⁰⁰ For the complete, up-to-date list, visit www.fortune.com/diversity.

Make sure selection and promotion criteria are clear and objective to help avoid racial bias. Training managers who make hiring and promotion decisions to understand

the problem and objectivity is needed.¹⁰¹ Businesses around the world realize that a diverse supplier base with minority business enterprises (MBEs) is a critical competitive advantage, as MBEs better connect with their own diverse customer bases, and in most cases minority suppliers offer better prices, service, and value. For more information on MBEs, visit the **National Minority Supplier Development Council (NMSDC)** at www.nmsdc.org. **BP** has a minority member as its director of supplier diversity, and she works with the NMSDC to find suppliers, as BP is committed to a more inclusive supply chain.

Diversity of Disabilities

disability A mental or physical impairment that substantially limits an individual's ability.

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.¹⁰² Largely due to ADA and inclusion efforts, people with disabilities are getting more job opportunities. However, of the major types of diversity, they face the most discrimination. The percentage of people with disabilities who have jobs is not that high; they are disproportionately employed in low-status or part-time jobs with little chance for advancement, and they are more likely to live in poverty.

Negative stereotypes are myths, as studies have found that with reasonable accommodations, people with disabilities perform their jobs just as well as people without disabilities. **SAP** and **Freddie Mac** have found that autism can be a job skill, and they recruit individuals with autism for precision jobs, including debugging software and answering customer queries.¹⁰³

To give equal opportunities to people with disabilities, the first thing we need to do is change our mind-set. Instead of looking for disabilities, look for *abilities*. For example, a person in a wheelchair is perfectly capable of performing most jobs that require the employee to sit. People with disabilities are good candidates for work-from-home jobs. 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.

Managers need to create and maintain an environment in which people with disabilities can feel comfortable with disclosing their need for reasonable accommodations. Training can help get people without disabilities comfortable working with people who have disabilities. One thing to note is that people with disabilities are people first, so they prefer to be called people with disabilities, not disabled people.

Diversity of Abilities

Although we just discussed focusing on abilities, we must also realize that we all have different abilities. Based on different levels of education, training, and experience, employees tend to have diverse knowledge, skills, and attitudes (KSAs). 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 KSAs. They are breaking down the barriers of departments so that everyone focuses on improving company products and the process to run the business. You will learn how to manage teams in Chapter 8. So from the management perspective, we should focus on utilizing a person's expertise.

WORK APPLICATION 3-5

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

Religious Diversity

Although fewer people today attend organized religious services, many people identify themselves as belonging to a religion. Employers are required by law to make reasonable accommodations for employees' religious beliefs without undue hardship on the employer. "Undue hardship" is fairly clear. It involves having to pay premium wages or other costs to accommodate an employee's religious rights, defined as "all forms and aspects of religion." However, "reasonable accommodation" is ambiguous.

Muslim is the fastest growing major religious group globally and within the next 50 years will outnumber Christians.¹⁰⁴ With the increase in Muslim employees, companies face issues of how employees dress and when and where they pray. Some companies have made reasonable accommodations by changing dress codes and have set up prayer rooms and flexible work schedules to accommodate their Muslim employees as part of their inclusion focus.

Employers need to make it clear when offering jobs what the specific work hours will be and ask if the employee will commit to working those hours. Companies should also be willing to negotiate with employees and allow them flexibility in work schedules and to swap shifts or job dates with consenting colleagues. And employees should be allowed to take religious holidays off in place of other paid days off. Some employers allow employees to select which paid holidays they want to take. Although not associated with any formal religion, some companies encourage spirituality in the workplace as part of their inclusion efforts.

One thing managers do need to be cautious about in making accommodations is not giving people special treatment that other employees will resent. If everyone doesn't feel equally included, or excluded, employees will not include the privileged into their groups, and performance can suffer. If you'd like to, you can take a 15-question quiz to test your knowledge of U.S. religions in Self-Assessment 3-4.

Other Types of Diversity

There are all kinds of other ways that people are diverse in the workplace, so let's discuss just a few of them.

- **Weight.** Obesity in the United States is becoming increasingly common. Overweight people are also known as *weight challenged*. Some jobs require physical tasks that legally restrict them, such as law enforcement officers and firefighters. For many jobs, being a certain weight is not a legal requirement; however, there is discrimination against this group. Again, inclusion means everyone is welcome who can do the job.
- **Personality.** There is also diversity in *personality*. Our behavior (what we say and do) is rooted in our personality. Have you ever had a so-called personality conflict with someone who irritates you? We do tend to prefer to

3-4 SELF-ASSESSMENT

U.S. Religious Knowledge Quiz

To complete this Pew Research Center quiz, go to <http://www.pewforum.org/quiz/u-s-religious-knowledge/> or go to www.pewresearch.org and in the search tab type "U.S. Religious Knowledge Quiz" You will be given your score and find out which of the 15 questions you got right and wrong, and the correct answers are given. The average score is 50% correct, and your score will be compared to others by religious affiliation, worship service attendance, gender, and education. You can also find out

"How Muslims Compare With Other Religious Americans" through a search by this title.

The Pew Research Center website, www.pewresearch.org, also has a drop down-tab from the home page "Religion" that is filled with data and information on multiple topics. Pew conducted a study "Religion's Relationship to Happiness, Civic Engagement and Health Around the World," and found that actively religious people are happier, healthier, more engaged in civic activities. To read this study, search for it by its title.

3-2 APPLYING THE CONCEPT

Diversity Stereotypes

Identify the negative stereotype that tends to lead to discrimination.

- A. Age and generation
- B. Gender
- C. Sexual orientation
- D. Race and ethnicity
- E. Disability
- F. Ability
- G. Religion
- H. Other

- _____ 6. "Chris is really bright. I'm glad Chris is on my committee."
- _____ 7. "You're not going to promote Jim, are you? He's gay."
- _____ 8. "Women are too emotional and moody to be good managers."
- _____ 9. "It's not fair to let Muslims take extra breaks to pray and give them their own prayer room."
- _____ 10. "I just don't feel comfortable around the guy in the wheelchair."
- _____ 11. "The only reason Joe hired Amy is for her looks."
- _____ 12. "You can't teach an old dog new tricks, right? Even though he has a lot less experience than Larry, let's train that young guy Josh to run the new high-tech machine."
- _____ 13. "You know those people just don't have the motivation to get a good education and advance."
- _____ 14. "You're not going to hire that obese guy, are you?"
- _____ 15. "I'm glad Linda is not in my department; she can't get along with anyone."

associate with people with similar personalities, but again, inclusion means getting along with everyone. You will learn about personality types and how to get along with diverse personalities in Chapter 10, "Organizational Behavior."

- **Attractiveness.** There are also differences in *physical attractiveness*. We all look different, and typically we tend to respond more positively to the so-called good-looking people of both sexes. In addition, people are often judged by how they dress, which is another type of diversity, so even attire can affect career success. In business, when selecting people for jobs and promotions, we need to focus on the ability to do the job, not physical appearance.

Managing Diversity Through Inclusion

We've already discussed ways to manage each of the major diverse groups by promoting diversity to create equal opportunities for all who recognize the value of each individual.¹⁰⁵ Although effective management of diversity remains an elusive goal,¹⁰⁶ as it is difficult to get a diversity of employees to get along at work, here we present approaches that apply to multiple diverse groups as well as all employees.

Diversity Policies and Practices

KPMG CEO **Lynne Doughtie** says creating an inclusive and diverse *organizational culture* (Chapter 2) requires more than words. It requires active strategies and policies and practices to attract, hire, promote, and retain a diverse workforce.¹⁰⁷ **Facebook** COO **Sheryl Sandberg** says you need clear goals and to measure diversity progress and invest in gender-bias training.¹⁰⁸ Managers need to be held accountable for results.¹⁰⁹ **Procter & Gamble**, where women hold 45% of management roles, measures everything, keeps records, and reports diversity results,¹¹⁰ often called a *diversity report or audit*.

Unfortunately, tech companies continue to be white-male dominant, and some claim that public diversity data would expose them to harm from competitors and keep annual diversity reports confidential. In 2011, **CNN** asked 20 companies for their diversity statistics, and only three (**Dell**, **Intel**, and **Ingram Micro**) complied. But since then, **Apple**, **Google**, **HP**, and **Microsoft** have begun publicly releasing their annual EEO-1 diversity reports.¹¹¹ In promoting diversity, be sure to follow all Equal Employment Opportunity (EEO) laws (Chapter 9), treat group differences as important but not special, and tailor opportunities to individuals, not groups. You need to be careful not to focus too much on diversity and not hire or promote the most qualified person, as happened at **GitHub**.¹¹² To be inclusive, you should have high standards and hire and advance the most qualified candidates. But given equal qualifications for the job, the diverse candidate 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.¹¹³ Also, conduct diversity training for all employees. Three practices that promote diversity follow.

Diversity Training

Sheryl Sandberg says we need to talk openly about stereotypes.¹¹⁴ *Diversity training* teaches people how to get along better with diverse workers through inclusion, and it can reduce discrimination.¹¹⁵ It helps everyone to talk about bias and better understand each other by becoming aware of and more empathetic toward people different from themselves.¹¹⁶ Training breaks down negative stereotypes and builds acceptance of differences, viewing people as individuals, and realizing that diversity improves teamwork and organizational performance.¹¹⁷ Training can last for hours or days, and is especially important for managers.¹¹⁸

Would-be renters said that **Airbnb** hosts denied them lodging after identifying their race or sexual identity, so Airbnb took steps to promote inclusive lodging, including requiring employee training.¹¹⁹ Skill Builder 3-2 is an example of a diversity training exercise. For an online example of an exercise in awareness of attitudes and beliefs about diverse groups, see Self-Assessment 3-5.



Airbnb CEO Brian Chesky required employee training after renters alleged discrimination based on race and sexual identity.

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Mentoring

*No one gets to the top alone.*¹²⁰ *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 lives. Mentoring can be between

3-5 SELF-ASSESSMENT

Implicit Association Test (IAT)

To complete this diversity self-assessment, go to the Project Implicit website at <https://implicit.harvard.edu/implicit/demo>. From there, under "Project Impact Social Attitudes," you can select a "language/nation" and hit "Go"; then click "I wish to proceed" and select one of 14 tests to take, or your professor will select the one for you to

complete. Assessments include six of our diversity types excluding abilities, with a breakdown of several races. Simply follow the instructions at the site to complete a test and get interpretations of your attitudes and beliefs about the diversity group you selected. It's free, and you can take as many as you want to.

people at the same organization or people in different companies, and they can be formal or informal. Mentors are also called *sponsors* that help people advance.¹²¹

Most large corporations, including **Sun Microsystems**, **Intel**, and **Microsoft**, offer several internally developed formal mentoring programs for their employees. Mentoring is especially recommended for women and minorities who want to advance to top-level positions.¹²²

Rather than providing mentors on premises, many MNCs today, such as **IBM**, are turning to online mentoring programs for global employee mentoring. With *e-mentoring*, employees typically fill out a profile, and the program's software matches them up with a mentor. Instead of getting together in person, the two meet and communicate electronically, such as via email and **Skype** or **Voom**.

As a type of mentoring, some organizations have *shadow programs* so people can learn more about jobs by observing and interacting with people performing the job. **Adobe Systems**, **Amex**, and **Cisco Systems** have shadow programs. Amex has high potential women shadow senior executives, and one of the goals is to dispel myths about what senior women must do to succeed.¹²³

Network Diversity Groups

Again, no one gets to the top alone, and women tend to have a much tougher time of it than men, which includes networking. It is recommended that women join a women's professional network.¹²⁴ Networks within the organization provide relationships to help you advance within the firm, and networks outside of the organization have many benefits.¹²⁵ You will learn "how to" networking tips in the appendix to Chapter 9, and here about networks within an organization.

Since the 1960s, *network diversity groups* have employees throughout the organization from women and other diversity groups whose members share information about how to succeed in the company and how to help the company succeed.¹²⁶ **Frito-Lay** has a Latino employee network that provides management with very valuable feedback on marketing products to the Latino community.¹²⁷

Some networks have success with the traditional all members from the same diversity group, but others including **Dell** suggest having white males that can provide help to the diverse group.¹²⁸ **Deloitte** says traditional networks are passé, and has dropped its women- and minorities-only networks and replaced them with *Inclusion Councils* that include white men.¹²⁹

GLOBAL DIVERSITY

>> LO 3-6: Compare and contrast the Hofstede national culture dimensions with Project GLOBE.

People from different countries do not see the world in quite the same way because of differences in national cultures.¹³⁰ Understanding national culture is important because it affects nearly every aspect of human behavior.¹³¹ For the MNC, all of the workplace diversity exists, plus national culture as well. Therefore, managing cultural differences across geographically dispersed locations is one of the central challenges for MNCs,¹³² making this one of the most important skills for global leaders.¹³³

In this section, we discuss Hofstede's cultural dimensions and Project GLOBE, which are similar by focusing on cross-cultural values yet different. Hofstede combines individual respondent self-perceived values, whereas GLOBE focuses on identifying values and practices by combining the perceptions of others' values in their society.¹³⁴ We end with a discussion on how to handle international assignments.

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 values dimensions on a continuum in which employees differ (countries in parentheses are

very high or low compared to other countries on the dimension).¹³⁵ These cultural dimensions continue to be studied.¹³⁶

- *Power distance inequality versus power equality*—Power distance being distributed between levels of management down to employees can be more accepted (Russia and China) or rejected as employees want to participate in decisions that affect them (Denmark and Sweden).
- *Individualism versus collectivism*—Individualist cultures believe individuals should be self-sufficient with loyalty to themselves first and the group and company second (United States and Netherlands), whereas collectivism places the group and company first (Indonesia and China).
- *Assertiveness versus nurturing*—Assertive cultures are more aggressive and competitive, with a focus on achievement and material possessions (Japan and Germany), whereas nurturing cultures emphasize the importance of relationships, modesty, caring, and quality of life (Netherlands and France).
- *Uncertainty avoidance or acceptance*—Uncertainty-avoidance cultures like structure and security and are less likely to take risks (Japan and West Africa), whereas uncertainty-acceptance cultures are more comfortable dealing with the unknown and change and taking more risk (Hong Kong).
- *Long-term versus short-term orientation*—Long-term cultures look to the future and value thrift (China and Hong Kong), whereas short-term cultures focus on the past and present and immediate gratification (United States and Germany).

WORK APPLICATION 3-6

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

GLOBE

As Hofstede's research became dated, **GLOBE** confirmed his dimensions are still valid today and extended and expanded his five dimensions into nine, including hundreds of companies and more countries. GLOBE stands for *Global Leadership and Organizational Behavior Effectiveness*. GLOBE is an organization dedicated to the study of culture, leadership, and organizational effectiveness. The GLOBE research team of more than 200 researchers uses data from hundreds of organizations in more than 62 countries to identify nine dimensions in which national cultures are diverse.¹³⁷ For more information, visit the GLOBE website <https://globeproject.com>.

See Exhibit 3-7 for a list of the dimensions with examples of country ratings.¹³⁸ Notice that some of the GLOBE dimensions have the same or similar names as Hofstede's five dimensions. As shown, through cross-cultural comparisons, there are differences, especially between Eastern and Western cultures.¹³⁹

International Assignments

With increasing globalization and workforce mobility, there is a chance that you will be sent to another country to conduct business. It may be a brief visit, or it can be an international assignment as an expatriate.¹⁴⁰ **Expatriates** live and work outside their native country. It can be difficult to adjust to a different language, culture, and society.¹⁴¹ Being abruptly placed in a very different foreign country often leads to what is called *culture shock*. As a result, expatriates often unknowingly behave inappropriately when they travel to foreign countries.¹⁴²

Cultural values and beliefs are often unspoken and taken for granted, and even with a common language, accurate communication can be difficult. We tend to expect people to behave as we do. However, to be successful in the global village, you need to be sensitive to other cultures as you interact with people whose values and behaviors differ from your own.¹⁴³ One more time, you need to get along with others, and to

expatriates Individuals who live and work outside their native country.

EXHIBIT 3-7

Globe Dimensions

DIMENSION	LOW	MODERATE	HIGH
Assertiveness People are tough, confrontational, and competitive.	Switzerland, New Zealand	Ireland, Philippines	Spain, United States
Future Orientation People plan, delaying immediate gratification to invest in the future.	Russia, Argentina	Slovenia, India, United States	Netherlands, Canada
Gender Differences People have great gender role differences.	Sweden, Denmark, United States	Brazil, Italy	Egypt, China
Uncertainty Avoidance People are uncomfortable with the unknown/ambiguity.	Bolivia, Hungary	Mexico, United States	Austria, Germany
Power Distance People accept power inequality differences.	South Africa, Netherlands, United States	England, France	Spain, Thailand
Societal Collectivism Teamwork is encouraged (vs. individualism).	Greece, Germany	Hong Kong, United States	Japan, Singapore
In-Group Collectivism People take pride in membership (family, team, organization).	Denmark, New Zealand	Israel, Japan, United States	China, Morocco
Performance Orientation People strive for improvement and excellence.	Russia, Venezuela	England, Sweden	Taiwan, United States
Humane Orientation People are fair, caring, and kind to others.	Singapore, Spain	United States, Hong Kong	Indonesia, Iceland

3-3 APPLYING THE CONCEPT

GLOBE Dimensions

Identify the dimension of cultural diversity exemplified by each statement.

- A. assertiveness
- B. future orientation
- C. gender differences
- D. uncertainty avoidance
- E. power distance
- F. societal collectivism
- G. in-group collectivism
- H. performance orientation
- I. humane orientation

- ____ 16. The people in this country have one of the highest savings rates in the world.
- ____ 17. Managers throughout organizations in this country focus on getting the job done through teamwork.
- ____ 18. People in this country are known to be difficult to negotiate with.

- ____ 19. In some companies in this country, the male managers go around kissing the female employees good morning; and the women get the coffee for the male managers.
- ____ 20. The people in this country follow the football/soccer team closely as they take great satisfaction from watching their team in the World Cup.
- ____ 21. Managers place great importance on status symbols such as having the executive dining room, reserved parking spaces, and big offices.
- ____ 22. Managers don't really care about the safety of their employees and provide poor working conditions.
- ____ 23. Employees get nervous and stressed when they even hear that changes are coming.
- ____ 24. Employees focus on constant small changes to make the products and processes better.

do so, you need to have a global mind-set.¹⁴⁴ In fact, companies seek employees who have intercultural competences and those with multicultural backgrounds, and study-abroad programs can help you develop these skills.¹⁴⁵

MNCs, such as **IBM** and **EMC**, are also training managers and employees in local languages, customs, and business practices so they can be successful in the global market. Some people say that taking—or refusing—an international assignment affects career advancement, especially for top-level management. Whether you are asked to take an international assignment or not, as a global manager, you need to be flexible and adapt to other ways of behaving; you cannot expect others to change for you. As stated, **SHI** (**IOM 4**) has a strong culture that focuses on making sure that everyone, globally, feels valued.

MANAGING GLOBAL BUSINESS

>> **LO 3-7:** Rank the six forms that make a business a global one, in order from lowest to highest cost and risk.

To manage a global business successfully, you need to understand the differences in practices between internationals and MNCs and the six forms of global business, which we discuss in this section.

Why Go Global

If you are thinking, “Why conduct business globally; shouldn’t countries limit free trade?” then the answer is that it’s all about increasing sales and profits, which results in an increasing standard of living globally. See Exhibit 3-8 for a view of global populations.

As you can see, a U.S. MNC conducting business in China and India increases its potential business from around 332 million Americans to more than 2.7 billion people. With a global total population of around 7.6 billion people, over one-third of the people live in these two countries today.¹⁴⁶ **Apple** is in India¹⁴⁷ and China¹⁴⁸ seeking new iPhone sales growth. Many U.S. MNCs have greater revenues from foreign sales, including **KFC**,¹⁴⁹ which has been ranked as the most powerful franchising brands.¹⁵⁰

Professional tennis and golf are global sports. The **PGA** Tour has around 90 international players from 24 countries, with broadcasts distributed to 227 countries and territories worldwide, passing through more than 1 billion households.¹⁵¹ Of the “10 Top Most Watched Sporting Events in TV History,” the **FIFA** World Cup soccer gets an average cumulative TV audience of 3.5 billion viewers every four years, and one game had almost 1 billion viewers.¹⁵² American football’s Super Bowl isn’t on the list, with a record 172 million viewers.¹⁵³ The **NFL** made some attempts to go global, like having some football games in Europe and selling its apparel, but without much success.¹⁵⁴

For businesses that are considering which country to expand to, *Forbes* offers its annual list, “The Best Countries for Business,” that ranks 160-plus countries.¹⁵⁵ For a complete updated ranking, go to <https://www.forbes.com/best-countries-for-business/list>.

EXHIBIT 3-8

Top 10 Most Populous Countries

1. China	1,389,618,778	6. Brazil	210,301,591
2. India	1,311,559,204	7. Nigeria	208,679,114
3. United States	331,883,986	8. Bangladesh	161,062,905
4. Indonesia	264,935,824	9. Russia	141,944,641
5. Pakistan	210,797,836	10. Mexico	127,318,112
Total world population			7,559,087,808

Source: U.S. Census, <https://www.census.gov/popclock/>, accessed updated figures as of March 15, 2019.

Global Management Practices

The first thing we should realize is the demands of corporate leadership are changing how leaders manage in the global village. Managers can't use simple Western techniques in some countries, like China.¹⁵⁶ **Panasonic** blends Japanese tradition with American resourcefulness.

In fact, U.S. practices don't work well in all countries. This is especially true in countries that require home-country business partners to conduct business in that country, and when they have government state ownership of corporations (*SOEs*), including China. An *SOE* is a *business for-profit enterprise* where the government or state has significant control through full, majority, or significant minority ownership.

Both MNCs and small international companies compete in the global environment, and they have one thing in common but use different business practices based on size and resources.¹⁵⁷ Let's compare them next.

Think Globally, Act Locally

One thing internationals and MNCs have in common is thinking and integrating globally, but they adapt to local market needs in specific countries. Markets for products may be global, but payments are local in the store and online, in other words, currency-exchange issues.¹⁵⁸ Languages are also local, so **Amazon**, **Apple**, and **Google** are enabling their online devices to read and speak in local languages.¹⁵⁹

Disneyland castles are different in Hong Kong, Paris, Tokyo, and Shanghai to appeal to local families. **McDonald's** sells the Big Mac in India, but it is not made of beef because in India it is not culturally acceptable to eat cows. With increasing country protectionism, global **VW** and **BMW** plan to be more localized by making more cars in the U.S. to protect its business from import trade barriers.

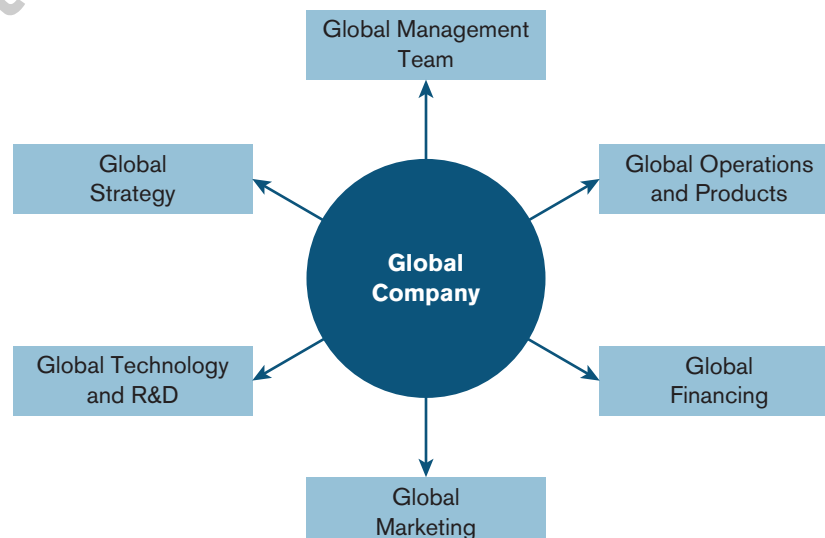
Differences in Business Practices of Internationals and MNCs

For a list of differences, see Exhibit 3-9.

- **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.

EXHIBIT 3-9

Management Practices of Global Companies



- **Global Strategy.** In an MNC, there is one strategy for the entire company, not one per subsidiary. Worldwide coordination attains economies of scale but still allows a country manager to respond to local consumer needs and counter local competition.
- **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 to make the products and for exporting.
- **Global Technology and R&D.** Technology is developed internally through large research-and-development (R&D) budgets, and they acquire small companies that develop the tech. Small businesses develop new technology with limited or no funds for R&D, and they are often quick to adopt others' new technology.
- **Global Financing.** MNCs search world markets to get the best rates and terms when borrowing and managing money. Small companies tend to only bank in their home country.
- **Global Marketing.** Products used to be developed in the home market and then brought to other countries later. Small companies still do this, but the trend is toward global introduction of products. MNCs tend to have much larger marketing budgets to promote their products globally.

WORK APPLICATION 3-7

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

Managing Different Forms of Global Business

There are six forms of global business. Exhibit 3-10 presents these forms in order by cost and risk and indicates what types of companies tend to use them.

Global Sourcing

Global sourcing is hiring others outside the firm to perform work worldwide. It is also called *outsourcing* and *offshoring*, and it is expected to increase. Note that global sourcing can be used alone, but it is commonly used with the other five forms of global business. Global managers look worldwide for the best deal on materials/parts, labor, and so forth, plus a location (any country in the world) for producing their products and services. Outsourcing saves money and better allocates global resources. It benefits

global sourcing Hiring others outside the organization to perform work worldwide.

3-4 APPLYING THE CONCEPT

Global Practices

Identify each practice as more likely to be used by large or small global companies:

A. large MNCs

B. small international companies

____ 25. Companies that develop a product in one country and then bring the product to other countries.

____ 26. Companies that only import and/or export to operate globally.

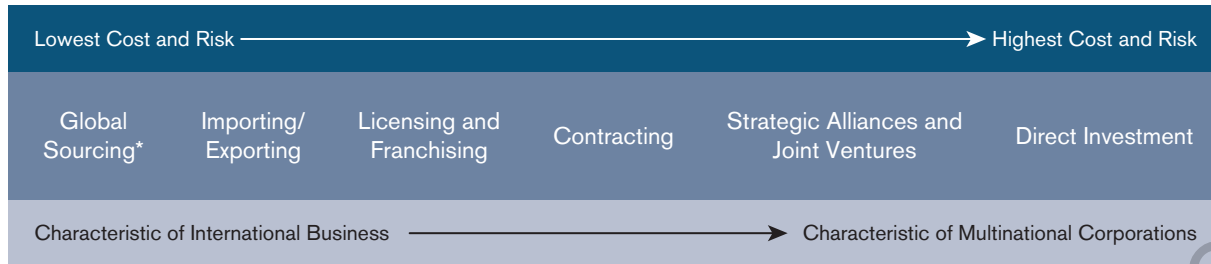
____ 27. Companies that have foreign nationals among their top-level managers.

____ 28. Companies that make their products in other countries.

____ 29. Companies that develop the latest technology through R&D.

EXHIBIT 3-10

Forms of Global Business



*Note that global sourcing can be used alone (at low cost/risk), but is commonly used in tandem with other global strategies.

3-3 JOIN THE DISCUSSION • ETHICS & SOCIAL RESPONSIBILITY



File Sharing

Since the early 2000s, some peer-to-peer (P2P) file-sharing networks and services have been targeted by music companies and an industry watch group, the **Recording Industry Association of America (RIAA)**, which represents musicians, for copyright infringement and shut down. The music companies complain they are losing profits and that musicians are losing royalties as people download music for free, including YouTube which violates copyright law. The RIAA also expanded into lawsuits against individuals. Movies, software, and other copyrighted materials are also being illegally copied through file sharing (piracy).

According to the **International Federation of the Phonographic Industry**, piracy is a real problem, as 95% of all music downloads violate copyrights. In many countries, because some governments don't have the desire or resources to enforce copyright

laws, some governments even resist allowing companies to take legal action against companies and individuals.

1. Is it ethical and socially responsible for file-sharing companies to give people the means to download music, movies, or software for free?
2. Is it ethical and socially responsible for people to download music, movies, or software for free, which prevents recording, film, or software companies and artists from getting any royalties?
3. Is it ethical and socially responsible for countries to ignore and even resist enforcing copyright laws? Should all countries enforce copyright laws?

Reference

P. Sonne and M. Colchester, "France, the U.K. Take Aim at Digital Pirates," *The Wall Street Journal* (April 15, 2012): B1.

everyone because countries specialize in what they can do better than others. There is a saying: "Do what you do best and outsource the rest." **Apple** buys its iPhone and Apple Watch computer chips from its greatest rival, **Samsung**.¹⁶⁰ Your college may use global sourcing to recruit students from other countries, buy books from foreign publishers for its bookstore, and food from other countries for the dining hall.

Importing and Exporting

When *importing*, a domestic firm *buys* products from foreign firms and sells them at home. **Pier1's** imports business revolves around searching the globe for foreign goods to sell at home. **GM** plans to become the first major auto maker to sell Chinese-made cars in the United States.¹⁶¹ When *exporting*, a domestic firm *sells* its products to foreign buyers, like **Amazon** did in its first month in business.¹⁶² One myth about small businesses is that it is too difficult for them to go global, but in reality they account for a large percentage of exports.¹⁶³ The **U.S. Export-Import Bank (EXIM Bank)** helps businesses of all sizes go global. For more information, visit www.exim.gov. **FedEx** and **UPS** both offer a variety of services to help any-size business use global sourcing and importing and exporting.

Licensing and Franchising

Also known as *cooperative contracts*, internationals and MNCs use these two methods to go global. In **licensing**, a licensor agrees to give a licensee the right to make its products or services or use its intellectual property in exchange 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—in exchange for a royalty in a particular foreign market. **Apple** and other companies earn revenue by licensing its patented technology to other companies. **Disney** makes millions on licensing its cartoon characters annually, with Mickey Mouse, created in 1928, still being its number one character in global sales.¹⁶⁴

In **franchising**, the franchisor licenses the entire business to the franchisee for a fee and royalties. The franchisor 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. Franchising is a global business. Which franchising business do you think has the most units?

Here are the top three reported by total units franchised/company-owned: **7-Eleven** with 59,067/505, **Subway** with 44,830/0, and **McDonald's** with 31,230/5,669. Highly successful franchisors not ranked by number of stores include: **Kumon Math & Reading Centers** with 25,811/30, **H&R Block** with 4,208/6,614, **Re/Max** with 7,217/0, **Snap-on** with 4,689/168, **ACE Hardware** with 4,835/96, and **Anytime Fitness** with 3,495/38.¹⁶⁵ To succeed in global business, franchised and company-owned units have to adapt their products to local laws, customs, and tastes while maintaining strong brand identity.¹⁶⁶

licensing The process of a licensor agreeing to give a licensee the right to make its products or services or use its intellectual property in exchange for a royalty.

franchising An entrepreneurial venture in which a franchisor licenses a business to the franchisee for a fee and royalties.

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 entire product for you. With global **contract manufacturing**, a company has a foreign firm manufacture the products that it sells as its own. **Nike** focuses on designing and marketing its products; it doesn't own any manufacturing facilities; virtually all of its products are made in foreign countries. **Levi Strauss & Co.** has been contracting its iconic jeans in China for more than 30 years.¹⁶⁷ **Foxconn** is a multinational Taiwanese electronics contract manufacturing company that makes products, including **Apple** iPhones and iPads. And there is global *management contracting*, in which a company provides management services for a foreign firm. **Hilton** manages hotels and resorts for other companies globally.

contract manufacturing Contracting a foreign firm to manufacture products a company will sell as its own.

strategic alliance An agreement to share resources that does not necessarily involve creating a new company.

Strategic Alliances and Joint Ventures

It is very difficult to go to a foreign country and operate a new venture on your own. Therefore, alliances and joint ventures (similar but different) are especially advantageous to smaller partners who want to go global but don't have the resources to operate on their own in a foreign country and for the partner who doesn't have the brand name or resources to expand domestically.

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 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. **Springfield College** offered its master's degree through an alliance with the **Health and Behavioral Sciences College**, using its facilities and some of its faculty in Israel. **SHI (IOM 4)** has strategic alliances with **Adobe**, **Autodesk**, **Dell**, **HP**,



Global companies often partner with contractors to produce goods or perform services.

©iStockphoto.com/GCShutter

joint venture Two or more firms sharing ownership of a new company.

Intel, Microsoft, and others. This enables the company to further leverage its strengths as well as to compensate for its deficiencies through a partnership with other firms that bring needed expertise and resources to various business initiatives.

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. **Starbucks** expanded to India through a joint venture with **Tata Global Beverages—Tata Starbucks**. The business model created and enforced in China is for most foreign companies to have a Chinese partner. Auto manufacturers, including the United States' **GM** and **Ford** and Japan's **Toyota** and **Honda**, have joint ventures in China.

Direct investment

direct investment The building or buying of operating facilities in a foreign country.

Direct investment is the building or buying of operating facilities in a foreign country. It is also called *wholly owned affiliates* or *subsidiaries*. Foreign direct investment is on the increase, as being local virtually eliminates foreign trade barriers.¹⁶⁸ Chinese-owned **Volvo Car Corp.** and German-owned **Daimler** plan to build new factories in America.¹⁶⁹ Chinese SOE **Haier Group** bought **GE's** appliance business,¹⁷⁰ and African-owned **Steinhoff International Holdings**, parent company of **Ikea** division, acquired **Sleepy's** and converted it into **Mattress Firm**¹⁷¹ to break into the U.S. market.

TRENDS AND ISSUES IN MANAGEMENT

Globalization, diversity, and integration of technology as well as ethics and social responsibility are integral to the success of businesses. Here we will examine the trends related to these topics.

Globalization and Diversity

We discussed two of the major trends and issues in this chapter, so we will keep it brief on globalization and diversity issues here. As discussed in Chapter 2, it is important to keep up with the rapid changes in the global business environment.¹⁷² One quick tip for developing a *global* mind-set and develop cultural intelligence through any courses or training you can get.¹⁷³ Consider a study-abroad program while you are in college.¹⁷⁴

3-5 APPLYING THE CONCEPT

Forms of Global Business

Identify which activity or form of global business is described in each statement.

- A. global sourcing
- B. importing and exporting
- C. licensing and franchising
- D. contracting
- E. strategic alliance and joint venture
- F. direct investment

- ____ 30. Philips in France makes TVs using speakers from Japan.
- ____ 31. Tires R Us in the United States buys tires from Bridgestone in Japan for retail sale.
- ____ 32. Chinese Alibaba buys a warehouse in America to distribute online orders in the United States.

- ____ 33. The American Children's Television Workshop gives a Chinese company the right to make its *Sesame Street* character puppets.
- ____ 34. Whirlpool makes its appliances in its factory in Russia.
- ____ 35. Dell assembles its computers in the United States and sells them online to people globally.
- ____ 36. Costco has a Canadian company make some of its Kirkland brand items for sale in its U.S. stores.
- ____ 37. Wilson Sporting Goods buys the rubber for tennis balls from Brazil.
- ____ 38. McDonald's makes a deal with an Italian businessperson to open a McDonald's in Rome.

One controversial trend that will continue is *immigration* globally. Despite the political rhetoric, the U.S. economy needs foreign workers. Some 27 million (17%) workers are foreign-born and some 8 million employees (5%) of the workforce are unauthorized immigrants. If we sent them all back today, how do you think it would affect you, businesses, and the economy?

Technology: AI, Privacy, and Security

Although there has been international trade since the beginning of the New World thousands of years ago, clearly *technology* in communications and travel, including shipping products around the world (as with **UPS** and **FedEx**), has clearly accelerated the speed of globalization of business.

Artificial intelligence (AI) technology will improve productivity and add as much as \$15.7 trillion to the global economy by 2030. North America's share will be \$3.7 trillion, boosting the continent's gross national product (GDP) by 14.5%.¹⁷⁵

Privacy and security are ongoing problems for several MNCs that are also *ethical* and *social responsibility* issues. **Facebook** has been profiting from data it collects and is now facing increasing regulations in multiple countries globally due to *privacy* and *security* concerns. Facebook says it will use technology of encrypted messaging and communications that disappear to help resolve this global problem.¹⁷⁶

Ethics, CSR, and Sustainability

There is an ongoing concern about *ethical* behavior globally and countries do have different moral cultural identities and institutional moral reinforcement.¹⁷⁷ What is considered ethical does vary among countries, and the U.S. Foreign Corrupt Practices Act (Chapter 2) is confusing, not to mention that it is not globally accepted.¹⁷⁸ Hopefully, the FCPA or a similar law will have a trend of increased adoption globally.

Does it pay to be ethical? Germany's **Volkswagen** created a \$19.3 billion fund to cover the cost of its cheating on auto emissions. In addition, the unethical illegal scandal hurt its reputation, resulting in costly lost sales.¹⁷⁹ Companies caught conducting illegal and unethical behavior, including Victorian Britain's **Cook's Travel Agency**, have faced and continue to face public shame and stigmatization from different stakeholders, including investors, customers, and prospective employees who may avoid these businesses.¹⁸⁰

As discussed in the last chapter, today's business leaders realize the importance of corporate social responsibility (CSR) including *sustainability*. However, employee and business attitudes and level of CSR do vary globally.¹⁸¹ Even though the laws and regulations on environmental safety and pollution vary greatly across the globe, businesses need to go beyond the law to the second level of CSR to be ethical and preserve our natural environment to the best of their ability using the latest *technology* even though it may be more costly. **VW's** illegal unethical cheating on emissions resulted in more air pollution.

3-4 JOIN THE DISCUSSION • ETHICS & SOCIAL RESPONSIBILITY



Bribes

An American businessperson working in a foreign country complained to a local telephone manager that the technician showed up and asked for a bribe before installing the phone. The businessperson refused, so the telephone worker left without installing the phone. The

telephone company manager told the businessperson that the matter would be investigated, for a fee (bribe).

1. Is it ethical and socially responsible to pay bribes?
2. Should the businessperson have paid the bribe to get the phone installed?

CHAPTER SUMMARY

As we bring this chapter to a close, you should better understand the global environment including its three classifications of businesses and the importance of foreign trade. You should also realize the importance of workplace diversity and the six types of diverse groups and how to manage diversity through inclusion. This understanding should also expand to global diversity in working well with people from other country cultures, as well as considering some trends and issues facing managers regarding these topics. It is also important to know how to manage a global business with six global management practices and how to conduct international trade with six forms of global business. A review of the learning objectives follows:

3-1. Contrast the classification of businesses in the global village.

Businesses are classified in three ways. 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.

3-2. Define ethnocentrism.

Ethnocentrism is regarding one's own ethnic group or culture as superior to others.

3-3. Describe issues managers encounter through foreign trade.

Foreign trade clearly can increase company profits and increase the standard of living in countries trading even if one country is more efficient at producing the goods. Managers may encounter *trade barriers* (embargos, quotas, subsidies, or tariffs) that can put them at a disadvantage in the global village, but they may get help to overcome them with the aid of the *World Trade Organization (WTO)* and *trade agreements*. The *exchange rate* is how much of one country's currency you get for that of another country. Fluctuations in exchange rates can affect profits at home when conducting foreign trade. When your own currency is strong, it may decrease profits as you get less in exchange, and a weak home currency can increase profits as you get more in exchange.

3-4. Discuss diversity and inclusion and why they are important.

Diversity refers to the variety of people with different group identities within the same workplace. *Inclusion* is a practice of ensuring that all employees feel they belong as valued members of the organization. *Discrimination* is illegal because it gives unfair treatment to diversity groups in employment decisions. But promoting diversity and inclusion creates equal opportunities for all employees, so it is the right thing to do. It 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 and inclusion 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 six major types of diversity groups and practices of managing diversity.

There is diversity in (1) the range of *ages* and generational difference in the workplace, (2) gender and sexual orientation (LGBT), (3) different *races* and *ethnic* groups, (4) people with *disabilities* that substantially limit one or more major life activities and abilities to excel at some things, (5) people from different religions, and (6) several others including weight, personality, physical attractiveness, and family background, just to list a few. To manage diversity, companies cannot discriminate against any group and should promote equal opportunities for everyone. Practices that promote diversity include (1) *diversity training* to teach people how to get along better with diverse workers through inclusion, (2) higher-level manager *mentors* who prepare high-potential people for advancement, and (3) *network diversity groups* of employees throughout the organization from a diverse group who share information about how to succeed in the company.

3-6. Compare and contrast the Hofstede national culture dimensions with Project GLOBE.

The two are similar because they both measure cultural diversity among countries. Back in the 1970s and 1980s, Hofstede identified five dimensions of diversity (power distance inequality vs. power equality, individuality vs. collectivism, assertiveness vs. nurturing, uncertainty avoidance vs. uncertainty acceptance, and long-term vs. short-term orientation) using employees of one company, IBM, in 40 countries. GLOBE confirmed that Hofstede's 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, and humane orientation), and the sample includes hundreds of companies from more than 60 countries. GLOBE is also an ongoing study.

3-7. Rank the six forms that make a business a global one, in order from lowest to highest cost and risk.

A business can become a global one by (1) participating in *global sourcing*, hiring others outside the firm to perform work worldwide; (2) *importing and exporting*, buying and selling products between countries; (3) *licensing*, in which the licensor agrees to give a licensee the right to make its products or services or use its intellectual property in exchange for a royalty, or *franchising*, in which 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) forming a *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; or (6) making a *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.

REVIEW

Key Terms**contract manufacturing, 101****direct investment, 102****disability, 90****discrimination, 82****diversity, 81****ethnocentrism, 76****expatriates, 95****franchising, 101****glass ceiling, 88****global sourcing, 99****global village, 75****inclusion, 82****international company, 75****joint venture, 102****licensing, 101****multinational corporation (MNC), 75****strategic alliance, 101****Key Term Review**

Complete each of the following statements using one of this chapter's key terms.

1. The ____ refers to companies conducting business worldwide without boundaries.
2. An ____ is based primarily in one country but transacts business in other countries.
3. A ____ has ownership in operations in two or more countries.
4. ____ is regarding one's own ethnic group or culture as superior to others.
5. ____ is hiring others outside the firm to perform work worldwide.
6. In ____, a licensor agrees to give a licensee the right to make its products or services or use its intellectual property in exchange for a royalty.
7. In ____, the franchisor licenses the entire business to the franchisee for a fee and royalties.
8. With global ____, a company has a foreign firm manufacture the products that it sells as its own.
9. A ____ is an agreement to share resources that does not necessarily involve creating a new company.
10. A ____ is created when two or more firms share ownership of a new company.
11. ____ is the building or buying of operating facilities in a foreign country.
12. ____ refers to the variety of people with different group identities within the same workplace.
13. ____ is a practice of ensuring that every employee feels he or she belongs as a valued member of the organization.
14. ____ is illegal because it gives unfair treatment to diversity groups in employment decisions.
15. The ____ is the invisible barrier that prevents women and minorities from advancing to the top jobs in organizations.
16. A ____ is a mental or physical impairment that substantially limits one or more major life activities.
17. ____ live and work outside their native country.

Review Questions

1. How are businesses classified in the global village?
2. What are the four trade barriers?
3. What is the role of the World Trade Organization (WTO)?
4. What are the six major trade agreements?
5. Which country has the foreign trade advantage based on exchange rates?
6. What is the difference between diversity and affirmative action?
7. What is the glass ceiling?
8. When dealing with people with disabilities, what should be the focus?
9. What are three practices used to promote diversity?
10. What are the five dimensions of Hofstede's cultural diversity?
11. What is Project GLOBE?
12. What are the nine dimensions of Project GLOBE?
13. What is the difference between a license and a franchise?

14. What is the difference between a strategic alliance, a joint venture, and a direct investment?
15. What do international and multinational companies have in common?
16. If you were to start your own small business, would you most likely use contracting, strategic alliances, joint ventures, or direct investment?

Communication Skills

The following critical-thinking questions can be used for class discussion and/or as written assignments to develop communication skills. Be sure to give complete explanations for all questions.

1. How does globalization affect your life and that of your family and friends?
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?
3. Should your home country drop all or some of its trade barriers?
4. Is the North American Free Trade Agreement (NAFTA) of more benefit or harm to the United States? Why?
5. Should there be one global trade agreement rather than the six major agreements?
6. Should countries with a trade deficit create barriers to trade to eliminate the deficit?
7. Overall, are the effects of foreign trade more positive or negative for your home country?
8. How does diversity affect you personally? Do you really value diversity?
9. What experience have you had with each of the diverse groups?
10. How can you improve your awareness and empathy for diverse groups?
11. 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?
12. Should expatriates be given global cultural diversity training, and should their families get training, too?
13. Is it too difficult and time consuming to engage in global sourcing?
14. Are smaller international companies at a disadvantage when competing with large multinational corporations?

CASES

Case 3-1 Marriott International

Marriott International is a leader in the hospitality industry, with more than 3,200 lodging properties worldwide and a workforce of more than 146,000 employees working in 55 countries and territories. Its core values include: We Put People First, We Pursue Excellence, We Embrace Change, We Act with Integrity, and We Serve Our World. The company is particularly well known for its commitment to workforce diversity and inclusion. The emphasis on the importance of workforce diversity is reflected in the words of J. W. Marriott Jr., chairman and CEO:

We are broadening how we think about global diversity and inclusion, reaching across cultural borders to compete for customers and talent worldwide. In this competitive marketplace, we must continue to embrace the unique talents and experiences of our employees—who speak more than 50 languages in 66 countries and territories—to help us meet the changing needs of our customers.

Marriott International has been recognized for its commitment to workforce diversity through various industry and business awards including 50 Best Workplaces for Diversity, 10 Best Workplaces for Latinos, 10 Best Workplaces for African Americans, and America's top corporations for lesbian, gay, bisexual, and transgender (LGBT) equality, where it earned a perfect 100% score on the 2016 Aon Best Employer in Asia Pacific.

Marriott focuses its diversity efforts on a holistic view that includes guests, associates, business owners, and suppliers in all of the places and communities in which it does business. For guests, the company offers its award-winning #LoveTravels campaign, which inspires guests to explore their personal passions and to celebrate their unique perspectives and experiences. For associates (employees), Marriott offers a variety of initiatives including the empowerment of its associates to champion diversity and drive inclusion, developing multicultural tools and resources that help managers further understand and build awareness about cultural differences, and engaging with organizations that support and provide opportunities for veterans and people with disabilities. With its suppliers, Marriott has spent more than \$4 billion to support the development of relationships with thousands of businesses owned by minorities, women, veterans, disabled people, and LGBT leaders around the globe. It is also an active corporate member of multinational organizations that support the development of diverse and historically excluded suppliers, such as the National Gay and Lesbian Chamber of Commerce and the Women's Business Enterprise. Finally, for business owners, Marriott runs an Ownership Educational Summit for diverse and women business owners to educate them on potential investment opportunities in the industry.

Discussion Questions

1. Why does Marriott International view diversity and inclusion as being important for its business success?
2. Which types of diversity and inclusion exist in Marriott International's workforce?
3. How do Marriott International's business practices not reflect an emphasis on affirmative action?
4. What business practices does Marriott International use to support workforce diversity and inclusion?
5. Do you think it is a good idea for companies like Marriott International to consider diversity issues when making hiring and promotion decisions, or should these decisions always be made based solely on who is the most qualified person for a job in terms of education, experience, and relevant knowledge and skills? Take a position and support it.
6. How important would it be to you to work for an employer that has an effective diversity program? Take a position and support it.

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Case created by Loren Kuzuhara, University of Wisconsin–Madison.

Case 3-2 Ford: Bringing It On Back From Mexico

The vision of Ford Motor Company is:

"To become the world's most trusted company, designing smart vehicles for a smart world."(1)

Ford Motor Company is a global automotive and mobility company that designs, manufactures, markets, and services Ford and Lincoln cars, trucks, and sport utility vehicles (SUVs). The Company operates in four business segments: Automotive, Financial Services, Ford Smart Mobility LLC, and Central Treasury Operations. The company's operations are located in North America, South America, Europe, Middle East and Africa, and Asia Pacific. (2) The company employs just under 200,000 workers. (3)

You used to be able to buy a Ford in any color you wanted—as long as it was black! Today Ford Motor Company is one of the world's largest automakers and includes a staple of brands and models including the Ford Mustang, the F-Series pickup, Focus, Lincoln, Fiesta, and Taurus. Reflecting a growing global auto market, Ford launched 16 new vehicles globally in 2015, followed by 12 global products in fiscal 2016, including the new F-Series Super Duty, Ford GT, and Lincoln Continental. It will add more electrified products for Ford and Lincoln, including the new Focus Electric. In 2018, the company announced it would discontinue production of most of its traditional sedans including the Fusion and Taurus to focus on sport utility vehicles and trucks in response to changing consumer demand. (4) Through 2020, it has plans to invest \$4.5 billion in electrified vehicle solutions.

Like many other carmakers, the company is also looking to emerging economies for growth, particularly Brazil, Russia, India, and China, where car sales are forecast to grow more rapidly than in mature markets. Ford has planned to build new plants in India, Thailand, and especially China to meet more demand in the region.(5)

Yet those plans quickly changed when President-Elect Donald Trump took to Twitter to criticize Ford's fellow U.S.-based competitor General Motors: "General Motors is sending Mexican made model of Chevy Cruze to U.S. car dealers-tax free across border. Make in U.S.A. or pay big border tax!"(6)

It used to be cars were made in Flint and you couldn't drink the water in Mexico. Now the cars are made in Mexico, and you can't drink the water in Flint. That's not good." [Donald Trump was referring to the lead water crisis in the Michigan city.](7)

Ford immediately announced it would cancel its \$1.6 billion plans to build a plant in San Luis Potosi, Mexico, and instead invest an additional \$700 million to expand an existing plant in Michigan to make autonomous and electric vehicles. That came on the heels of another decision in November to keep production of some small SUVs at its plant in Kentucky. The move marks a departure for Ford, whose CEO Mark Fields said that it was very likely Ford would not change plans for its \$1.6 billion factory. CEO Fields said that Trump's rhetoric was a factor in reversing his earlier decision, but one of several factors. "Ford is a global automaker, but our home . . . is right here in the United States," he said.(8)

Ford chairman Bill Ford Jr. said he spoke with President-elect Trump to tell him of the decision to invest in the United States and cancel the Mexico plant, according to Reuters. "We're also encouraged by the pro-growth policies that president-elect Trump and the new Congress have indicated that they will pursue," Ford president and CEO Mark Fields said in a statement.

He said the carmaker was influenced by promises of new tax and regulatory reforms and the prospect of keeping jobs at home.(9)

The Mexican government did not stand idly by. Mexico's economy ministry argued that investments in Mexico have helped keep jobs in the United States.

The Mexican government regrets the decision of the Ford Motor Company to cancel the investment project in San Luis Potosi, and it has assured the return by the company of any expenditures made by the state government to facilitate this investment. The growth of the Ford Motor Company in North America, particularly in Mexico, is a strategy of competitiveness based on global value chains, in which North America competes with other world regions. The jobs generated in Mexico have contributed to keeping manufacturing jobs in the United States that would otherwise have disappeared in the face of Asian competition.⁽¹⁰⁾

Mexico's economy ministry argued that investments in Mexico have helped keep jobs in the United States. The minister also reiterated that Mexico was still in favor of a "modernization" of NAFTA that would "strengthen the competitive capacities of North America and of each of its members."⁽¹¹⁾

Discussion Questions

1. How would you classify Ford Motor from the perspective of the global village?
2. What is the "buy American" effort, and how does this consumer movement affect this case?
3. Assuming that President Donald Trump decided to take actions to limit car imports into the United States, what would we call these actions and what alternatives are available to him?
4. What is NAFTA and how does it affect this case?
5. What are the differing forms of managing a global business and which form(s) is (are) being addressed in this case?
6. Agree or disagree with Ford's decision to cancel its manufacturing plant in Mexico and build in the United States based upon the impact this decision may make on the U.S. standard of living.

Cumulative Case Questions

7. Donald Trump's tweet when president-elect about GM's moving its plant to Mexico demonstrate which managerial role(s)? (Chapter 1)
8. Which environmental factors (stakeholders) were affected by this case? (Chapter 2)

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Case created by Herbert Sherman, Long Island University

SKILL BUILDER 3-1

The Global Environment, Diversity, and Management Practices Analysis

Objective

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

Skills

The primary skills developed through this exercise are:

1. *Management skill*—conceptual decision making
2. *AACSB competencies*—dynamics of the global economy, reasoning abilities, and multicultural and diversity understanding
3. *Management function*—planning, organizing, leading, and controlling

For this exercise, select a company that does business globally, preferably one you would like to work for. You will most likely need to conduct some research to get the answers to the questions that follow.

1. How is the business classified in the global village?
2. What trade barriers has it had to deal with?
3. What countries does it conduct business in, and what trade agreements are these countries involved in?
4. Which of the methods for going global does the business use? Be sure to give examples of its global sources; names of any import or export partners; names of any companies to which it gives licenses or franchises; any contractors, strategic allies, or joint venture partner names; and any subsidiaries it has as direct investments.
5. What are its diversity groups and its policies and practices for promoting diversity?
6. Compare the company's nine GLOBE dimensions for five countries it does business with. Make a chart similar to Exhibit 3-9, "GLOBE Dimensions."
7. Does the company offer international assignments, and how does it train its expatriates and families?

You may be asked to pass in this assignment, present your answers to the class, and/or discuss your answers in small groups or online.

Apply It

What did I learn from this experience? How will I use this knowledge in the future?

SKILL BUILDER 3-2

Diversity Training

Objective

To become more aware of and sensitive to diversity.

Skills

The primary skills developed through this exercise are:

1. *Management skill*—decision making (conceptual, diagnostic, analytical, and critical-thinking skills are needed to understand diversity)
2. *AACSB competency*—multicultural and diversity understanding
3. *Management function*—organizing

Answer the following questions.

Race and Ethnicity

1. My race (ethnicity) is ____.
2. My name, ____, is significant because it means ____. [or] My name, ____, is significant because I was named after ____.
3. One positive thing about my racial/ethnic background is ____.
4. One difficult thing about my racial/ethnic background is ____.

Religion

5. My religion is _____. [or] I don't have one.
6. One positive thing about my religious background (or lack thereof) is ____.
7. One difficult thing about my religious background (or lack thereof) is ____.

Sex

8. I am ____ (male/female).
9. One positive thing about being (male/female) is ____.
10. One difficult thing about being (male/female) is ____.

Age and Generational

11. I am ____ years old.
12. One positive thing about being this age is ____.
13. One difficult thing about being this age is ____.

Other

14. One way in which I am different from other people is ____.
15. One positive thing about being different in this way is ____.
16. One negative thing about being different in this way is ____.

Prejudice, Stereotypes, Discrimination

17. If you have, and we all have, ever been prejudged, stereotyped, or discriminated against, describe what happened.

You may be asked to discuss your answers in small groups or online to better understand people different from you.

Apply It

What did I learn from this experience? How will I use this knowledge in the future?

SKILL BUILDER 3-3**Cultural Diversity Awareness****Objective**

To develop your awareness of cultural diversity.

Skills

The primary skills developed through this exercise are:

1. *Management skill*—interpersonal
2. *AACSB competency*—multicultural and diversity understanding
3. *Management function*—leading

Procedure 1 (4–6 minutes)

You and your classmates will share your 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 (e.g., I am part French and Irish but have never been to either country). The instructor or a recorder will write the countries on the board until several countries/nationalities are listed or the time is up.

Procedure 2 (10–30 minutes)

You and your classmates will share your knowledge of cultural differences between the country in which the course is being taught and those listed on the board. This is a good opportunity for international students and those who have visited other countries to share their experiences. For example, in Spain most people have a two-hour lunch break and go home for a big meal and may take a nap. In Japan, people expect to receive and give gifts. You may also discuss cultural differences within the country.

Apply It

What did I learn from this experience? How will I use this knowledge in the future?