

Glossary

achievement versus ascription The source of power and status in society—one's achievement versus personal factors such as class, age, gender.

administrative distance Lack of common trading bloc or currency, political hostility, non-market or closed economy.

affective appeals Negotiation appeals based on emotions and subjective feelings.

appropriability of technology The ability of an innovating firm to protect its technology from competitors and to obtain economic benefits from that technology.

appropriateness of monitoring (or control) systems Those systems that will not run counter to local practices, culture, and expectations.

appropriateness of technology The use of technology in production or processes that is in line with local skills and level of development.

attribution The process in which a person looks for an explanation of another person's behavior.

axiomatic appeals Negotiation appeals based on the ideals generally accepted in a society.

B2B Business-to-business electronic transactions.

B2C Business-to-consumer electronic transactions.

balance-sheet approach An approach to the compensation of expatriates that equalizes the standard of living between the host and home countries, plus compensation for inconvenience.

born global companies that start out with a global reach, typically by using their Internet capabilities.

CAFTA The U.S.-Central America Free Trade Agreement

chaebol South Korea's large industrial conglomerates of financially linked, and often family-linked, companies that do business among themselves whenever possible—for example, Daewoo.

checklist approach Measurement criteria to indicate changes in the creditworthiness of a country; ability to withstand economic volatility.

civil law The comprehensive set of laws organized into a code; laws are interpreted based on codes and statutes; used in Europe and Japan.

clustering Geographic concentrations of related, interdependent companies within an industry that use the same suppliers, labor, and distribution channels.

codetermination (mitbestimmung) The participation of labor in the management of a firm.

collective bargaining In the United States, for example, negotiations between a labor union local and management; in Sweden and Germany, for example, negotiations between the employer's organization and a trade union at the industry level.

collectivism The tendency of a society toward tight social frameworks, emotional dependence on belonging to an organization, and a strong belief in group decisions.

common law Law based on past court decisions and common custom (precedents); used in the United States and other countries of English origin.

communication The process of sharing meaning by transmitting messages through media such as words, behavior, or material artifacts.

comparative advantage A mutual benefit in the exchange of goods between countries, where each country exports those products in which it is relatively more efficient in production than other countries.

competitive advantage of nations The existence of conditions that give a country an advantage in a specific industry or in producing a particular good or service.

context in cultures (low to high) Low-context cultures, such as Germany, tend to use explicit means of communication in words and readily available information; high-context cultures, such as those in the Middle East, use more implicit means of communication, in which information is embedded in the non-verbal context and understanding of the people.

contract An agreement by the parties concerned to establish a set of rules to govern a business transaction.

control system appropriateness The use of control systems that are individually tailored to the practices and expectations of the host-country personnel.

convergence (of management styles, techniques, and so forth) The phenomenon of increasing similarity of leadership styles resulting from a blending of cultures and business practices through international institutions, as opposed to the **divergence** of leadership styles necessary for different cultures and practices.

core competencies Important corporate resources or skills that bring competitive advantages.

corporate social responsibility (CSR) The belief that corporate activities should take into consideration the welfare of the various stakeholders affected by those activities.

creeping expropriation A government's gradual and subtle action against foreign firms.

creeping incrementalism A process of increasing commitment of resources to one or more geographic regions.

creolization When countries fiercely protect their culture against outside influences and insist that immigrants assimilate into their society and respect their values.

cultural distance differences in values, languages, religion, trust.

cultural diffusion When immigrants adopt some aspects of the local culture while keeping aspects of their culture of origin.

cultural noise Cultural variables that undermine the communications of intended meaning.

cultural savvy A working knowledge of the cultural variables affecting management decisions.

cultural sensitivity (cultural empathy) A sense of awareness and caring about the culture of other people.

culture The shared values, understandings, assumptions, and goals that over time are passed on and imposed by members of a group or society.

culture shock A state of disorientation and anxiety that results from not knowing how to behave in an unfamiliar culture.

culture-specific reward systems Motivational and compensation approaches that reflect different motivational patterns across cultures.

degree of enforcement The relative degree of enforcement, in a particular country, of the law regarding business behavior, which therefore determines the lower limit of permissible behavior.

dependency (in managing political risk) Keeping the subsidiary and the host nation dependent on the parent corporation.

differentiation Focusing on and specializing in specific markets.

direct control The control of foreign subsidiaries and operations through the use of appropriate international staffing and structure policies and meetings with home-country executives (as compared with **indirect control**).

distinctive competencies Strengths that allow companies to outperform rivals.

divergence See **convergence**.

domestic multiculturalism The diverse makeup of the workforce comprising people from several different cultures in the home (domestic) company.

e-business The integration of systems, processes, organizations, value chains, and entire markets using Internet-based and related technologies and concepts.

e-commerce The selling of goods or services over the Internet.

e-commerce enablers Fulfillment specialists who provide other companies with services such as Web site translation.

economic distance Differences in level of development, natural or human resources, infrastructure, information, or knowledge.

economic risk The level of uncertainty about the ability of a country to meet its financial obligations.

environmental assessment The continuous process of gathering and evaluating information about variables and events around the world that may pose threats or opportunities to the firm.

environmental scanning The process of gathering information and forecasting relevant trends, competitive actions, and circumstances that will affect operations in geographic areas of potential interest.

ethical relativism An approach to social responsibility in which a country adopts the moral code of its host country.

ethnocentric approach An approach in which a company applies the morality used in its home country—regardless of the host country's system of ethics.

ethnocentric staffing approach An approach that fills key managerial positions abroad with persons from headquarters—that is, with parent-country nationals (PCNs).

ethnocentrism The belief that the management techniques used in one's own country are best no matter where or with whom they are applied.

expatriate One who works and lives in a foreign country but remains a citizen of the country where the employing organization is headquartered.

expressive-oriented conflict Conflict that is handled indirectly and implicitly, without clear delineation of the situation by the person handling it.

expropriation The seizure, with inadequate or no compensation, by a local government of the foreign-owned assets of an MNC.

Foreign Corrupt Practices Act A 1977 law that prohibits most questionable payments by U.S. companies to officials of foreign governments to gain business advantages.

foreign direct investment (FDI) Multinational firm's ownership, in part or in whole, of an operation in another country.

franchising An international entry strategy by which a firm (the franchiser) licenses its trademark, products, or services and operating principles to the franchisee in a host country for an initial fee and ongoing royalties.

fully owned subsidiary An overseas operation started or bought by a firm that has total ownership and control; starting or buying such an operation is often used as an entry strategy.

generalizability of leadership styles The ability (or lack of ability) to generalize leadership theory, research results, and effective leadership practices from one country to another.

geocentric staffing approach A staffing approach in which the best managers are recruited throughout the company or outside the company, regardless of nationality—often, third-country nationals (TCNs) are recruited.

geographical distance Remoteness, different time zones, weak transportation, or communication links.

global corporate culture An integration of the business environments in which firms currently operate, resulting from a dissolution of traditional boundaries and from increasing links among MNCs.

global functional structure Operations are integrated into the activities and responsibilities of each department to gain functional specialization and economies of scale.

globalism Global competition characterized by networks of international linkages that bind countries, institutions, and people in an interdependent global economy and a one-world market.

global geographic (area) structure Divisions are created to cover geographic regions; each regional manager is responsible for operations and performance of the countries within a given region.

globalization The global strategy of the integration of worldwide operations and the development of standardized products and marketing approaches.

global management The process of developing strategies, designing and operating systems, and working with people around the world to ensure sustained competitive advantage.

global management team Collection of managers in or from several countries who must rely on group collaboration if each member is to experience optimum success and goal achievement.

global product (divisional) structure A single product (or product line) is represented by a separate division; each division

is headed by its own general manager; each is responsible for its own production and sales functions.

global staffing approach Staff recruited from within or outside of the company, regardless of nationality.

global strategic alliances Working partnerships that are formed around MNCs across national boundaries and often across industries.

governmentalism The tendency of a government to use its policy-setting role to favor national interests rather than relying on market forces.

guanxi The intricate, pervasive network of personal relations that every Chinese person carefully cultivates.

guanxihu A bond between specially connected firms, which generates preferential treatment to members of the network.

haptic Characterized by a predilection for the sense of touch.

hedging Companies may hedge their bets to reduce asset loss due to political risk by taking out insurance or using local debt financing, for example.

high-contact culture One in which people prefer to stand close, touch a great deal, and experience a “close” sensory involvement.

high-context communication One in which people convey messages indirectly and implicitly.

high-context cultures Those cultures where feelings and thoughts are not explicitly expressed; communication is implicit and as a function of the context and understanding of the person.

horizontal organization (dynamic network) A structural approach that enables the flexibility to be global and act local through horizontal coordination, shared power, and shared decision-making across international units and teams.

host-country national (HCN) A worker who is indigenous to the local country where the plant is located.

human capital Those direct or subcontracted employees whose labor becomes part of the value-added of the firm’s product or service. MNCs are increasingly offshoring (outsourcing) that asset around the world in order to lower the cost of human capital.

IJV control How a parent company ensures that the way a joint venture is managed conforms to its own interest.

indirect control The control of foreign operations through the use of reports, budgets, financial controls, and so forth. *See also* **direct control**.

individualism The tendency of people to look after themselves and their immediate families only and to value democracy, individual initiative, and personal achievement.

information privacy The right to control information about oneself.

information technology (IT) Electronic systems to convey information.

inpatriates Managers with global experience who are transferred to the organization’s headquarters country.

instrumental-oriented conflict An approach to conflict in which parties tend to negotiate on the basis of factual information and logical analysis.

integration Coordination of markets.

intercultural communication Type of communication that occurs when a member of one culture sends a message to a receiver who is a member of another culture.

internal analysis Determines which areas of a firm’s operations represent strengths or weaknesses (currently or potentially) compared to competitors.

internal versus external locus of control Beliefs regarding whether a person controls his own fate and events or they are controlled by external forces.

international business The profit-related activities conducted across national boundaries.

international business ethics The business conduct or morals of MNCs in their relationships to all individuals and entities with whom they come in contact when conducting business overseas.

international codes of conduct The codes of conduct of four major international institutions that provide some consistent guidelines for multinational enterprises relative to their moral approach to business behavior around the world.

international competitor analysis The process of assessing the competitive positions, goals, strategies, strengths, and weaknesses of competitors relative to one’s own firm.

internationalization The process by which a firm gradually changes in response to the imperatives of international competition, domestic market saturation, desire for expansion, new markets, and diversification.

international joint venture (IJV) An overseas business owned and controlled by two or more partners; starting such a venture is often used as an entry strategy.

international management The process of planning, organizing, leading, and controlling in a multicultural or cross-cultural environment.

international management teams Collections of managers from several countries who must rely on group collaboration if each member is to achieve success.

international social responsibility The expectation that MNCs should be concerned about the social and economic effects of their decisions regarding activities in other countries.

Islamic law The dominant legal system in Islamic countries; based on religious beliefs, and followed in approximately 27 countries.

joint venture A new independent entity jointly created and owned by two or more parent companies.

keiretsu Large Japanese conglomerates of financially linked, and often family-linked, groups of companies, such as Mitsubishi, that do business among themselves whenever possible.

kibun Feelings and attitudes (Korean word).

kinesics Communication through body movements.

kinesic behavior Communication through posture, gestures, facial expressions, and eye contact.

knowledge management The process by which the firm integrates and benefits from the experiences and skills learned by its employees, for example when repatriating managers from the host country.

labor relations The process through which managers and workers determine their workplace relationships.

licensing An international entry strategy by which a firm grants the rights to a firm in the host country to produce or sell a product.

localization approach When firms focus on the local market needs for product or service characteristics, distribution, customer support, and so on.

low-context cultures Those societies where people convey their thoughts and plans in a direct, straightforward communication style; communication and information is explicit.

locus of decision making The relative level of decentralization in an organization—that is, the level at which decisions of varying importance can be made—ranging from all decisions made at headquarters to all made at the local subsidiary.

love-hate relationship An expression describing a common attitude of host governments toward MNC investment in their country—they love the economic growth that the MNC brings but hate the incursions on their independence and sovereignty.

low-contact culture Cultures that prefer much less sensory involvement, standing farther apart and touching far less; a “distant” style of body language.

low-context communication One in which people convey messages directly and explicitly.

macropolitical risk event An event that affects all foreign firms doing business in a country or region.

managing environmental interdependence The process by which international managers accept and enact their role in the preservation of ecological balance on the earth.

managing interdependence The effective management of a long-term MNC subsidiary–host-country relationship through cooperation and consideration for host concerns.

maquiladoras U.S. manufacturing or assembly facilities operating just south of the U.S.–Mexico border under special tax considerations.

masculinity The degree to which traditionally “masculine” values—assertiveness, materialism, and the like—prevail in a society.

material culture See **object language**.

matrix structure A hybrid organization of overlapping responsibilities.

micropolitical risk event An event that affects one industry or company or only a few companies.

MIS adequacy The ability to gather timely and accurate information necessary for international management, especially in less-developed countries.

monochronic cultures Those cultures in which time is experienced and used in a linear way; there is a past, present, and future, and time is treated as something to be spent, saved, wasted, and so on. See also **polychronic cultures**.

moral idealism The relative emphasis on long-term, ethical, and moral criteria for decisions versus short-term, cost-benefit criteria. See also **utilitarianism**.

moral universalism A moral standard toward social responsibility accepted by all cultures.

multicultural leader A person who is effective in inspiring and influencing the thinking, attitudes, and behavior of people from various cultural backgrounds.

multidomestic (or multi-local) strategy Emphasizing local markets, allowing more local responsiveness and specialization.

multinational corporation (MNC) A corporation that engages in production or service activities through its own affiliates in several countries, maintains control over the policies of those affiliates, and manages from a global perspective.

nationalism The practice by a country of rallying public opinion in favor of national goals and against foreign influences.

nationalization The forced sale of an MNC’s assets to local buyers with some compensation to the firm, perhaps leaving a minority ownership with the MNC; often involves the takeover of an entire industry, such as the oil industry.

negotiation The process by which two or more parties meet to try to reach agreement regarding conflicting interests.

neutral versus affective Level of emotional orientation in relationships.

noise Anything that serves to undermine the communication of the intended meaning.

noncomparability of performance data across countries The control problem caused by the difficulty of comparing performance data across various countries because of the variables that make that information appear different.

nontask sounding (*nemawashi*) General, polite conversation and informal communication before meetings.

nonverbal communication (body language) The transfer of meaning through the use of body language, time, and space.

object language (material culture) How we communicate through material artifacts, whether architecture, office design and furniture, clothing, cars, or cosmetics.

objective–subjective decision-making approach The relative level of rationality and objectivity used in making decisions versus the level of subjective factors, such as emotions and ideals.

open systems model The view that all factors inside and outside a firm—environment, organization, and management—work together as a dynamic, interdependent system.

openness Traits such as open-mindedness, tolerance for ambiguity, and extrovertedness.

organizational culture (as different from societal culture) The norms and generally accepted ways of doing things within an organization.

outsourcing or offshoring The use of professional, skilled, or low-skilled workers located in countries other than that in which the firm is domiciled.

paralanguage How something is said rather than the content—the rate of speech, the tone and inflection of voice, other noises, laughing, or yawning.

parent-country national (PCN) An employee from the firm’s home country sent to work in the firm’s operations in another country (see also **expatriate**).

parochialism The expectation that “foreigners” should automatically fall into host-country patterns of behavior.

political risk The potential for governmental actions or politically motivated events to occur in a country that will adversely affect the long-run profitability or value of a firm.

polycentric staffing approach An MNC policy of using local host-country nationals (HCNs) to fill key positions in the host country.

polychronic cultures Those cultures that welcome the simultaneous occurrence of many things and emphasize involvement with people over specific time commitments or compartmentalized activities. See also **monochronic cultures**.

posturing General discussion that sets the tone for negotiation meetings.

power distance The extent to which subordinates accept unequal power and a hierarchical system in a company.

privatization The sale of government-owned operations to private investors.

projective cognitive similarity The assumption that others perceive, judge, think, and reason in the same way.

proxemics The distance between people (personal space) with which a person feels comfortable.

protectionism A country's use of tariff and nontariff barriers to partially or completely close its borders to various imported products that would compete with domestic products.

quantitative approach A means to develop a composite index used to monitor a country's creditworthiness and compare with other countries.

questionable payments Business payments that raise significant ethical issues about appropriate moral behavior in either a host nation or other nations.

regiocentric staffing approach An approach in which recruiting for international managers is done on a regional basis and may comprise a specific mix of PCNs, HCNs, and TCNs.

regionalization strategy The global corporate strategy that links markets within regions and allows managers in each region to formulate their own regional strategy and cooperate as quasi-independent subsidiaries.

regulatory environment The many laws and courts of the nation in which an international manager works.

relationship building The process of getting to know one's contacts in a host country and building mutual trust before embarking on business discussions and transactions.

repatriation The process of the reintegration of expatriates into the headquarters organization and career ladder as well as into the social environment.

resilience Traits such as having an internal locus of control, persistence, a tolerance of ambiguity, and resourcefulness.

reverse culture shock A state of disorientation and anxiety that results from returning to one's own culture.

ringi system "Bottom-up" decision-making process used in Japanese organizations.

self-reference criterion An unconscious reference to one's own cultural values; understanding and relating to others only from one's own cultural frame of reference.

separation The retention of distinct identities by minority groups unwilling or unable to adapt to the dominant culture.

specific or diffuse Relative level of privacy in relationships.

stages model See **structural evolution**.

stereotyping The assumption that every member of a society or subculture has the same characteristics or traits, without regard to individual differences.

strategic alliances Partnerships between two or more firms that decide they can better pursue their mutual goals by combining their resources and competitive advantages.

strategic alliances (global) Working partnerships between MNCs across national boundaries and often across industries.

strategic business unit (SBU) A self-contained business within a company with its own functional departments and accounting systems.

strategic freedom of an IJV The relative amount of control that an international joint venture will have, compared with the parents, in choosing suppliers, product lines, customers, and so on.

strategic implementation The process by which strategic plans are realized through the establishment of a *system of fits* throughout an organization with the desired strategy—for example, in organizational structure, staffing, and operations.

strategic planning The process by which a firm's managers consider the future prospects for their company and evaluate and decide on strategy to achieve long-term objectives.

strategy The basic means by which a company competes: the choice of business or businesses in which it operates and how it differentiates itself from its competitors in those businesses.

structural evolution (stages model) The stages of change in an organizational structure that follow the evolution of the internationalization process.

subcultures Groups within a societal culture that differ in some degree from one another.

subculture shock A state of disorientation and anxiety that results from the unfamiliar circumstances and behaviors encountered when exposed to a different cultural group in a country than one the person is familiar with.

SWOT analysis An assessment of a firm's capabilities (strengths and weaknesses) relative to those of its competitors as pertinent to the opportunities and threats in the environment for those firms.

subsidiary A business incorporated in a foreign country in which the parent corporation holds an ownership position.

sustainability The ability for firms to operate on the principles of sustainable development.

sustainable development Business activities that meet the needs of the stakeholders in the present while also protecting and sustaining future needs for human and natural resources.

synergy The greater level of effectiveness that can result from combined group effort than from the total of each individual's efforts alone.

technoglobalism A phenomenon in which the rapid developments in information and communication technologies (ICTs) are propelling globalization and vice versa.

terrorism The use of, or threat to use, violence for ideological or political purposes.

third-country nationals (TCNs) Employees hired from a country other than the headquarters or the host country of a firm's activities.

transnational corporations (TNCs) Multinational corporations that are truly globalizing by viewing the world as one market and crossing boundaries for whatever functions or resources are most efficiently available; structural coordination reflects the ability to integrate globally while retaining local flexibility; typically owned and managed by nationals from different countries.

transpatriate A term similar to expatriates but referring to managers who may be from any country other than that in which

the firm is domiciled, and who tend to work in several countries over time—that is, a manager who has no true corporate “home.”

turnkey operation When a company designs and constructs a facility abroad, trains local personnel, and turns the key over to local management, for a fee.

uncertainty avoidance The extent to which people feel threatened by ambiguous situations; in a company, this results in formal rules and processes to provide more security.

universalism versus particularism The relative obligation towards an objective application of rules, versus a more personal and individual application.

utilitarianism The relative emphasis on short-term cost-benefit (utilitarian) criteria for decisions versus those of long-term, ethical, and moral concerns. *See also* **moral idealism**.

values A person or group’s ideas and convictions about what is important, good or bad, right or wrong.

virtual global teams Employees in various locations around the world who coordinate their work and decisions through teleconferencing, e-mail, and so on.

work centrality The degree of general importance that working has in the life of an individual at any given time.

workforce diversity The phenomenon of increasing ethnic diversity in the workforce in the United States and many other countries because of diverse populations and joint ventures; this results in intercultural working environments in domestic companies.

works council In Germany, an employee group that shares plant-level responsibility with managers.

World Trade Organization (WTO) A formal structure for continued negotiations to reduce trade barriers and settling trade disputes.