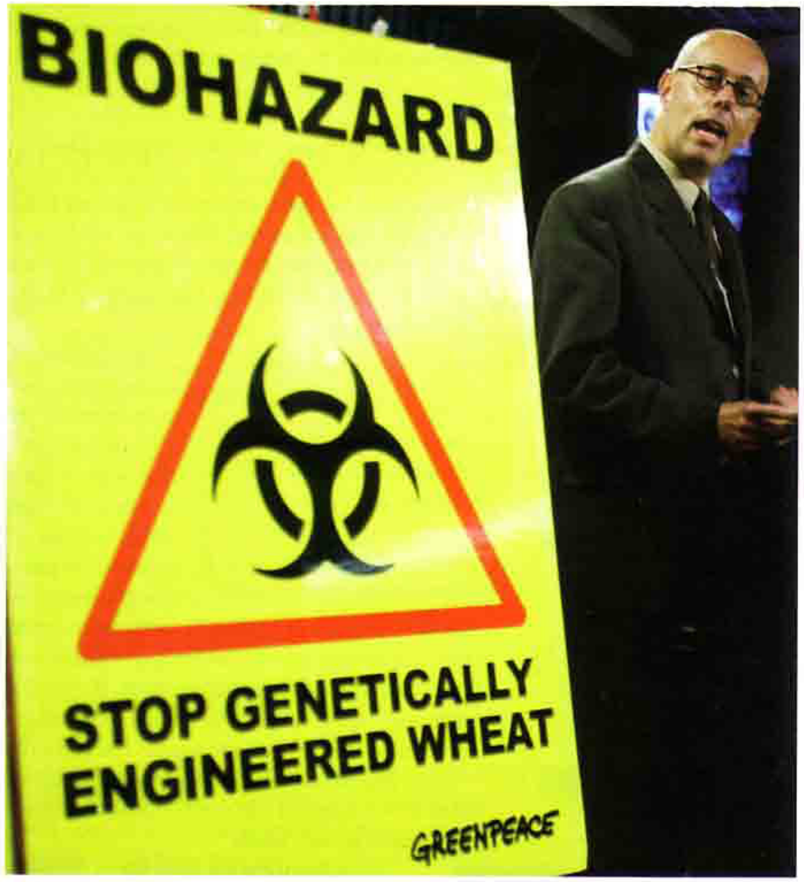
When St. Louis, Missouri-based Monsanto decided to sell its genetically modified (GM) food in Europe, company managers were stunned by negative reaction.[1] The company's view was that the food "would lower pesticide use, increase crop yields and promote more efficient land use," while most European environmentalists saw otherwise.

Monsanto, the world's largest producer in the GM crop market, had little trouble introducing GM food products such as soybeans and wheat to Americans, who trust their federal regulators to determine food safety. The company assumed that Europeans are equally trusting and simply marched into Europe to introduce GM food there. Their timing could not have been worse. Europeans had recently gone through a mad cow disease crisis, with governments falsely reassuring consumers that beef was safe. Much to the surprise of Monsanto's managers, the safety of GM food became a big issue.

Monsanto recognized its mistake. "You don't alter people's food without asking them first. It was as if their babies were being attacked," Kate Fish, Monsanto's vice-president for public policy, now says.[2] The company had to pull back its plans, and tried to work with European environmental groups to see if a common ground could be reached. European ministers are also standing their ground. They insist on new rules for labelling and tracing GM ingredients before they will consider lifting a moratorium approving new varieties of genetically modified food. In July 2004, Monsanto gained limited opportunity for



GM products in Europe when the European Commission approved one of Monsanto's varieties of corn for use as animal feed. That was the first acceptance of one of Monsanto's GM products in six years.

Think About It

Should a large corporation that's been successful introducing GM foods into the American market be concerned about doing the same in Europe? Put yourself in Kate Fish's shoes. How might she have better prepared the European market for the introduction of GM foods? What cultural issues did she face and how might cultural awareness have helped her deal with those problems?

What's Your Global Perspective?

It's not unusual for Germans, Italians, or Indonesians to speak three or four languages. Most Japanese schoolchildren begin studying English in the early elementary grades. On the other hand, even though we are officially a bilingual country, many Canadians tend to think of English as the only international business language and don't see a need to study other languages.

How comfortable are you being around people from different cultures?

Monolingualism is just one of the ways that people can be unfamiliar with the cultures of others. Successful global management requires enhanced sensitivity to differences in national customs and practices. Management practices that work in Vancouver might not be appropriate in Bangkok or Berlin. However, not everyone recognizes that others have different ways of living and working, particularly those who suffer from **parochialism**, which is viewing the world narrowly through one's own perspective.[3] Parochialism is a significant obstacle for managers working in a global business world. If managers fall into the trap of ignoring others' values and customs and rigidly applying an attitude of "ours is better than theirs" to foreign cultures, they will find it difficult to compete with other managers and organizations around the world that *are* seeking to understand foreign customs and market differences. Monsanto has certainly learned this lesson.

Individuals can take a variety of approaches in their attitudes toward other cultures.[4] Exhibit 3–1 summarizes the key points about three possible global attitudes. Let's look at each more closely.

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An **ethnocentric attitude** is the belief that the best work approaches and practices are those of the *home* country (the country in which the company's headquarters are located). Managers with an ethnocentric attitude believe that people in foreign countries do not have the skills, expertise, knowledge, or experience that people in the home country do. They wouldn't trust foreign employees with key decisions or technology.

A **polycentric attitude** is the view that the managers in the *host* country (the foreign country in which the organization is doing business) know the best work approaches and practices for running their businesses. Managers with a polycentric attitude view every foreign operation as different and hard to understand. Thus, these managers are likely to leave their foreign facilities alone and let foreign employees figure out how best to do things.

The last type of global attitude that managers might have is a **geocentric attitude**, which is a *world-oriented* view that focuses on using the best approaches and people from around the globe. Managers with this type of attitude believe that it's important to have a global view both at the organization's headquarters in the home country *and* in the various foreign work facilities. For instance, the CEO of Home Décor (a disguised name), a fast-growing manufacturer of household accessories, is a Chinese immigrant who describes the company's strategy as "combining Chinese costs with Japanese quality, European design, and American marketing."[5] With a geocentric attitude, major issues and decisions are viewed globally by looking for the best approaches and people regardless of origin.

Understanding the Global Environment

▶▶▶ Because of differing regulations throughout the globe, some companies face a great deal of difficulty marketing their products to other countries. Monsanto, for instance, has faced great difficulty in finding markets that are open to its genetically modified (GM) products. In 2002, China's Ministry of Agriculture passed regulations that required GM products to undergo safety assessments.[6] Chinese officials wanted to be reassured that these products were not harmful to human health or the environment. In spring 2004, Chinese officials finally agreed to issue unconditional import approval certificates for Monsanto's GM corn, cotton, and soybeans.

At the same time that China was approving the use of GM foods, a coalition of representatives from Japanese consumer and producer organizations was in Canada, warning that Japan would block wheat imports from Canada if the government allowed production of GM wheat. "The industry has stated plainly that if GM wheat is planted they will have no option but to look to other countries for wheat imports," said Keisuke Amagasa of the No! GMO Campaign, a Japanese association of consumers, producers, and distributors. The Japanese representatives brought with them a petition signed by 400 Japanese organizations, representing more than a million people, asking the Canadian government to "reject a bid from Monsanto Co. to commercialize genetically modified wheat" in Canada.

By May 2004, Monsanto had to back away from introducing GM wheat in Canada because of worldwide protests, after doing six years of tests and spending hundreds of millions of dollars on the project. Monsanto's decision was influenced by an anti-GM wheat ad campaign run in Canada and opposition by the Canadian Wheat Board.

Think About It

What factors affect Monsanto's ability to market its products around the world?

Regional Trading Alliances

Just a few years ago, global competition was best described in terms of country against country—the United States vs. Japan, France vs. Germany, Mexico vs. Canada. Now, global competition has been reshaped by the creation of regional trading alliances including the European Union, the North American Free Trade Agreement, the Association of Southeast Asian Nations, and others.

The European Union

The signing of the Maastricht Treaty (named for the Dutch town where the treaty was signed) in February 1992 created the **European Union (EU)**, a unified economic and trade entity with 12 member countries—Belgium, Denmark, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, the United Kingdom, and Germany. Three other countries—Austria, Finland, and Sweden—joined the group in 1995. In May 2004, the EU added 10 new countries—Cyprus, Malta, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia. Four other countries (Bulgaria, Croatia, Romania, and Turkey) have submitted applications to join the EU.[8] The economic power represented by the EU is considerable. The original EU member countries cover a population base of 375 million people, and the current 25 member countries encompass a population of 450 million.[9] (See Exhibit 3-2.)

Before the creation of the EU, each member country had border controls, taxes, and subsidies; nationalistic policies; and protected industries. Now, as a single market, the EU has no barriers to travel, employment, investment, and trade. The EU took an enormous step toward full unification in 1999 when 12 of its countries became part of the Economic and Monetary Union, the formal system responsible for the development of the **euro**, a single European currency. As of this time, the United Kingdom, Denmark, and Sweden have chosen not to adopt the euro as their currencies.[10]

The primary motivation for these countries joining together was to reassert their economic position against the strength of the United States and Japan. Working in separate countries with barriers against one another, European industries couldn't develop the efficiency of American and Japanese businesses. As the EU continues to evolve, it continues to assert its economic power in one of the world's richest markets. European businesses will continue to play an important role in the global economy. For instance, Unilever PLC of the United Kingdom is a powerful force in consumer products, DaimlerChrysler AG of Germany is a solid competitor in automobiles, and Nokia of Finland is a dominant player in cellphones.

North American Free Trade Agreement

When agreements in key issues covered by the **North American Free Trade Agreement (NAFTA)** were reached by the Canadian, US, and Mexican governments in August 1992, a vast economic bloc was created where barriers to free trade were eliminated. Between 1994, when NAFTA went into effect, and 2003 (the most recent year for complete statistics), Canada has become the United States' number-one trading partner.[11] In 2003, Canadian exports to the United States were $331 billion, which accounted for almost 83 percent of our total exports.[12] Exports to the United States are equivalent to nearly one-third of Canada's GDP. Between 1994 and 2001, trade between Mexico and Canada increased by almost 15 percent annually, reaching $14 billion in 2000. Canada also increased its investment in Mexico considerably, investing $3.5 billion in 2000.[13] Westcoast Energy, Scotiabank, and BCE are just a few Canadian companies that have expanded their operations to Mexico. Many economists argue that eliminating the barriers to free trade (tariffs, import licensing requirements, customs user fees) has resulted in a strengthening of the economic power of all three countries.

Other Latin American nations are moving to become part of free-trade blocs. Colombia, Mexico, and Venezuela led the way when all three signed an economic pact in 1994 eliminating import duties and tariffs. Now, 34 countries in the Caribbean region, South America, and Central America are negotiating a Free Trade Area of the Americas (FTAA) agreement, which is to be operational no later than 2005.[14] It is not known whether all countries will sign the agreement, and the benefits to Canada are not clear. Most of the other markets are quite small compared with Mexico and the United States. Already in existence is another free-trade bloc known as the Southern Cone Common Market, or Mercosur. However, it's facing serious problems as many of those participating countries are becoming part of the larger, and potentially more powerful, FTAA.[15]

Association of Southeast Asian Nations

The **Association of Southeast Asian Nations (ASEAN)** is a trading alliance of 10 Southeast Asian nations. (See Exhibit 3–3 on page 78.) During the years ahead, the Southeast Asian region promises to be one of the fastest-growing economic regions of the world. It will be an increasingly important regional economic and political alliance whose impact eventually could rival that of both NAFTA and the EU.

The World Trade Organization

Global growth and trade among nations doesn't just happen on its own. Systems and mechanisms are needed so that efficient and effective trading relationships can develop. Indeed, one of the realities of globalization is that countries are interdependent—that is, what happens in one can impact others, whether it's positive or negative. For example, the severe Asian financial crisis in the late 1990s had the potential to totally disrupt economic growth around the globe and bring on a worldwide recession. But it didn't. Why? Because there were mechanisms in place to prevent it from happening—mechanisms that encouraged global trade and averted the potential crisis. One of the most important of these mechanisms is the multilateral trading system called the **World Trade Organization (WTO)**.[17]

The WTO was formed in 1995 and evolved from the General Agreement on Tariffs and Trade (GATT), an agreement in effect since the end of World War II. Today, the WTO is the only *global* organization dealing with the rules of trade among nations. Its membership consists of 147 countries (as of April 23, 2004). At its core are the various trade agreements, negotiated and ratified by the vast majority of the world's trading nations. The goal of the WTO is to help businesses (importers and exporters) conduct their business. Although a number of vocal critics have staged visible protests and criticized the WTO, claiming that it destroys jobs and the natural environment, the WTO appears to play an important role in monitoring and promoting global trade.

Different Types of Global Organizations

Multinational Corporations

Organizations doing business globally aren't anything new. DuPont started doing business in China in 1863. H.J. Heinz Company was manufacturing food products in the United Kingdom in 1905. Ford Motor Company set up its first overseas sales branch in France in 1908. By the 1920s, other companies, including Fiat, Unilever, and Royal Dutch/Shell had gone multinational. But it wasn't until the mid-1960s that **multinational corporations (MNCs)** became commonplace. MNCs—which maintain significant operations in multiple countries but are managed from a base in the home country—started the rapid growth in international trade. With its focus on control from the home country, the MNC is characteristic of the ethnocentric attitude. Some examples of companies that can be considered MNCs include Montreal-based transport manufacturer Bombardier, Montreal-based aluminum producer Alcan, Tokyo-based consumer electronics firm Sony, Frankfurt-based Deutsche Bank AG, and New York City–based financial services provider Merrill Lynch. Although these companies have considerable global holdings, management decisions with company-wide implications are made from headquarters in the home country.

Transnational Corporations

Another type of global organization is the **transnational corporation (TNC)**—a company that maintains significant operations in more than one country but decentralizes management to the local country. This type of organization doesn't attempt to manage foreign operations from its home country. Instead, local employees typically are hired to manage the business, and marketing strategies are tailored to that country's unique characteristics. This type of global organization reflects the polycentric attitude. For example, Switzerland-based Nestlé can be described as a transnational. With operations in almost every country on the globe, its managers match the company's products to its consumers. In parts of Europe, Nestlé sells products that are not available in North or Latin America. Another example of a transnational is Frito-Lay, a division of PepsiCo, which markets a Doritos chip in the British market that differs in both taste and texture from the Canadian and US versions. Many consumer companies manage their global businesses as TNCs because they must adapt their products and services to meet the needs of the local markets.

How Organizations Go Global

Organizations have different ways of going global. (See Exhibit 3–4.) The choice depends on the level of investment and risk managers want to take.

Importing and Exporting

If a company wants to do business in other countries, what choices does it have?

A relatively low-investment strategy is to go global by **exporting** the organization's products to other countries—that is, by making products at home and selling them overseas. In addition, an organization can go global by **importing** products, selling products at home that are made overseas. Both exporting and importing are small steps toward being a global business and involve minimal investment and minimal risk. Many organizations start doing business globally this way. Many, especially small businesses, continue with exporting and importing as the way they do business globally. For instance, Haribhai's Spice Emporium, a small business in Durban, South Africa, exports spices and rice to customers all over Africa, Europe, and the United States. However, other organizations have built multimillion-dollar businesses by importing or exporting. For instance, that's what Montreal-based Mega Bloks has done. Mega Bloks is Canada's largest toy company, with sales in 100 countries. The company has 30 percent of the Canadian toy market, 20 percent of the US market, and 7 percent of global market share.[19] The company operates in eight countries, with more than 1000 employees. Mega Bloks is only one example of Canada's increasing reliance on export business. The value of merchandise exported from

Internal Sales or Manufacturing

Managers make more of an investment by committing to sell products in foreign countries or to have them made in foreign factories, but still with no physical presence of company employees outside the company's home country. Instead, what is typically done on the sales side is to send domestic employees on regular business trips to meet foreign customers or to hire foreign agents or brokers to represent the organization's product line. Or, on the manufacturing side, managers will contract with a foreign firm to produce the organization's products.

Licensing and Franchising

An organization can give another organization the right to use its brand name, technology, or product specifications in return for a lump-sum payment or a fee usually based on sales through licensing or franchising. The only difference is that **licensing** is primarily used by manufacturing organizations and **franchising** is used by service organizations. For example, Russian consumers can enjoy McDonald's hamburgers because McDonald's Canada opened the first Russian franchise in Moscow. Franchises have also made it possible for Mexicans to dine on Richmond, BC-based Boston Pizza and Koreans to consume frozen yogourt from Markham, Ontario-based Coolbrands' Yogen Früz. Anheuser-Busch licenses the right to brew and market Budweiser beer to other brewers, such as Labatt in Canada, Modelo in Mexico, and Kirin in Japan. Licensing and franchising involve more investment and risk than exporting and importing because the company's brand is more at stake.

Strategic Alliances

Strategic alliances are partnerships between an organization and a foreign company in which both share resources and knowledge in developing new products or building production facilities. The partners also share the risks and rewards of this alliance. It is not always easy to find a partner, however. When Starbucks decided to open coffee shops in France, it was turned down by four major French food companies it approached as joint venture partners. Jean-Paul Brayer, former head of one of the food companies Starbucks approached, commented, "Their contract was way too expensive. It was a win-win situation—but only for Starbucks."[21] Starbucks ended up partnering with a Spanish firm, Grupo VIPS, and together they opened the first Parisian Starbucks in January 2004.

A specific type of strategic alliance in which the partners agree to form a separate, independent organization for some business purpose is called a **joint venture**. For example, Hewlett-Packard has had numerous joint ventures with various suppliers around the globe to develop different components for its computer equipment, such as Tokyo-based Hitachi, which supplies hard drives for HP. These partnerships provide a faster and more inexpensive way for companies to compete globally than doing it on their own.

Strategic alliances are very important to Canadian companies. Al McNally, chairman and CEO of Bank of Montreal's Chicago-based subsidiary, Harris Bank, recently emphasized the need for Canadian banks to look internationally if they want to improve their financial viability. "To thrive and prosper, success at home must be matched and multiplied by success in the U.S. It's also the only way to ensure that Canada continues to grow as an important financial services provider—creating thousands of good jobs, and substantial foreign income, for Canadians."[22]

Foreign Subsidiaries

Managers can make a direct investment in a foreign country by setting up a **foreign subsidiary**, a separate and independent production facility or office. This subsidiary can be managed as an MNC (domestic control), a TNC (foreign control), or as a borderless organization (global control). As you can probably guess, this arrangement involves the greatest commitment of resources and poses the greatest amount of risk. Many of the larger compa-

Ethical Dilemma Exercise

Montreal-based Alcan Inc. is the world's largest primary aluminum producer. The company has 88 000 employees and 300 operations in 60 countries; it posted a profit of $219 million in 2003. The company plans to develop a $1.8 billion strip mine and refinery in Orissa state, 1200 kilometres southeast of New Delhi, India.

The company has only recently been given permission to begin developing the mine. For a number of years, local people have expressed concern that the mining activities will uproot the Adivasis, some of India's indigenous tribes. Several years ago the protests against developing the mine grew violent when state police fired guns at the Adivasis, killing three protesters. Alcan's plans were put on hold while government officials conducted an inquiry into the deaths. The government concluded that tribal areas "cannot afford to remain backward for the sake of so-called environmental protection."

Bhagawan Majhi serves as *sarpanch* (chief) of Kucheipadar village, where the violence took place. He has led the opposition to the mines since he was a teen, and says, "Our fight will continue until the government revokes its agreement with the company."

Alcan insists on carrying through with the mine, even though one of its partners in the project, Norway-based Norsk Hydro, decided to quit the project after three of its employees were kidnapped by tribal members.

Alcan spokespeople claim that the mine can actually improve the life of the Adivasis. The company promises to create more than 1000 jobs, and each tribal family will be given at least one. Employees will get a health clinic that others in the area can use. Majhi does not believe that the Adivasis will be better off with the mine. For one thing, the Baphlimali Hill, which is sacred to their tribe, will be ruined. He also says that land is more important than jobs. "What will we do with the money? We don't know how to do business," he notes. He also talks about how the lives of villagers who accepted money from Alcan in exchange for drilling rights have been ruined: "They spent it on alcohol, they married two or three women, they bought wristwatches and motorcycles," Majhi says.

Alcan's CEO, Travis Engen, was given notice two weeks before the annual general meeting that several shareholders would protest the company's plans to develop the mine on Adivasis lands. He knows that he must respond to their complaints at the meeting. Does it make sense to simply abandon the mining plans in the face of protests? What should he tell shareholders at the meeting about Alcan's future plans for the region?

Sources: Based on M. R. Cohn, "Indian Villagers Set to Battle Alcan," *Toronto Star*, July 3, 2004, pp. A1, A10–A12; A. Swift, "Alcan to Do Well in 2004, Says CEO," *Trail Times*, April 23, 2004, p. 14; and L. Moore, "Alcan Sees Bright Year Ahead," *Montreal Gazette*, April 23, 2004, p. B1.

Case Application

National Basketball Association

Using an exceptionally well-executed game plan, the National Basketball Association (NBA) is trying to emerge as the first truly global sports league. The game was invented in 1891 by Canadian James Naismith, from Almonte, Ontario, and the Toronto Raptors and Vancouver Grizzlies were the first non-US cities to join the league, during the 1995–1996 season.

The desire to transform the once-faltering domestic sport into a global commercial success reflects a keen understanding of managing in a global environment. And much of the credit should go to NBA commissioner David Stern, who has been consciously building the NBA into a global brand.

Professional basketball sparked the interest of fans and players around the globe in the mid-1990s, and the NBA cashed in on the game's universal appeal. At one time, if you had asked someone in China what the most popular basketball team was, the answer would have been the "Red Oxen" from Chicago (the Bulls). Today, the NBA's centre of attention *comes* from China. Yao Ming, the 2.2-metre-tall centerpiece of the Houston Rockets, has a personality that appeals to fans around the world. But he's not the only global player in the league. Others include the Dallas Mavericks' Dirk Nowitzki from Germany; Pau Gasol of the Memphis Grizzlies, a native of Spain; San Antonio Spurs' guard Tony Parker from France; Denver Nuggets' forward Nene Hilario from Brazil; and Orlando Magic guard Gordan Giricek from Croatia. The Raptors' first-round draft pick in 2004, Rafael Araujo, is from Brazil. What started as a trickle in the 1980s with occasional foreign stars like Hakeem Olajuwon (Nigeria) and the late Drazen Petrovic (Croatia), has turned into a flood. A record 67 players from 33 countries and territories outside the United States were playing in the NBA as of March 2004. These include Canadian players Jamaal Magloire on the New Orleans Hornets, Steve Nash on the Dallas Mavericks, and Rick Fox on the Los Angeles Lakers. Seventeen Canadian basketball players have played in the NBA over the years. The NBA wants to prove that the game can be played globally also.

What strategies can Stern take to increase consumer familiarity with basketball both domestically and globally? How can he develop a greater basketball presence in Canada?

Sources: See http://www.nba.com/canada/Canadians_in_the_NBA-Canada_Generic_Article-18022.html; D. Eisenberg, "The NBA's Global Game Plan," *Time*, March 17, 2003, pp. 59–63; J. Tyrangiel, "The Center of Attention," *Time*, February 10, 2003, pp. 56–60; "Spin Master Stern," *Latin Trade*, July 2000, p. 32; Information from NBA website, http://www.nba.com (accessed July 1, 2004); J. Tagliabue, "Hoop Dreams, Fiscal Realities," *New York Times*, March 4, 2000, p. B11; D. Roth, "The NBA's Next Shot," *Fortune*, February 21, 2000, pp. 207–216; A. Bianco, "Now It's NBA All-the-Time TV," *BusinessWeek*, November 15, 1999, pp. 241–242; and D. McGraw and M. Tharp, "Going Out on Top," *U.S. News and World Report*, January 25, 1999, p. 55.

Am I Well-Suited for a Career as a Global Manager?

For each of the following statements, circle the level of agreement or disagreement to how well the statement describes you:

1 = Very Strongly Disagree
4 = Neither Agree Nor Disagree
7 = Very Strongly Agree

1. When working with people from other cultures, I work hard to understand their perspectives.	1 2 3 4 5 6 7
2. I have a solid understanding of my organization's products and services.	1 2 3 4 5 6 7
3. I am willing to take a stand on issues.	1 2 3 4 5 6 7
4. I have a special talent for dealing with people.	1 2 3 4 5 6 7
5. I can be depended on to tell the truth regardless of circumstances.	1 2 3 4 5 6 7
6. I am good at identifying the most important part of a complex problem or issue.	1 2 3 4 5 6 7
7. I clearly demonstrate commitment to seeing the organization succeed.	1 2 3 4 5 6 7
8. I take personal, as well as business, risks.	1 2 3 4 5 6 7
9. I have changed as a result of feedback from others.	1 2 3 4 5 6 7
10. I enjoy the challenge of working in countries other than my own.	1 2 3 4 5 6 7
11. I take advantage of opportunities to do new things.	1 2 3 4 5 6 7
12. I find criticism hard to take.	1 2 3 4 5 6 7
13. I seek feedback even when others are reluctant to give it.	1 2 3 4 5 6 7
14. I don't get so invested in things that I cannot change when something doesn't work.	1 2 3 4 5 6 7

Scoring Key

Reverse your scoring for item 12 (i.e., 1 = 7, 2 = 6, 3 = 5, etc.) and then add up your total score. Your total score will range from 14 to 98. The higher your score, the greater your potential for success as an international manager.

In today's global economy, being a manager often means being a global manager. But unfortunately, not all managers are able to transfer their skills smoothly from domestic environments to global ones. Your results here can help you assess whether your skills align with those needed to succeed as an international manager.

Source: Adapted from G. M. Spreitzer, M. W. McCall Jr., and J. D. Mahoney, "Early Identification of International Executive Potential," *Journal of Applied Psychology*, February 1997, pp. 6-29.