Multinational Management Brief

Metro Cash and Carry and Process Standardization

Metro Cash and Carry is part of the Metro Group, a German retailer that ranks among the top three in the world. It has operations around the world and is the global market leader in wholesale cash and carry. The retailer is reputed for its ability to deliver fresh meat, fruits, and vegetables around the world. How did it achieve such competence in delivering freshness? An important factor is that the company has strictly standardized procedures with respect to how it deals with its supply chain around the world. At a minimum, Metro’s 90,000 employees are required to satisfy strict international professional standards in whatever they are doing. This standardized process has allowed the company to have all employees, departments, and subsidiaries around the world on the same page.

*Sources: Dziobaka-Spitzhorn, 2006. “From West to East.” Performance Improvement, 45, 6, pp. 41–47.*

The next section discusses the type of managers that will succeed in the global economy of the future by describing some of the characteristics of the next generation of multinational managers.

The Next Generation Of Multinational Managers

Consider what the experts say about the need for multinational managers and leaders:

*It takes more than a lot of frequent flyer miles to become a global leader. Today’s cosmopolitan executive must know what to do when competitive advantage is fleeting, when change becomes chaos, and when home base is the globe.*

We need global leaders at a time when markets and companies are changing faster than the ability of leaders to reinvent themselves. We have a shortage of global leaders at a time when international exposure and experience are vital to business success. And we need internationally minded, globally literate leaders at a time when leadership styles are in transition around the world.

To become global leaders and keep pace with the dizzying rate of globalization, most managers will need additional strengths to meet its challenges. According to some experts, the next generation of successful multinational managers must have the following characteristics:

- **A global mindset**: A person with a global mindset understands that the world of business is changing rapidly and that the world is more interdependent in business transactions. A global mindset requires managers to think globally, but act locally.” Managers must see similarities in the global market while still being able to adapt to local conditions in any country. A global mindset is necessary for all employees, from the CEO to the rank and file, if a company is to support and implement a global strategic vision.

- **The ability to work with people from diverse backgrounds**: In the global economy, customers, partners, suppliers, and workers often will come from...
locations other than the company’s home country. The next generation of multinational managers will build on their awareness of cultural differences to succeed in these cross-cultural relationships. Successful organizations will require all employees to work well with diverse groups of people.

- **Emotionally intelligent:** There is growing evidence that being able to manage one’s emotions, or emotional intelligence, is a crucial requirement for the multinational manager. Previous research has shown that emotional intelligence prepares the manager to better adjust to and deal with new cultures and people.

- **A long-range perspective:** A short-term view seldom succeeds in the new global economy. Credited with responsibility for turning Motorola into a global player, former CEO Robert W. Galvin put a representative in Beijing more than ten years ago. Now Motorola is the largest U.S. investor in China. Successful companies must be persistent to overcome the complexities of dealing with the international environment.

- **The ability to manage change and transition:** Although a long-term view favors survival in the global environment, the global economy is volatile and unpredictable. This will require leaders with the skills to effectively implement many organizational changes.

- **The ability to create systems for learning and changing organizations:** Organizations competing in the global economy will face rapidly changing and complex environments. These organizations will need to tap the talents of all employees concerning what is going on in the world and in the organization. They will need to coordinate complex interdependencies among business functions (e.g., marketing and manufacturing) across national boundaries. The next generation of multinational leaders will be responsible for building the organizations that can meet the needs of evolving strategies for global competition.

- **The talent to motivate all employees to achieve excellence:** The ability to motivate has always been a hallmark of leadership. In the next generation of organization, the leader will face additional challenges of motivation. Employees may come from any country and may live in any country. Leaders will face the motivational challenge of having employees identify with the organization rather than with their country. Leaders also will need to develop motivational strategies that transcend cultures.

- **Accomplished negotiating skills:** All business transactions require negotiation. However, leaders in the global economy will spend considerably more time negotiating cross-culturally. This will be more challenging as well as more necessary.

- **The willingness to seek overseas assignments:** The next generation of leaders will have significant international experiences. They will demonstrate management skills and success in more than one cultural environment.

- **An understanding of national cultures:** In spite of the pressures of globalization to treat the world as one market, large differences still exist among national cultures. No multinational leader or business can succeed without a deep understanding of the national cultures in which they do business. Multinational managers often will be required to learn two or more additional languages as well as the nuances of local cultural differences.

Can you develop the skills necessary to be a successful multinational manager? One of the first tasks is to learn all you can about multinational
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management and international business. In the next section, we will discuss how this text can contribute to this goal.

Multinational Management: A Strategic Approach

Why should you study multinational management? In today’s Internet-connected world, you may have little choice but to be a multinational manager. Foreign competition and doing business in foreign markets are daily facts of life for today’s managers. The study of multinational management helps prepare you to deal with this evolving global economy and to develop the skills necessary to succeed as a multinational manager. This text will introduce some of the basic skills of multinational management.

It takes a strategic approach to multinational management, focusing on how multinational managers formulate and implement strategies to compete successfully in the global economy. Strategy is defined here as the maneuvers or activities that managers use to sustain and increase organizational performance. Strategy formulation is the process of choosing or crafting a strategy. Strategy implementation includes all the activities that managers and an organization must perform to achieve strategic objectives.

From the perspective of the multinational company and managers, strategies must include maneuvers that deal with operating in more than one country and culture. Thus, multinational strategy formulation takes on the added challenges of dealing with opportunities and competition located anywhere in the world. Similarly, multinational strategy implementation carries added challenges, including the need to develop complex management systems to carry out strategies that reach beyond domestic boundaries.

The rules of competition are constantly evolving. Today’s multinationals face an environment that is drastically different from the environment that multinationals faced in the past. A company can be a dominant player but can lose its competitive edge rapidly. As we examine international management from a strategic perspective, it is important to understand the trends that will shape the future business environment. These include:42

- **Blurring of industry boundaries:** Information and other communication technologies have made industry boundaries less clear. For instance, the South Korean company Samsung now produces products ranging from televisions to cell phones to microprocessors. This blurring of boundaries make it much harder to identify and understand competitors.

- **Flexibility matters more than size:** Recent events suggest that being big may no longer be useful. Consider that many giants such as GM, Microsoft, Dell, and IBM have all hit market caps. As outsourcing, alliances, and partnering gather steam, companies are finding that they can convert many fixed costs into variable costs. Such changes make scale less useful.

- **Find your niche:** Multinationals have traditionally strived to be the leader in their respective industries. However, such thinking is now changing. Kim and Mauborgne’s43 Blue Ocean Strategy suggest that finding those uncontested niches also leads to success. In fact, many companies are finding that they can do well by finding niches and satisfying the needs in that niche. Consider the Multinational Management Brief on page 29.

- **Hypercompetition:** The new environment is characterized by intense competition coming from companies located in all parts of the world. Businesses
cannot expect to be stable and be around for a long time. For instance, consider that Haier, a Chinese company that entered the U.S. market in 1999, is now the top-selling brand of dorm fridges. It also is the market leader in home wine coolers and ranks third in freezers.

- **Emphasis on innovation and the learning organization:** Successful companies are going to those that can draw on local knowledge to innovate and compete globally. For instance, many of the successful South Korea and Japanese companies were able to use their domestic markets as tests to improve and launch their products globally. To achieve such success, any multinational will need to develop the appropriate mechanisms and systems to integrate the local knowledge to produce value for the company.

Given the above, a fundamental assumption of this book is that successful multinational management requires managers to understand their potential competitors and collaborators.\(^4\) Consider:

> **When you understand your competitors and yourself, you will always win.** (*Sun Tzu, The Art of War.*)

Multinational companies and managers must be prepared to compete with other firms from any country. In addition, they must be prepared to collaborate with companies and people from any country as suppliers, alliance partners, and customers. To accomplish these tasks means that multinational managers must understand more than the basics of national culture. They must understand how people from different nations view organizational strategies and organizations. To provide such a background, this text devotes several chapters to comparative management—the comparison of management practices used by people from different nations.
Summary and Conclusions

This chapter provided you with key background information that supports the study of multinational management. The chapter defined multinational management and the multinational company. You saw examples of the world's largest multinationals. However, as the Preview Case in Point showed, companies of all sizes can be multinational.

Because we exist in a globalizing world, considerable attention has been devoted to the forces that drive globalization. These are key environmental issues that affect every multinational company and its managers. World trade and investments are growing rapidly, but not always consistently, making all economies more linked and creating both opportunities and threats for both domestic and multinational companies. New competitors, strong and motivated, are coming from developing nations in Asia, the Americas, and the transitioning economies of Eastern Europe. Customers, products, and standards are becoming more global. The increasing sophistication and lower cost of information technology fuel the development of global companies that can more easily manage worldwide operation.

Multinational managers of the next generation will need skills not always considered necessary for domestic-only managers. This chapter described key characteristics of successful multinational managers as identified by several experts. Perhaps the most encompassing characteristic is the global mindset. Managers with a global mindset understand the rapidly changing business and economic environment. They can see the world as an integrated market, yet appreciate and understand the wide array of differences in the world cultures and social institutions.

The next two chapters in this section will begin building the foundation of your global mindset. You will see how cultural differences affect business practices. You will see not only how understanding national culture is crucial to your success as a multinational manager but also how social institutions such as religion and law influence multinational management. This combination of national culture and social institutions is called the national context.

After reading this text, you should have the foundation for understanding the latest challenges and practices of multinational management. However, the field is dynamic, and your learning will never be complete. Successful multinational managers will view the understanding of their field as a lifelong endeavor.

Discussion Questions

1. Discuss how any company can become a multinational company. What are some of the options available to companies that allow them to use international markets and locations competitively?
2. Discuss some reasons why reductions in world trade barriers are driving the world toward a global economy.
3. Consider how things such as wars, terrorist acts, and bird flu might alter the progression of globalization. What should a multinational manager do to deal with these situations?
4. Discuss the differences between foreign trade and foreign direct investment.
5. Discuss some of the advantages and disadvantages of setting up production in developing nations. Consider the benefits of market growth and the risk of the venture. Consider the position of Motorola discussed in the text. If you were the CEO, would you think that Motorola made the right move?
6. Look at the information on developing economies and hot competitors discussed in the text. Where do you think the next generation of world-class competitors will come from? Why?
7. Discuss the characteristics of a next generation multinational manager. How can you develop those characteristics through education and experience?
8. What are some of the new rules of competition today? How are these new rules going to affect global trade?
Interview a Multinational Manager

Step 1. In teams or as an individual, contact a current or former multinational manager. Where can you find a multinational manager? Perhaps some are close by. In a business college, many students and professors have had work experience as a multinational manager. Also, the parents of many students are similarly experienced. Most likely, however, you will need to contact a company and ask to speak with the individual in charge of international operations. Don't overlook small companies. Although it may not be a full-time responsibility, many companies still have someone responsible for international sales.

Step 2. Set up an appointment for an interview.

Step 3. Arrive on time, professionally dressed with a list of prepared questions. Some possible questions include:

- What circumstances led you to assume a position with international responsibilities?
- What are the major challenges in the international part of your job?
- How would you describe the international strategy of your company?
- How important is international work to advance in your company?
- How do you deal with and prepare for cultural differences?
- Do you ever have to manage directly employees from other countries? If so, what are the challenges in doing that?
- How are people selected for international assignments?
- Do you face any unique ethical situations in your job?

Endnotes

5. Ibid.
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43 Kim and Mauborgne, "Value innovation: A leap into the blue ocean."