

(including corporate income tax, personal income tax, wealth tax, social security, and sales tax); this annual report can be found on the Web at www.forbes.com/misery.

Also, firms that rely on technological innovations as a source of competitive advantage may have to deal with complicated licensing agreements and royalties. In Germany, royalties on patents are limited to 10 percent of sales, with the duration of patents and trademarks set at 20 years and 10 years, respectively. Egypt, on the other hand, places no limits on royalties, but only production processes may be patented and only for a maximum of 15 years.

More than 80 countries adhere to the International Convention for the Protection of Industrial Property (often referred to as the Paris Union), but the rules may be interpreted differently. What constitutes industrial espionage may also differ among countries, and firms face major risks in protecting their technology. A firm may find that its proprietary technology is copied by joint-venture partners, franchisees, licensees, and former employees who are hired by other firms, encouraged in part by lax enforcement of so-called intellectual property laws.

CULTURAL ENVIRONMENTS According to Hofstede, *culture* is the "collective programming of the mind which distinguishes the members of one group from another. . . . Culture, in this sense, includes systems of values; and values are among the building blocks of culture."²⁷ Culture reflects differences in the social structures, religions, languages, and historical backgrounds of various countries. **Culture shock** occurs when a person is exposed to a new culture with different norms, customs, and expectations and has difficulty adjusting.

To succeed internationally, businesses need to understand and be willing to make accommodations for cultural differences. Hofstede uses five dimensions to summarize different cultures:

1. **Power distance** is the extent to which individuals expect a hierarchical structure that emphasizes status differences between subordinates and superiors. For example, in countries that are high in power distance, such as the Philippines, Mexico, and most Arab nations, employees expect visible rewards that project power for people higher up in the organizational pyramid, such as a large office or an elegant company car.
2. **Individualism** is the degree to which a society values personal goals, autonomy, and privacy over group loyalty, commitment to group norms, involvement in collective activities, social cohesiveness, and intense socialization. In countries that are high in individualism, such as the United States, Great Britain, and New Zealand, employees believe they should look after their own interests.
3. **Uncertainty avoidance** is the extent to which a society places a high value on reducing risk and instability. Greece, Portugal, Italy, and other countries with high uncertainty avoidance have organizations with extensive rules and procedures and careful delineation of the work each individual is supposed to do.
4. **Masculinity/femininity** is the degree to which a society views assertive or "masculine" behavior as important to success and encourages rigidly stereotyped gender roles. Countries that are high in masculinity, such as Austria, Mexico, and the United States, value stereotypically male traits such as aggressiveness, initiative, and leadership.

culture shock

The reaction when exposed to other cultures with different norms, customs, and expectations.

power distance

The extent to which individuals expect a hierarchical structure that emphasizes status differences between subordinates and superiors.



LearningCenter
www.mhhe.com/gomez3e

Hofstede's Model of National Culture

individualism

The degree to which a society values personal goals, autonomy, and privacy over group loyalty, group norms, collective activities, social cohesiveness, and intense socialization.

uncertainty avoidance

The extent to which a society places a high value on reducing risk and instability.

masculinity/femininity

The degree to which a society views assertive or "masculine" behavior as important to success and encourages rigidly stereotyped gender roles.

video: THE ENTREPRENEURIAL MANAGER



Cirque du Soleil

Summary

Guy Laliberte started as a street performer, with the dream to take his group of jugglers, fire-eaters, stilt-walkers, and clowns on a world tour to have fun and entertain people. He had no idea that he was embarking on a journey that would revive the traditional circus and reinvent live entertainment, making him one of the most successful people in international business. Today, Cirque du Soleil has numerous shows playing worldwide. The troupe who originally formed Cirque in 1984 had to locate in a warmer climate, because performing under a tent in Canada year-round was not an option. So, they decided to go to Los Angeles in 1987, and were given the opportunity to do the opening show at the Los Angeles Arts Festival.

Guy hit the road around the same time that businesses around the world began moving toward globalization, taking regional businesses into the international markets. With the Cold War over, and trade barriers all over the world dropping for the first time in history, companies like Cirque found it much easier to penetrate new markets. The show was fortunately a press and public success immediately.

Cirque is not without significant challenges, however, that relate directly to globalization. First, Cirque must search the globe for specific talents in its shows. Cirque also looks to the Olympics to find talent. They do not approach an athlete until they are sure it is the athlete's last Olympics, which is an ethic the company upholds out of respect to the athletes and to their countries. Cirque faces a unique challenge because most global companies do not have to worry about the welfare of their employees during nonworking hours. Cirque concerns itself with employee welfare 24 hours a day for its traveling shows. This includes diet needs, dealing with language barriers, housing, and even homesickness.

Today, Cirque is successful as a truly global company and is giving back to the communities with which it interacts. Guy believes it is very important that the company remembers its roots and adhere to a code which emphasizes supporting the individual performers and their diverse communities.

Discussion Questions

1. How has the "global shift" contributed to the success of Cirque du Soleil? Why was this critical in the company's beginning? What about now?
2. How does management across cultures affect Cirque du Soleil? In your response, consider both consumers and employees.
3. Consider the various ways of staffing and managing international subsidiaries. Which method best resembles what Cirque does? What are the advantages and disadvantages of this system?

long-term/short-term orientation

The extent to which values are oriented toward the future as opposed to the past or present.

5. **Long-term/short-term orientation** is the extent to which values are oriented toward the future (saving, persistence) as opposed to the past or present (respect for tradition, fulfilling social obligations). Japan and China value employee seniority and believe that wisdom increases with age, which reflects a longer-term orientation.²⁸

Figure 2.4 on page 67 shows the alignment of countries in terms of power distance and uncertainty avoidance. Latin, Mediterranean, and Far Eastern countries with relatively high masculinity and strong uncertainty avoidance make up the largest cluster, in the bottom right corner. The other clear cluster, in the top left corner, groups countries with low masculinity and weak uncertainty avoidance and includes mostly Anglo countries.

table 2.2

Cultural Characteristics and Dominant Values (Individualism, Organizational Characteristics, and Selected HR Practices)

DOMINANT VALUES	SAMPLE COUNTRIES	ORGANIZATIONAL FEATURES	REWARD PRACTICES	STAFFING/APPRaisal PRACTICES
High Individualism				
Personal accomplishment	United States	Organizations not compelled to care for employees' total well-being	Performance-based pay	Emphasis on credentials and visible performance outcomes attributed to individual
Selfishness	Great Britain		Individual achievement rewarded	
Independence	Canada	Employees look after their own individual interests	External equity emphasized	High turnover; commitment to organization for career reasons
Belief in individual control and responsibility	New Zealand	Explicit systems of control necessary to ensure compliance and prevent wide deviation from organizational norms	Extrinsic rewards are important indicators of personal success	Performance rather than seniority as criterion for advancement
Belief in creating one's own destiny			Attempts made to isolate individual contributions (i.e., who did what)	"Fitting in" deemphasized; belief in performance as independent of personal likes and dislikes
Business relationship between employer and employee			Emphasis on short-term objectives	Attempts at ascertaining individual strengths and weaknesses and providing frequent feedback to employee
Low Individualism				
Team accomplishment	Singapore	Organizations committed to high-level involvement in workers' personal lives	Group-based performance is important criterion for rewards	Value of credentials and visible performance outcomes depends on perceived contributions to team efforts
Sacrifice for others	South Korea	Loyalty to the firm is critical	Seniority-based pay utilized	Low turnover; commitment to organization as "family"
Dependence on social unit	Indonesia	Normative, rather than formal, systems of control to ensure compliance	Intrinsic rewards essential	Seniority plays an important role in personnel decisions
Belief in group control and responsibility	Japan		Internal equity guides pay policies	"Fitting in" with work group crucial; belief that interpersonal relations are important performance dimension
Belief in the hand of fate	Taiwan		Personal needs (such as number of children) affect pay received	Limited or no performance feedback to individual to prevent conflict and defensive reactions
Moral relationship between employer and employee				

Source: From *Managing Human Resources* by Gomez-Mejia, et al. Copyright © 2007. Reprinted by permission of Pearson Education, Inc., Upper Saddle River, NJ.

- The present wealth (purchasing power) of consumers in the market is high and projected to grow in the future. For instance, only about 40,000 people in the world can afford to buy a \$300,000 Rolls Royce. Almost all of them are found in about 12 countries.³² Wal-Mart is doubling its investments in Japan during 2006–2010. After years of being in the doldrums, the Japanese economy is starting to grow again. Its \$1.2 trillion retail market is the world's largest after the United States.³³
- The needed resources are readily available. "British entrepreneur Richard Branson opened several of his Virgin Megastores in Japan despite its reputation as a tough market to crack. One reason for Branson's initial attraction to Japan was a cost of capital of only 2.5 percent—roughly one-third