

# Managing in a Global Environment

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As the level of foreign trade increases across the world, as companies make and market product globally, and as cross-national strategic alliances are formed, there is a strong need for developing managers with a global mindset. To address this need some schools supplement the traditional classroom-centered coverage of global issues with experiential learning that requires work/study in another country. This is an expensive option for the student, who has to pay for the trip, and for the school, which has to make the arrangements. We used the Internet to achieve the same end, by facilitating a cross-cultural business simulation between graduate students in three schools—two in the U.S. and one in France.

In our school the students were primarily full-time students with several years of work experience. For them, this course was a second-year elective. The other U.S. school had part-time students in the early stages of their graduate program. These students also had several years of work experience and many were from other countries. The French students were in the final year of a combined bachelors / masters program. They had limited work experience.

Thirty-two students were involved—11 each at our school and in France, 10 in the other U.S. school.

## Major educational objectives

- Using a framework for understanding a country's business environment
- Communicating / negotiating across geographical and cultural boundaries
- Recognizing the impact of differences in approaches to business
- Applying models and analysis to support decision-making

## Innovative and Unique Features

One innovation was using the Internet to facilitate students from different cultures so that they could communicate among

themselves to see how they addressed specific business issues and understand significant elements of doing business cross-nationally.

The second innovation was to create a simulation, "TechMark," that provided an international business context. The purpose of the simulation was to promote conflicts which could then be resolved, showing students how to reach a deeper understanding. Unlike other simulations, this simulation required teams to interact before submitting a decision. Because the teams were geographically dispersed, the potential for conflicts increased.

The third innovation was to adapt this simulation to include global concerns. The eight companies were located in different countries (two in "Ledakka," a developing country; two in "Nihono," a country with a well-developed economy and protectionist policies; and three in "Euphoria," which has a well-developed economy and the largest market). Each country had its own currency, a different tax and interest rate, and different tariff and transportation rates. The companies consisted of disk drive companies and personal computer manufacturers. Each disk drive company sold disk drives with a commonly available technology and was developing a new proprietary technology. The personal computer manufacturers incorporated the drives with the existing technologies in their product. But they were also under considerable price pressure from manufacturers who cloned their product. As a result, they had a strong incentive to acquire a new technology that would differentiate their product. The personal computer manufacturer sold to two distinct segments: value-adding distributors whose sales are impacted by advertising and large companies who are accessed through a sales force.

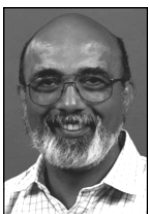
## Content

The course was a newly designed elective. It built on earlier core courses in strategy, finance, accounting, organizational behavior,



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ior, marketing, and operations. The TechMark simulation created a business environment within which students could apply the following concepts and tools.

**Marketing.** Segmentation, channel conflict, price skimming, trade support, penetration pricing, product life cycle, account selling, product line selling, sales forecasting and product differentiation.

**Operations.** Inventory management, capacity management, quality management, customer service including warranties and return policies, scheduling, new product development, and planning technology investments.

**Finance/Accounting.** Balance sheet, income statements, cash flow, debt management, contribution analysis and key financial ratios.

**International.** Interest rates, tariffs, tax structures, exchange rates, impact of government policies, negotiating and communicating across boundaries.

As the simulation progressed, changes occurred to the political environment that effected exchange, tax and interest rates, and tariffs. In addition, as in real life, negotiated deals could be broken, operational delays might occur, and the market might respond unexpectedly to pricing and promotional efforts.

## Organization

The first portion of the course aimed at introducing the materials, tools, and background needed for cross-national management. We assumed knowledge of the basic business elements of finance, accounting, operations, and marketing such as understanding of financial statements, projecting cash flows, matching capacity to demand, and the impact of marketing mix variables.

In order to understand the business environment in a country, we built on the framework students had seen earlier (Dyck). The supplement focused on cultural aspects and drew heavily from the works of Hofstede and Hall. The student teams were expected to select a country for analysis from a provided list. These were countries for which we had access to a substantial amount of data in the form of written material and on the Internet. Our students chose Spain, Ireland, and France. We then sent their completed presentations

to professors in those countries for feedback. The idea was to confirm the students' perspective of the country's culture. For example, the Irish presentation went to a professor at the University of Limerick who noted that the strong influence of the church described in the literature was being eroded in modern times because of scandals.

An area that was new for many students was negotiations. We provided an introduction to the topic and built on it with elements relating to cross-national negotiations:

- Dealing with foreign countries frequently raises issues of ethics. We had a legal expert discuss the ethical issues and introduce specific Web sites such as the Internet corruption index and Transparency International, which discusses the prevailing ethical standards of various countries.
- An approach to international negotiations proposed by Kersten and Noronha that uses a World Wide Web based system (Kersten & Noronha, 1988). While we did not have the system available for our students, we were able to replicate some of its elements, especially for the negotiation preparation stage. In this stage the attributes of a negotiated agreement are defined and values/utilities assigned using conjoint analysis, a technique that students had learned earlier as a marketing research tool which we now demonstrated in this context.

The main vehicle for addressing the major objectives of the course was the use of a business simulation game (TechMark) using the Internet. The game has been briefly described earlier. All assignments were done as groups.

## Presentation

Our class met once a week at night for two and a half hours. At each class both authors met with students, who were self-selected into teams of three to four. Each week the team was required to make a presentation describing their experiences with respect to specific topics. For example, during the third week of the exercise the scribe reported on the group process and suggested improvements for the management of conflicts. During the fifth week of the simulation, the executive team used an influence diagram to describe the informa-

tion systems, models, and analysis they would do to support their strategy.

The major activity was the interaction around TechMark. Each team started with a different balance sheet and different goals for key financial measures such as ROA. The goals were designed with two objectives in mind:

1. They were achievable given the starting financial and business position of the company.

2. Teams could not end-game the simulation by selecting irrational strategies that would allow them to "win" the game but be unable to stay in business if the simulation was extended.

The teams had to develop financial models to evaluate their strategies and use as a basis for negotiations with other teams. Upon completing the negotiations they had to decide on their marketing, operations, and financial tactics. The marketing mix issues involved pricing, determining advertising expenditure, and allocating the direct sales force. Operations issues involved determining the amount to be budgeted for research and development, investments in plant and equipment, and setting production levels. Financial strategies required them to establish debt levels and stock offerings.

During the simulation, as conflicts arose we would capture their essence as a generalized scenario. They would be the basis of discussions examining culturally different approaches to business and the kinds of miscommunication that occur. The discussions were communicated to other schools.

One of the conflicts was the result of a French customer arbitrarily canceling a deal without notifying the supplier. The U.S. disk drive manufacturer team discovered the deal was canceled when the goods were returned to its door and reacted by threatening to take the French customer to court. The class discussion pointed out the futility of this court action. First, they had lost the customer and since all communication between them had stopped they could not negotiate some partial compensation. Second, it was unclear whether the contract was binding. A court action may not even have been resolved in their favor. Finally, the French customer reacted badly to the attitude of the U.S. drive manufacturer, reducing its chance of selling to another po-

tential French customer. Some evidence that this lesson was received was seen when one of the computer manufacturers did not receive a complete shipment from a disk supplier. Instead of demanding retribution, they worked with the supplier to understand the reasons for the short shipment and to correct the cause. This was a powerful lesson for the students about doing business in general and about doing business at a distance.

The final event was to bring the students together. We took two of our students to Paris for a day to describe what they and their U.S. colleagues had learned about doing business at a distance. They also mingled with the French students. They brought back their impressions of the French students and shared these with the students from the two U.S. schools. This was a very valuable experience. One of the French teams had played their cards very close to the chest. They did not share much information and tried to negotiate deals where they would "win." During the debriefing session it became clear to the French team this strategy did not support building a long-term relationship. A team from the other U.S. school had sent potential customers a price list as a way of starting the negotiation. During the debriefing session, they realized this made them appear inflexible.

### Effectiveness and Specific Benefits

We measured effectiveness and specific benefits by student evaluation, our own assessment, and through assignments we had given the students.

In terms of student evaluations, the ratings indicated a high level of satisfaction with the course. Below are responses to some of the key questions related to the value of the course (on a scale of 1 to 5, with 1 being very good):

- The lectures and class discussion were of great value in understanding the subject (1.8).
- The course achieved its objectives by the end of the semester (1.8).
- I learned a great deal from this course (1.9).
- Overall, the teaching ability of the instructor was high (1.4).

In addition we received several glowing comments from the students such as:

- "[C]ourse was excellent for learning about all aspects of a manufacturing business in an international environment."
- "The class taught me a great deal about international negotiations."
- "This exercise really helped me brush up on a lot of skills . . . as well as the entire international perspective."

From our perspective the experience was very effective in reaching the teaching goals set. The simulation did provide an intense experience, conflicts that had to be resolved were similar to conflicts that occur when all participants are in one location.

In relation to culture we found that the initial studies based on review of the literature did not help bring understanding during the emotional periods of a negotiation. At these times the old stereotypes would break out: "The arrogant . . .," "They are unreliable; they don't tell us when they made a mistake," "They don't negotiate, they simply want to tell us what they are willing to offer," "Those . . . at the least provocation they go to court." Using the Internet aggravated these feelings if the response was not in clear terms (sometimes reflecting the other party's poor English) or not quickly made (a result of limited access to the Internet in France). Meeting each other went a long way to removing these stereotypes. It also explained some practices we view as unusual. For example, we often comment on the number of strikes in France. This behavior was in evidence during the simulation when one of the French teams decided they would not continue to take part. It seems in France workers are generally reluctant to directly confront their superiors. So, when a sufficient number of workers are unhappy about a situation they will declare a strike. The strikes may not last long but they are used to put management on notice.

This course proved to be a valuable learning experience for us and for the students based on survey results and based on reports we collected during the semester. In addition, the cost of providing a cross-cultural experience for students was considerably lower. It was more expensive

than a regular course as we had an extra professor in the classroom and the two professors and two students traveled to Paris for a day (approx. \$700 per person). However, the costs of providing a cross-cultural experience for the eleven Babson students that is equally rich would be considerably larger.

We plan to make improvements to the Web-based material and offer the course again with more schools involved. The simulation is being recreated within the telecommunication business environment. This provides students with both a manufacturing and a service context. We plan to place workbooks on the Web. Student teams from all the participating colleges would be asked to complete these workbooks. We would have access to these via a password unique to each team. This would allow us access to each team's analysis and decision-making approach, and permit us to make comments that would promote learning.

### References

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