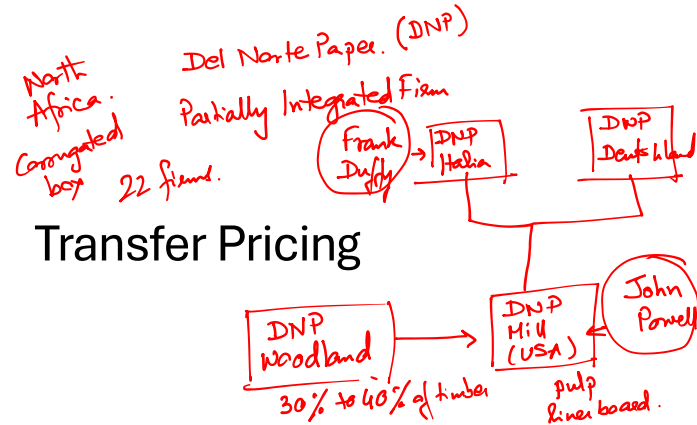


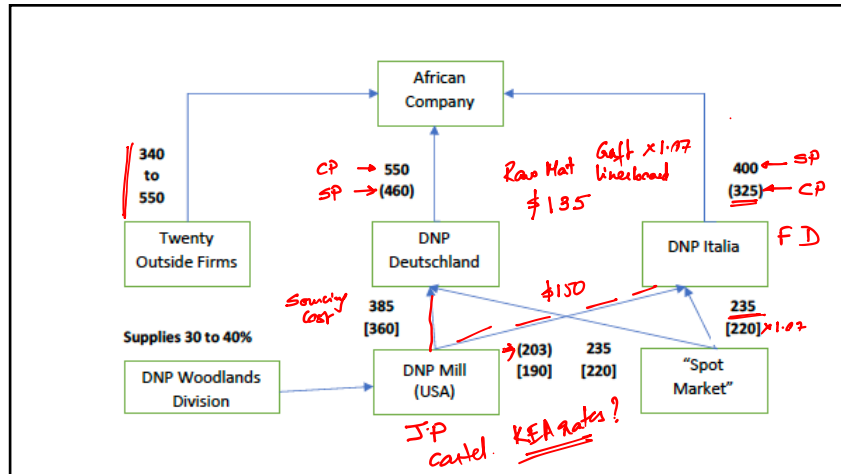
## Agenda

- Case Study on Transfer Pricing
  - Del Norte Paper Co
- Accounting & Finance in IB
  - Financial Management
  - Accounting Standards
  - Lessard-Lorange Model
  - Moving Money across Borders
- Hofstede's dimensions of culture
  - Nike's Cultural Adaptation Strategy
  - Cultural Insensitivity at Zara
- HR Policies to Manage Culture
  - Staffing Policies
  - Managing Cultural Diversity

1



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Alternative Choice analysed	DNP-Italia	DNP-Italia	DNP-Deutschland	DNP-Deutschland
Source of Contribution	Spot <i>Opt 1</i>	KEA <i>Opt 2</i>	Spot	KEA ✓
European Subsidiary				<i>SP Sourcing</i>
Conversion	\$325-\$235 = \$90	\$90 ✓	\$75	\$460 - \$385 = \$75
Purchase price	\$235	-	235	-
DNP's American Mill				
Direct Cost		\$190 x 1.07 = \$203 ✓		\$203
Freight		\$45 x 1.07 = \$48		\$48
DNP Woodlands				
Contribution on sale		<i>X</i> \$16		X
	\$325 ✓	\$341-X <i>\$341-325</i>	\$310	<u>\$326-X</u>

4

USA \$1 \$1.5 Asia \$1.8  
 DNP-Italy \$0.5

Alternative Choice analysed	DNP-Italy		DNP-Deutschland	
	Spot	KEA	Spot	KEA
Source of Contribution				
European Subsidiary				
Sales Revenue	\$400	\$400	\$400	\$400
Direct Cost	(\$325)	\$385 + \$90 = (\$475) <i>-75</i>	(\$310)	(460)
DNP's American Mill				
Contribution on sale	-	\$385 - \$203 = \$134	-	\$134
DNP Woodlands				
Contribution on sale		X		X
	\$75	\$59 + X	\$90	\$74 + X

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### What should John Powell do about Frank Duffy?

- Tax implication of this transaction? *Italy: Sp. ↓ ↑ Germany: KEA ↓ ↑ USA: EuroNat ↑*
- Fund transfer implication of transaction? *EU → USA: KEA - CapEx - tax rates*
- "Secret Little Book" syndrome? *JP*
- Why DNP is in KEA? *Costel.*
- Why are subsidiaries self-financed? *Debt Equity. Cost of Capital.*
- Management Control System and decentralization?

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# Accounting and Finance in IB

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### Financial Management

- **Investment Decisions**
- **Financing Decisions**
- **Money Management Decisions**
- CAPITAL BUDGETING
  - Estimate the cash flow associated with the project over time, then discount them to determine NPV.
  - Adjust for Political risk and Economic risk (inflation)

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## Financial Management

**Investment Decisions**

**Financing Decisions**

**Money Management Decisions**

- SOURCES OF FUNDS
  - Global capital markets
    - Cost of capital should be lowest
    - Government regulations
  - Local debt market
    - If currency expected to depreciate, then use local debt market
- CAPITAL STRUCTURE
  - Debt to Equity ratio
  - Follow local norms or home country norms?

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## Financial Management

**Investment Decisions**

**Financing Decisions**

**Money Management Decisions**

- MINIMIZE CASH BALANCE
  - Invest cash reserves
    - Short-term (lower interest rate but higher liquidity)
    - Long-term (higher interest rate but lower liquidity)
- REDUCE TRANSACTION COSTS
  - Number of times cash is changed from one currency to another
    - Binational netting
    - Multilateral netting



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## Why Are International Accounting Standards Important?

- The **International Accounting Standards Board (IASB)** is a major proponent of standardization of accounting standards
  - most IASB standards are consistent with standards already in place in the U.S.
  - by 2012, 100 nations had adopted IASB standards or permitted their use in reporting financial results
  - the EU has mandated harmonization of accounting principles for members
  - there soon could be only two major accounting bodies with substantial influence on global reporting
    - FASB in the U.S. and IASB elsewhere

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## Variables Influencing Accounting Standards across Countries

**Relationships**

**Country Ties**

**Inflation**

**Econ Development**

**Culture**

- Which source of EXTERNAL CAPITAL is most important?
- INVESTORS (US/UK) *Equity*
- BANKS (SWISS, GERMANY, JAPAN)
- GOVERNMENT (FRANCE, SWEDEN)

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### Variables Influencing Accounting Standards across Countries

- Relationships**
  - POLITICAL or ECONOMIC ties can create accounting similarities
- Country Ties**
  - US influences systems in Canada and Mexico
- Inflation**
  - EU countries are moving towards a common system
- Econ Development**
- Culture**

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### Variables Influencing Accounting Standards across Countries

- Relationships**
  - The Historical Cost Principle prevents asset overvaluation
- Country Ties**
  - Assumes that the currency is NOT losing value due to inflation *South America.*
- Inflation**
  - Inflation affects asset valuation
- Econ Development**
  - If high inflation assets may be undervalued
- Culture**
  - If low inflation assets may be overvalued *Japan.*

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### Variables Influencing Accounting Standards across Countries

- Relationships**
  - Developed Nations are assumed to have more sophisticated accounting systems.
- Country Ties**
  - Developing Nations are assumed to inherit their accounting systems from former colonial powers.
- Inflation**
- Econ Development**
- Culture**

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### Variables Influencing Accounting Standards across Countries

- Relationships**
  - In societies with High uncertainty avoidance, there is a need for rules/regulations
    - Tightly controlled (Govt) – Japan Germany
- Country Ties**
- Inflation**
- Econ Development**
  - In societies with Low uncertainty avoidance, there is a readiness to take risks
    - Strong auditing profession to catch firms that do not follow the rules – US, UK
- Culture**

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## How Does Accounting Influence Control Systems?

- The control process in most firms is usually conducted annually and involves three steps
  - Subunit goals are jointly determined by the head office and subunit management
  - The head office monitors subunit performance throughout the year
  - The head office intervenes if the subsidiary fails to achieve its goal and takes corrective actions if necessary

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## How Do Exchange Rates Influence Control?

- Budgets and performance data are usually expressed in the corporate currency
  - normally the home currency
    - facilitates comparisons between subsidiaries
    - but, can create distortions in financial statements

US HQ \$      India Sub. ₹      France Sub. €

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## How Do Exchange Rates Influence Control?

- The **Lessard-Lorange Model**
  - firms can deal with the problems of exchange rates and control in three ways
  - The **initial rate** *April 2024.*
    - the spot exchange rate when the budget is adopted
  - The **projected rate** *March 2025*
    - the forward exchange rate forecast for the end of the budget picture
  - The **ending rate** *March 2025*
    - the spot exchange rate when the budget and performance are being compared

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## What Is the Lessard-Lorange Model?

Possible Combinations of Exchange Rates in the Control

*Handwritten notes:* HQ USA \$, Sub India ₹, Budget April 2024, Appraisal March 2025, Forward exchange rate of March 2025

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		Rate Used to Translate Actual Performance for Comparison with Budget		
		Initial (I)	Projected (P)	Ending (E)
Rate Used for Translating Budget	Initial (I)	(II) Budget at Initial Actual at Initial	<del>(IP) Budget at Initial Actual at Projected</del>	(IE) Budget at Initial Actual at Ending
	Projected (P)	<del>(PI) Budget at Projected Actual at Initial</del>	(PP) Budget at Projected Actual at Projected	(PE) Budget at Projected Actual at Ending
	Ending (E)	<del>(EI) Budget at Ending Actual at Initial</del>	<del>(EP) Budget at Ending Actual at Projected</del>	(EE) Budget at Ending Actual at Ending

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## How Do Firms Move Money Across Borders?

- Firms can transfer liquid funds across border via
  - Dividend remittances
  - Royalty payments and fees
  - Transfer prices
  - Fronting loans

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## What Are Dividend Remittances?

- Paying dividends is the most common method of transferring funds from subsidiaries to the parent
- The relative attractiveness of paying dividends varies according to
  - tax regulations – high tax rates reduce attractiveness
  - foreign exchange risk – dividends might be sped up in risky countries
  - the age of the subsidiary – older subsidiaries remit a higher proportion of their earning in dividends
  - the extent of local equity participation – local owners' demands for dividends come into play

HVL

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## What Are Royalty Payments and Fees?

- Royalties - the remuneration paid to the owners of technology, patents, or trade names for the use of that technology or the right to manufacture and/or sell products under those patents or trade names
  - can be levied as a fixed amount per unit or as a percentage of gross revenues
  - most parent companies charge subsidiaries royalties for the technology, patents, or trade names transferred to them

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## What Are Royalty Payments and Fees?

- A fee is compensation for professional services or expertise supplied to a foreign subsidiary by the parent company or another subsidiary
  - royalties and fees are often tax-deductible locally

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### What Are Transfer Prices?

- Transfer prices - the price at which goods and services are transferred between entities within the firm
- Transfer prices can be manipulated to
  - reduce tax liabilities by shifting earnings from high-tax countries to low-tax countries
  - move funds out of a country where a significant currency devaluation is expected
  - move funds from a subsidiary to the parent when dividends are restricted by the host government
  - reduce import duties when ad valorem tariffs are in effect

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### What Makes Transfer Prices Unattractive?

- Using transfer pricing can be problematic because
  - governments think they are being cheated out of legitimate income
  - governments believe firms are breaking the spirit of the law when transfer prices are used to circumvent restrictions of capital flows
  - it complicates management incentives and performance evaluation

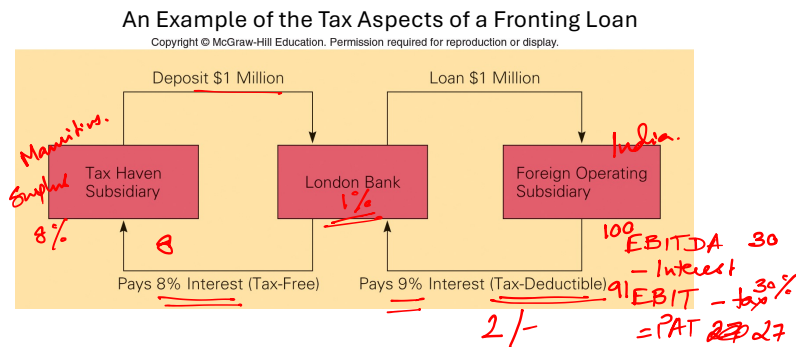
26

### What Are Fronting Loans?

- Fronting loans are loans between a parent and its subsidiary channeled through a financial intermediary, usually a large international bank
- Firms use fronting loans
  - to circumvent host-country restrictions on the remittance of funds from a foreign subsidiary to the parent company
  - to gain tax advantages

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### What Are Fronting Loans?



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## Understanding the Socio-Cultural Business Environment in the Apparel Industry

Navigating Cultural Dynamics for Strategic Success

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## What Is the Strategic Role of HRM in International Firms?

The Role of Human Resources in Shaping Organizational

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The diagram illustrates the interconnectedness of organizational elements. At the center is 'People', which is linked to 'Structure' (top), 'Incentives & Controls' (right), 'Processes' (left), and 'Culture' (bottom) via double-headed arrows. A blue box at the bottom right points to these elements, stating: 'Human Resources is responsible for these aspects of organizational architecture'.

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## Culture

**culture** – the collective programming of the mind that distinguishes the members of one group or category of people from another

Components of Culture

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The diagram shows a central red circle labeled 'Culture Norms and Value Systems'. Six green boxes are arranged around it, each with an arrow pointing towards the center: 'Religion' (top), 'Political Philosophy' (top-right), 'Economic Philosophy' (right), 'Education' (bottom), 'Language' (bottom-left), and 'Social Structure' (left).

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## Hofstede's dimensions of culture

Power distance *VS High. China. Low*

the extent to which less powerful members within a country expect and accept that power is distributed unequally

how a society deals with the fact that people are unequal in physical and intellectual capabilities

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## Hofstede's dimensions of culture

### Power distance

In countries with high power distance, such as some Asian countries, there is a strong respect for authority and hierarchy.

Apparel companies operating in these markets may need to adopt a more hierarchical organizational structure and ensure clear lines of authority in their business operations.

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## Hofstede's dimensions of culture

### Uncertainty avoidance

the extent to which members in a culture accept or avoid ambiguous situations and uncertainty

the relationship between the individual and his or her fellows

**long-term orientation** – dimension of how much emphasis is placed on perseverance and savings for future betterment

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## Hofstede's dimensions of culture

### Uncertainty avoidance

In cultures with high uncertainty avoidance, such as Germany, there is a preference for rules, structure, and clarity. Apparel companies operating in these markets may focus on providing clear product information, reliable sizing charts, and transparent pricing policies.

In cultures with low uncertainty avoidance, such as the Netherlands, there is a greater tolerance for ambiguity and risk-taking. Apparel brands may experiment with innovative designs, unconventional marketing strategies, and flexible pricing models.

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## Hofstede's dimensions of culture

### Long-term orientation

Prev. Gen. ↑ India ↓ Next Gen.

Cultures with a long-term orientation, like China, prioritize perseverance, thrift, and sustainability. Apparel companies may develop durable and timeless products, invest in long-term brand building, and cultivate enduring relationships with customers.

Cultures with a short-term orientation, such as the United States, emphasize immediate gratification, quick results, and rapid innovation. Apparel brands may focus on fast fashion, trend-driven collections, and agile supply chain management.

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## Hofstede's dimensions of culture

### Individualism versus collectivism

*US* **individualism** – the idea that an individual's identity is fundamentally his or her own

*China* **collectivism** – the idea that an individual's identity is fundamentally tied to the identity of his or her collective group

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## Hofstede's dimensions of culture

### Individualism versus collectivism

In individualistic cultures like the United States, emphasis is placed on personal achievement and independence. Apparel brands may focus on marketing campaigns that highlight individual expression and personal style preferences.

In collectivist cultures such as Japan, group harmony and consensus are prioritized. Apparel companies may develop marketing strategies that appeal to community values and emphasize belongingness and social acceptance.

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## Hofstede's dimensions of culture

### Masculinity versus femininity

the relationship between gender and work roles

**masculinity** – a relatively strong form of societal-level sex role differentiation whereby men tend to have occupations that reward assertiveness and women tend to work in caring professions

**femininity** – a relatively weak form of societal-level sex role differentiation whereby more women occupy positions that reward assertiveness and more men work in caring professions

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## Hofstede's dimensions of culture

### Masculinity versus femininity

Masculine cultures, like many Western countries, value assertiveness, competitiveness, and material success. Apparel brands may promote products that convey status and achievement.

Feminine cultures, such as Scandinavian countries, emphasize cooperation, modesty, and quality of life. Apparel companies may emphasize sustainability, ethical production practices, and comfort in their product offerings.

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## Hofstede's dimensions of culture

- Hofstede's Cultural Dimensions Theory offers valuable insights for apparel companies seeking to navigate the complexities of the global market.
- By understanding and adapting to cultural differences, apparel brands can effectively engage with diverse consumer preferences, build strong brand relationships, and drive sustainable growth in an ever-evolving industry landscape.

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## Nike's Cultural Adaptation Strategy

- Nike, a leading global sports apparel and footwear company, has demonstrated a remarkable ability to adapt its strategies to diverse cultural contexts, making it a prime example of successful cultural integration in the apparel industry.
  - Nike recognizes that cultural sensitivity is crucial for success in international markets.
  - The company tailors its products, marketing campaigns, and operations to resonate with the unique preferences and values of each culture it operates in.



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## Nike's Cultural Adaptation Strategy

- **Product Localization:** Nike customizes its products to meet the specific needs and preferences of different regions. This includes offering shoes with varying cushioning and support levels to suit diverse athletic activities and foot shapes.
- **Marketing Campaigns:** Nike develops culturally relevant marketing campaigns that resonate with local consumers. The company collaborates with local athletes, celebrities, and influencers to authentically connect with target audiences and convey messages that reflect local culture and values.



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## Nike's Cultural Adaptation Strategy

- Nike, the sportswear brand, has successfully adapted its core brand proposition of "Just Do It" to a variety of diverse cultures around the world.
  - Working with its agency Wieden+Kennedy, Nike's "Just Do It" ads cleverly aligned its brand with the very different notions of what constitutes an "ideal man" in the US, China, India and the UK.
- Each culture has its own set of interlocking ideas about what an ideal man should be and that these ideas can be framed according to a set of qualitative "codes"



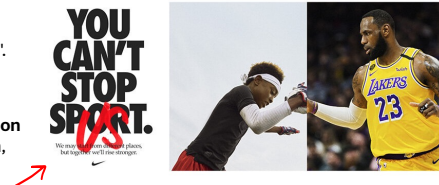
*Earning · Responsibility  
Respect ·*

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## Nike's Cultural Adaptation Strategy

- For example, the rugged history of America has encouraged Americans to view the ideal man as one imbued with "righteous purpose" whose modus operandi is one of "honest endeavour".
- He has "can-do optimism" with the ultimate purpose of "leaving his mark on the world". When compared to women, he is "rugged" and "romantic", but among other men is seen as "supportive".



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## Nike's Cultural Adaptation Strategy

- Whereas the American ideal man is "righteous", his Chinese counterpart is "circumspect" whose modus operandi is "strategic and prudent".
- The contrast with China could not be starker because the country's vast collectivist society has asserted the primary importance of social harmony for millennia.



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## Nike's Cultural Adaptation Strategy

- There are different concepts about the ideal man in India and the UK too.
  - Where the core orientation of the American ideal is "righteous purpose"
  - The equivalent in India as "role-bound" and "dutiful" while in the UK it is "decent" and "appropriate".
- Similarly, if the ultimate purpose of the American ideal man is to leave his mark on the world, research suggests that the equivalent in India is "transcendence", while it is about "living a good life" in the UK. The British ideal also involves men having a sense of irony and wit.



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## Cultural Insensitivity at Zara

- How does a clothing company wind up selling kids' pajamas that resemble a concentration camp uniform? This is what happens when you have no sense of cultural context for what you do.
- The fashion chain Zara had to withdraw a handbag from its stores after a customer pointed out that the design featured swastikas.

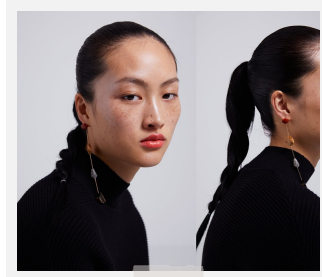


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## Cultural Insensitivity at Zara

- The costume and cosmetics brand Zara was recently in trouble because one of its advertisements, in which a female Chinese model appeared, was blamed for "defaming the Chinese".
- The model had freckles on her face, suggesting that by selecting her as the model, Zara might mean to "defame the Chinese", because a perfect face should be without any freckles. Some also added that the model in the photo didn't appear to be in a good, energetic mood.



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## Cultural Insensitivity at Zara

- The affordable fashion brand has been accused of stealing the traditional baati style from Somali, calling it a Tie-Dye Maxi Dress, with no mention of cultural inspiration



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## Cultural Insensitivity at Zara

- Zara came under fire for its new "check mini skirt," a tan wraparound skirt with a plaid pattern and a slit down the front. The brand describes it as a "flowing skirt with draped detail in the front," but people are saying it looks suspiciously like a lungi, a garment traditionally worn in India and other parts of South and Southeast Asia.



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## HR Policies to Manage Culture

- Staffing Policies
- Managing Diversity

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## What Is a Staffing Policy?

- Staffing policy is concerned with the selection of employees who have the skills required to perform a particular job
  - can be a tool for developing and promoting the firm's corporate culture
    - the organization's norms and value system
  - a strong corporate culture can help the firm implement its strategy

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## What Is a Staffing Policy?

- Three main approaches to staffing policy:
  - The **ethnocentric** approach - fill key management positions with parent-country nationals *Nestle*.
  - The **polycentric** approach - recruit host-country nationals to manage subsidiaries in their own country, and parent-country nationals for positions at headquarters *Tata*.
  - The **geocentric** approach - seek the best people, regardless of nationality, for key jobs *Unilever*.

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## Why Choose an Ethnocentric Staffing Policy?

- Firms that pursue an **ethnocentric** policy believe that
  - there is a lack of qualified individuals in the host country to fill senior management positions
  - it is the best way to maintain a unified corporate culture
  - value can be created by transferring core competencies to a foreign operation via parent country nationals
  - it makes sense with an international strategy
- But
  - it limits advancement opportunities for host country nationals
  - it can lead to "cultural myopia"

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## Why Choose an Ethnocentric Staffing Policy?

- **Abercrombie & Fitch**, an American apparel retailer, has historically employed an ethnocentric staffing policy by predominantly hiring American executives and managers to oversee its global operations.
  - Even in international markets, the company often relies on expatriates from the United States to fill key leadership positions.
- The rationale behind Abercrombie & Fitch's ethnocentric approach is to ensure consistency in brand image, corporate culture, and operational standards across its global network of stores.
  - By deploying expatriates with a deep understanding of the company's values and practices, Abercrombie & Fitch aims to maintain control and cohesion in its international operations.

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## Why Choose a Polycentric Staffing Policy?

- The **polycentric** approach
  - makes sense for firms pursuing a localization strategy
  - can minimize cultural myopia
  - may be less expensive to implement than an ethnocentric policy
- But
  - host-country nationals have limited opportunities to gain experience outside their own country and so cannot progress beyond senior positions in their own subsidiaries
  - a gap can form between host-country managers and parent-country managers

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## Why Choose a Polycentric Staffing Policy?

- **Zara**, a Spanish fast-fashion retailer, adopts a polycentric staffing policy by hiring local managers and executives to lead its subsidiaries in different countries.
  - Rather than relying on expatriates from the headquarters in Spain, Zara emphasizes the importance of local knowledge and expertise in managing operations effectively.
- Zara's polycentric approach allows the company to adapt its products, marketing strategies, and store operations to meet the specific preferences and cultural nuances of each market.
  - By empowering local teams to make decisions and drive innovation, Zara fosters agility and responsiveness in its global expansion efforts.

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## Why Choose a Geocentric Staffing Policy?

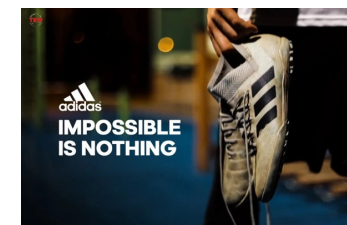
- The **geocentric** approach
  - is consistent with building a strong unifying culture and informal management network
  - makes sense for firms pursuing a global or transnational strategy
  - enables the firm to make the best use of its human resources
  - builds a cadre of international executives who feel at home working in a number of different cultures
- But
  - can be limited by immigration laws
  - is costly to implement

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## Why Choose a Geocentric Staffing Policy?

- **Adidas**, a German multinational corporation specializing in sportswear and athletic equipment, implements a geocentric staffing policy by selecting executives and managers based on merit and competency, regardless of nationality.
  - The company prioritizes talent development and diversity in its leadership ranks.
- Adidas appoints top talent from around the world to key positions in its global headquarters, regional offices, and subsidiaries.
  - By embracing a geocentric approach, Adidas leverages diverse perspectives, skills, and experiences to drive innovation, collaboration, and growth in the competitive apparel industry.



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## Which Staffing Policy Is Best?

### Comparison of Staffing Approaches

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Staffing Approach	Strategic Appropriateness	Advantages	Disadvantages
Ethnocentric	International	Overcomes lack of qualified managers in host nation Unifies culture Helps transfer core competencies	Produces resentment in host country Can lead to cultural myopia
Polycentric	Localization	Alleviates cultural myopia Inexpensive to implement	Limits career mobility Isolates headquarters from foreign subsidiaries
Geocentric	Global standardization and transnational	Uses human resources efficiently Helps build strong culture and informal management networks	National immigration policies may limit implementation Expensive

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## What Is Expatriate Failure?

- Firms using an ethnocentric or geocentric staffing strategy will have expatriate managers
- **Expatriate failure** is the premature return of an expatriate manager to the home country
  - each expatriate failure can cost between \$40,000 and \$1 million
  - between 16% and 40% of all expatriates in developed countries fail and almost 70% of assigned to developing countries fail

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## Why Do Expatriate Managers Fail?

- The main reasons for expatriate failure are
  - the inability of an expatriate's spouse to adapt
  - the manager's inability to adjust
  - other family-related reasons
  - the manager's personal or emotional maturity
  - the manager's inability to cope with larger overseas responsibilities

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## How Can Firms Reduce Expatriate Failure?

- Firms can reduce expatriate failure through improved selection procedures
- Four dimensions that predict expatriate success are
  - **Self-orientation** - the expatriate's self-esteem, self-confidence, and mental well-being
  - **Others-orientation** - the ability to interact effectively with host-country nationals
  - **Perceptual ability** - the ability to understand why people of other countries behave the way they do
  - **Cultural toughness** - the ability to adjust to the posting

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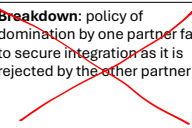
## Managing Cultural Diversity

- Should one partner’s culture **dominate** the operations of the alliance versus striving for a balance from both the cultures
- Should there be an attempt to **integrate** the two cultures (to derive synergy) versus segregation within the alliance (to avoid conflict)

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## Managing Cultural Diversity

		Integration	
		YES	NO
Domination	NO	<b>Synthesis</b> is a policy aimed at cultural integration on the basis of melding of both or all partners’ cultures 	<b>Segmentation</b> 1. <b>Segregation</b> : no integration between the cultures 2. <b>Pluralism</b> : limited discourse between cultures
	YES	<b>Domination</b> is a policy aimed at cultural integration based on the dominance of one partners’ culture	<del><b>Breakdown</b>: policy of domination by one partner fails to secure integration as it is rejected by the other partner</del> 

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## Managing Cultural Diversity - Synthesis

### Advantages


- Permits integration that enhances quality of cooperation
- Maximizes potential for mutual learning
- Provides new identity to JV
- Creates flexibility to adapt to local conditions

### Disadvantages

- May face resistance to change
- Takes time and effort in implementation
- Could affect productivity negatively in short term

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## Managing Cultural Diversity - Synthesis

- **H&M** is known for its synthesis strategy, which involves blending elements from different cultures to create a cohesive and inclusive brand identity.
  - The company incorporates diverse design inspirations, fabrics, and styles from various cultures into its collections, catering to a global customer base.
- H&M collaborates with international designers and artists to create culturally-inspired collections that celebrate diversity and promote inclusivity.
  - For example, the **H&M x Kenzo** collaboration featured bold prints and vibrant colors inspired by **Japanese and African** cultures, appealing to fashion enthusiasts worldwide.

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## Managing Cultural Diversity - Domination

### Advantages

- Allows rapid introduction of standardized policies and practices
- Creates unified identity
- Provides single face to external groups like customers

### Disadvantages

- Can cause resentment from dominated culture
- Forgoes opportunities to learn from other cultures
- Reduces flexibility to adapt to local conditions

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## Managing Cultural Diversity - Domination

- **Louis Vuitton**, a luxury fashion house, employs a domination strategy by asserting its brand identity and aesthetic across diverse markets while maintaining exclusivity and prestige.
  - The company's iconic monogram and signature designs serve as symbols of luxury and status, transcending cultural boundaries.
- Louis Vuitton strategically positions itself as a dominant player in the luxury fashion market, setting trends and influencing consumer behavior worldwide.
  - The brand's flagship stores, with their opulent interiors and impeccable service, reinforce its image as a symbol of luxury and sophistication.

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## Managing Cultural Diversity - Segregation

### Advantages

- Avoids offending cultural sensibilities and cultural conflicts
- Allows for strong subcultures
- Gives greater flexibility to local operations
- Maintains productivity in short run

### Disadvantages

- Reduces synergy gain, mutual learning
- Reduces ability to standardize practices
- Leads to poorly integrated management systems
- Creates personal isolation for expatriates

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## Managing Cultural Diversity - Pluralism

### Advantages

- Allows for comparison between cultural approaches that encourage learning

### Disadvantages

- Requires more effort and time than segregation

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## Managing Cultural Diversity - Segmentation

- Uniqlo, a Japanese apparel retailer, adopts a segmentation strategy by targeting specific consumer segments with tailored product offerings and marketing campaigns.
  - The company recognizes the diverse needs and preferences of consumers across different demographics, regions, and lifestyles.
- Uniqlo segments its product range to appeal to various customer groups, such as casual wear, activewear, and business attire.
  - The company also customizes its marketing messages and promotional activities to resonate with target audiences, leveraging cultural insights and consumer behavior data.

