Ethical Considerations in Global Expansion

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MBA Capstone

05/19/2015

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Companies looking to expand into global markets must follow their values as they consider the challenges that different cultural dimensions bring to the ethics-based business decision-making process. New markets are best determined by comparing Hofstede's six culture dimensions and comparing the values of the cities that most closely relate to the mission, values and culture of the organization, in this case, the simulation company called TruEsource. Expansion from these cities is determined through extended value matching and the socio-economic vitality of the sister city and adjacent countries and their regional cultural values.

Values Based Decision Making

Values based decision occurs when a company's mission, vision, and ethical code guide the company's decision-making practice. Establishing a common set of values embraced by all employees eliminates personal preference and achieves consistent, ethically sound decisions (Harrington, 2010). The challenge companies face when applying values based business decisions in the current global marketplace is the conflict between the lack of any globally agreed ethical code of conduct and the competitive requirement to establish a closer relationship to customers located in different regions and with cultural differences. In addition, ethical factors by nature vary in importance based upon time and context and need to remain in balance with the company's financial objectives.

There is no uniform agreement to guide executives for defining what exactly constitutes business ethics (Lewis, 1985), but companies must make a conscious decision to engrain ethical values into their business strategy because stakeholders can recognize ethical and unethical behavior when they see it. Global corporations can achieve far greater financial success, employee loyalty and productivity when they incorporate ethical values, such as environmental

and social performance into their balanced scorecard (Spiller, 2000), and the practice establishes a closer relationship with shareholders (McMurrian and Matulich, 2006). However, values are not consistent; they change as societies develop (York, 2008). For example, only a few years a sustained competitive advantage based upon the integration of environmental ethics into the corporate strategy was not conceivable but now companys must embrace social and environmental values to be competitive. In order for ethics to become a strategic advantage, values must become the central theme in the company's long term planning initiatives (Hosmer, 2007). A company uses their ethical values to establish stakeholder trust, which is the first step in a cooperative business engagement, but these values must be relevant in a changing global landscape.

Companies can use the concept of a triple bottom line (TBL) for managing variability of ethical factors such as social and environmental responsibility with financial performance. The challenge is that elements within these categories and the allocation percentage fluctuate, and therefore achieving sustainable corporate performance (SCP) is a constantly moving objective (Fauzi, Svensson, and Rahman, 2010). A company must be a good observer of changes in the marketplace and society, and be able to measure the portions of these factors to strike an effective balance in its own investments. For example, a company needs to balance the percentage of social responsibility that goes towards new schools in urban communities with environmental responsibilities, such as a fixing leaking storage tanks or investing in solar panels for its manufacturing plant. As the percentage of allocation in the TBL is revised based on external and internal factors, it needs to remain in balance with the company's overall mission and values.

Without a value structure guiding its practices, organizations face reputation and legal risk because of the inconsistences that occur when individuals that hold different beliefs about what is right and wrong make decisions. Such dangers increase as companies expand and attempt to apply consistent ethical standards across all markets. Cultural differences held by national and regional cultures, such as those between America and China, are seen as the most significant challenges companies face in the international market today (Zhang, 2004).

Market Research: Paris, Sao Paulo and Shanghai.

Companies are encouraged to apply the cultural dimensions of local cultural against their corporate mission, values and culture when they consider expanding into new markets to accent the positive elements and minimize the negative impact of cultural conflict. For example, the simulation company TruEsource must evaluate the value structures and the social and political climate in Paris, Sao Paulo and Shanghai as possible markets to expand into from a home base in Chicago. Culture and value statements are constructed using data from Hofstede's index of six primary cultural dimensions: power distance, individualism, masculinity, uncertainty avoidance, long-term orientation and indulgence. These constructs are not tangible, but because they are based on observations the can be used as predictors of subsequent behaviors.
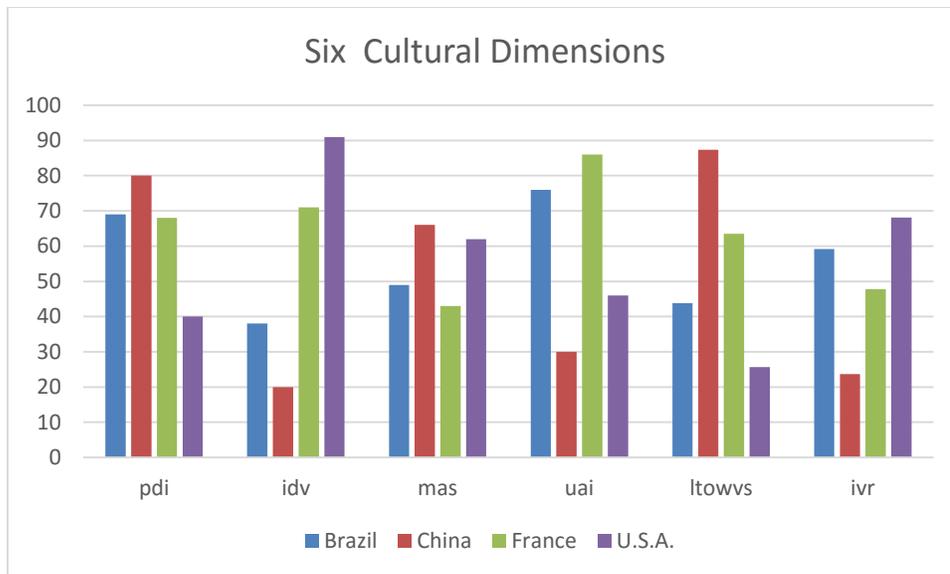
Figure 1: Isolated Six Cultural Dimensions Comparison (Hofstede and Hofstede, 2015)

Paris

While France's largest companies are privatized, the government has significant

influence of several sectors, such as power and transportation (CIA, 2015). Politically, recent

elections indicate that a combined center/right party is gaining momentum and likely to upset the

socialists in the 2017 presidential elections, reflecting a dissatisfaction with lack of social and

economic improvements, extended austerity measures and high unemployment (The Economist,

2015).

The sociopolitical climate of Paris, as interpreted through the lens of Hofstede's six

cultural dimensions of France (The Hofstede Center, 2015), indicates a high level of power

distance resulting in greater tolerance for inequality and centralized power in companies and

government and Paris is the hub of this activity. France is unique by having both high

individualism and high power which results in employers and unions not cooperating; and

because France is slightly feminine culture, quality of life has a high value, along with caring for

others (The Hofstede Center, 2015). High uncertainty avoidance means that the French do not

like surprises, structure and planning is required for new initiatives, and there is a cultural need

for strong laws and regulations (The Hofstede Center, 2015).   France's long-term orientation is

pragmatic, which means that they support frugality and modernization and willingness to adapt

to change, and their indulgence factors is moderate, meaning they are neither compulsive buyers

nor show strong constraint (The Hofstede Center, 2015).

Shanghai

Shanghai is the largest city in China. Recent economic news for the city reflects the

continuing slowdown of the Chinese economy: Shanghai is not going to reach it economic

growth target this year, and the city plans instead to focus on piloting a free-trade zone and social

reforms (Rajogopalan, 2015). Socio-politically, efforts towards clamping down on corruption

and dissent reinforces the strength of the central leadership, but it is unlikely these social reforms

will prevail (The Economist, 2015).

Culturally, China has one of the highest power distance indicators, reflecting a high

acceptance of inequalities, such as abuse by superiors and sanctions that discourage initiative and

aspiration (The Hofstede Center, 2015). Low individualism score reflects the Chinese

collectivism, where the interests of the group are greater that the self, resulting in favoritism in

hiring and promotional decisions, and low employee commitment (The Hofstede Center, 2015).

China is a masculine society, which means its people are motivated by success, such as

prioritizing work over personal commitments and leisure time; and low uncertainty avoidance

means laws and rules are conditional, with a greater acceptance for ambiguity, which is a

reflection China's pragmatic culture where truth depends on the situation (The Hofstede Center,

2015). China is considered a restrained society, where leisure time has less value and personal

indulgence is avoided.

São Paulo

São Paulo is the largest city in South America and the 10th largest in the world. The city's global feel is due to its large international population and focus on trade and international finance, but the city struggles to advance structurally and create opportunities to enhance economic growth, as reflected in its rundown public transportation system (Berube, 2012). Politically, a recently re-elected left-wing economist plans to focus on lowering inflation through tighter monitory policy, which is likely to result in further decline in economic growth (The Economist, 2015).

Based on the cultural dimensions scores, Brazil accepts inequalities and respects hierarchal structure to the point that most companies are singularly run and status symbols are very important (The Hofstede Center, 2015). Low individualism score reflects the close-knit group and extended family structure, resulting in protectionism and hiring favoritism (The Hofstede Center, 2015). Brazil has a feminine dimension, which means a preference towards quality of life and caring for others, and avoiding individual attention; meanwhile the country's high uncertainty avoidance reflects a high value for structure, rules and regulations (The Hofstede Center, 2015). Brazil's indulgence score is high, which means that leisure time and spending money freely on personal impulses are both highly valued (The Hofstede Center, 2015).

New Market Research Compared to Simulation Company Values (TruEsource)

TruEsource's vison is to help people and businesses become more efficient throughout the world and maximize their full potential. TruEsource values the best business computer products, contributing to local communities, and implementing solutions to address the

environmental crisis. TruEsource's mission is to revolutionize the computer world, putting its

employees first, and profits second, and standing for what is best for the customer. Culturally,

TruEsource is a socially responsible company that thrives on empathy and objectivity,

recognizing and embracing diversity in the marketplace and its labor force. TruEsource an

organization that strives for excellence and high standards.

Considering TruEsource just a company in the United States and comparing cultural

value index scores to the three possible countries, there are no close matches. The four countries

are significantly different and share only a portion of the same values. There is no close

association to the United States' low power distance or low long-term orientation. France shares

a similar level of individualism, China shares similar levels of masculinity and uncertainty

avoidance, and Brazil shares a similar level of indulgence.

Considering TruEsource's company values against cultural values of each city provides

greater insight into commonalities. Shanghai has the strongest connection to the company culture

and thus the easiest to expand into, Paris is second and São Paulo shares the weakest connection.

Of the three options, Shanghai is the only masculine society, motivated by success and

prioritizing work. This value fits with TruEsource's focus on manufacturing business computers

and not entertainment products. TruEsource is more likely to find the Chines workforce willing

to focus on excellence and high standards and interest in business computers. In addition,

Shanghai has low uncertainty avoidance, which matches closest to TruEsource's desire to

embrace empathy and objectivity rather than a dependency on strict rules. China's high level of

pragmatism means that the culture is willing to adapt to change and support opportunities to

modernize, which can work in TruEsource's favor. TruEsource values cultural diversity, which

will be a necessity as it faces high levels of power distance and low levels of individualism and

require strong values based decision-making cultural organization to reinforce the employee code of conduct to discourage favoritism and bribery. If successful, multi-cultural awareness will provide TruEsource a competitive advantage over other US based companies expanding into China. TruEsource may find that its desire to find solutions that environmental crisis to be timely, addressing the high levels of pollution in Shanghai where recent protests indicate increasing concern by the population to address the problem (Vines, 2014).

The second strongest connection is Paris. Parisians share similar values in high quality of life and caring for others that TruEsource considers strategic in its mission of delivering more than just computer products, as well as the company's strong desire to look after its employees. Caring for the employee is an important value to counteract the uncooperative nature of the local union labor pool. The pragmatic French culture provides a willingness to adapt and modernize that fit with TruEsource's desire to manufacture innovative technology. While there is frugality, the moderate indulgence level makes is possible for TruEsource to market effectively to individual expression with laptops, and more personal time through greater productivity at work thanks to more powerful workstations.

São Paulo shares the lowest level of cultural connection. While Brazil has similar high power and low individualism as China, attitudes towards long-term orientation means that the Brazilin culture holds traditions high and less interested in adapting to new technologies. The high level of indulgence favors personal products over TruEsource's focus on business computers. São Paulo values family highly, which is similar to TruEsource's value of supporting the local community and considering employees as a family, but there will be a significant challenge to overcome both the protectionism and favoritism of the Brazilin culture as there is no shared value toward work and making quality products to counteract. The hierarchal

structure goes against the collaborative organizational model TruEsource prefers, and the

avoidance of individualism will make it difficult to motivate the local team based on recognition.

Furthermore, the weak infrastructure and laws and regulations will make it difficult to expand

further into the country or serve as a hub into other South American countries.

Recommend Team Progression of Expansion

After TruEsource opens its first office in Shanghai, it will take advantage of it desire to

embrace cultural awareness to expand into other cities in China, each with it its own cultural

sensitivity requirements. Further expansion into other countries with China serving is unlikely

due to the vast size and effort required to focus on China itself. TruEsource's willingness to

address pollution concerns will help gain support through local communities that would

otherwise see the foreign company's expansion as hostile. While the Chinese economy is

slowing down, it is much stronger than the other two cities, and the company can potentially take

advantage of other free-trade zones and social reforms that makes Shanghai so appealing.

TruEsource next expands into France because it opens the entire European market, where

there are the greatest number of countries that share similar values to TruEsource, such as the

United Kingdom and Germany. France's modern infrastructure will make moving goods and a

coordinated expansion easier. Parisian's are good at complex technologies, planning and

structure, and TruEsource will embrace and recognize their contribution. While the GDP is

expected to remain flat in 2015 and increase to 1.2% in 2016 (The Economist, 2015), the change

in presidency to the right may reflect in more support for businesses and economic

improvements.

Finally, TruEsource will open offices in Brazil and look to expand into the South American market. GM closing its doors in 2012 and laying off 7,000 workers (Associated Press, 2012), does not provide optimism, considering that the Brazilin economy is expected to continue to decline. The high level of bureaucratic tape will make it a challenge to get goods in and out of the country, and the lack of modernized infrastructure will also slow down progress. An alternate strategy is to set up a completely new office in Argentina or Costa Rica, and use São Paulo as a stepping-stone.

Conclusion

Company that establishes strong cultural values are better positioned to make effective and consistent decisions that fosters growth and productivity. Understanding organizational values allows the company identify opportunities for expansion that match the company values, which can be more effective and precise than just comparing the cultural values of the countries.

The TruEsource simulation company is ready to pick up its Chicago roots and utilize its strong cultural values to expand in Shanghai. The company's value-based decision-making and social sensitive will serve it well as it embraces a very different culture that is ready to appreciate TruEsource's company values in return. Opportunities to expands further from China and France and into global markets means continuing to consider the different cultural dimensions in comparison to the mission, values and culture of TruEsource.

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