Chapter 12
Globalism, Culture and Business Environment: A Latin American Perspective

Mohammad Ayub Khan
Tecnológico de Monterrey, Mexico

Diana Bank
Universidad de las Américas Puebla (UDLAP), Mexico

ABSTRACT

In contemporary globalization, companies need to be entrepreneurial, innovative, creative, and dynamic since the life cycle of products is shortening and competition is stiffening; hence companies need to increase investment in research and development (R&D) to remain competitive or even just to survive. Global sourcing and evolving markets demand that companies become proactive in their business approaches. Considering all these changes and challenges facing business organizations, this chapter focuses on how Latin American companies cope with globalization, cultural differences and diverse business environments. The authors start with a discussion on culture, globalization, and business performance of Latin American companies, followed by solutions to their shortcomings, and conclusions. A case study of business performance in Brazil and Mexico will be presented at the end of the chapter. The authors believe there is enough reason why foreign businessmen and women should seriously consider the Latin American option when making their business decisions. The authors hope this chapter will convince them that, without a shadow of doubt, cultural differences can be understood and overcome for the benefit of everyone. Understanding Latin American culture could be a winning strategy for foreign investors in Latin American markets.

INTRODUCTION

Today’s global environment presents a multitude of opportunities for business operations, regardless of the nature, history, size, and/or origin of the business. Such opportunities are reflected in the shape of the following developments in different areas:

- Globalism encourages national economic systems to play an important role in defining the landscape of nation states.
• Regionalization of national economies in the form of trading unions and blocks such as the European Union (EU), the North American Free Trade Agreement (NAFTA), the Association of East Asian Nations (ASEAN) and the South American Common Market (MERCOSUR), among others, promote an environment in which participating nations can maximize their commercial benefits, lower trade barriers, specialize in certain economic sectors and increase the interdependence of national economies.

• Emergence of economic groups such as the BRICS economies, as well as others, such as Mexico, Turkey, South Korea, Indonesia and some parts of the Middle East and Africa are also following suit.

• Uses and advances of information, communication and operational technologies are helping business organizations achieve operational efficiencies.

• Themes of deregulation, privatization, market-oriented reforms, open competition, industrial standardization and conducive business environments are commonly discussed these days by practitioners as well as by theorists.

• Management and maximization of the benefits from workforce diversity are creating a corporate culture that accommodates workers of diverse backgrounds based on equality, and regardless of gender and of country of origin. It is also worth mentioning here that the globalization of people (relatively easier mobility of professionals between nations) is leading business organizations to adopt a more flexible management system.

• Corporate level alliances are also becoming part of business culture today. These have caused increasing benefits for allied organizations, but small businesses are losing grounds to these joint organizations, since they do not have access to them.

• Issues of ecology (natural environments and global warming) and corporate social responsibility are also part and parcel of the discussion of policy makers.

CULTURE: CONCEPTUAL AND THEORETICAL APPROACHES

Culture represents one’s outlook and world view, and is not limited to national phenomena (Lewis, 1996). Culture is organizational and individual. National culture and value systems have significant effects on the culture of an organization (Tayeb, 1995). Organizational culture is influenced by employees (individual culture) who, in turn, are influenced by events outside the organization (Khilji, 2001) and is the driving force behind organizations (Willmott, 2000) which influences managerial decision-making, leadership styles and human resource management practices (Li, Lam, & Qian, 2001). In fact, organizational culture represents the interaction effects of these spheres (Schneider & Barsoux, 2003).

Differences in national cultures greatly affect leadership style, communication, motivation, organizational design, and people’s expectations of work design and reward (Nicholas, Lane, & Brechu, 1999). Specifically, organizational polices (e.g., human resource policies) can be influenced by various national institutions such as labor laws, educational and vocational training practices, and industrial standards and regulations (Budhwar, 2001). Culture organizes values into mental programs and the behavior of people within organizations is an enactment of such programs (Hofstede, 1980). Organizations can be the same in such objective dimensions as physical plant, layout or product, yet totally different in the meanings which the surrounding human cultures read into them (Trompenaars and Turner, 1998). Organiza-