Managerial Decisions in the Function of International Business Development

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Abstract

The Decision-making process in the international business operations implies the use of far more complex procedures which involve the influences of numerous factors such as: host country politics, market growth evaluationa, capital structure and sources, culture, laws... Management of multuinational companies is faced with making complex decisions about various international activities of their companies. Different influences of internal and external environment point at the scenario of future cahnges in the international business which sets new challenges before company management in the decison-makinf process. An increasingly pronaunced homogenisation of management in the world has an impact on establishing new criteria, approaches and methods in the decison-making process.

Key words: Decision making, international business, management, multinational companies operation

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Only a few actors in nowadays international arena provoke stronger praises or criticism than multinational corporations. At the one end of the extreme, the most fervent defenders claim that multinational corporations provoke opportunities for global economic progress and employment, develop rational and efficient way to achieve the largest possible quantity and the lowest possible costs of international production and that they offer a chance to exceed parochial national alliances established by states. On the other end, the most eager critics of multinational corporations consider MNCs agents of economic imperialism and political control eager to achieve maximum profits regardless to the consequences if

may have on environment protection or people; they are, according to them, under the control of elitist managers and technocrats eager to increase their personal power and influence. In between the two extremes, there are other interpretations of modem multinational company roles, purpose and goals, the interpretations that, to a certain extent, view multinational corporations as mixed blessings that are neither good nor ad as much as their defenders or critics make them look.

Multinational corporations are important not only for their size but also because of their global presence. There is hardly a country in the world that is not a host to some multinational corporation or its subsidiary. In some cases, multinational corporations are allowed full control over their subsidiaries in host-countries while in other cases, host- countries demand a certain degree of control according their economic interests or government regulations. Anyhow, the fact is that nowadays, multinational corporations have penetrated most if not al countries around the world.

It is also worth mentioning the control MNCs have over many advanced technologies and raw materials. IBM, General Electric, ITT and Daimler-Benz, they all apply advanced technology and, so-called Seven Sisters Oil and Oil Industry Corporation dominates the field in industrialized Western world. Multinational corporation domination in these and other sectors, crucial for industrialized societies, made some critics to accuse MNCs of gaining full control over economic welfare of both industrialized Western world and developing one. Multinational corporation spokesmen strongly deny such and accusation. In its simplest form, a multinational corporation is a corporation that has its seat or operation centre in one country and owns and manages other corporations or its subsidiaries in other countries. These other corporations or companies are usually called subsidiaries. Thus, a multinational corporation is just what its name says: a corporation operating in more than one country.

Based on the definition, some observers maintain that actually there are three stages in a multinational corporation development. In the first stage, a MNC creates special business strategy for each country it operates in. At this development stage, a

multinational corporation can be best described as “multi-domestic” corporation. In the second stage, a multinational corporation tries to dominate the global market although it concentrates most of its efforts in its home-country. Such multinational corporations can be best described as “global" corporations. In the third development stage, a multinational corporation uses global resources, management, production and other possibilities to assume the reputation of a “transnational” corporation. Only a few multinational corporations actually have reached that transnational status. IBM is one of the corporations that has succeeded.

Multinational corporations produce various products and services. Some MNCs, such as Nestle and Fiat produce consumer-oriented products: others, such as, IBM and ITT deal with high technology. Still others are involved in raw materials. Most of the multinational corporations are large and most of them operate in several different production areas. The combined effect of size, production area diversity and global operations allow most of MNCs to withstand changing economic circumstances that preoccupy smaller corporations operating in a single national market. In reality, for the past 20 years, world sales growth rate of most MNCs has exceeded sales growth rate of nationally oriented businesses as well as the GNP growth rate of countries individually.

Sometimes, multinational corporations manufacture goods consisting of components made in several countries; theist make if difficult to say that a certain product is “Made in the US” , “Made in Japan”, or elsewhere. Although signs on the car make person think it is made in the US, large part of the car has been made in Japan based on the agreement between Chrysler Corporation and Mitsubishi Motors on joint production.

Although, at first sight, if may seem unimportant where in the world a product is made, in reality, production creates new jobs, company profit and economic strength for a country. Thus, although MNCs may claim to be only economic entities, their decisions have tremendous national and international, political significance.

American companies were among the first and the most aggressive corporations that had searched for and found alternative structures. Many American MNCs have developed organizational structures base on production divisions with one international

division. So, a company that manufactures products A, B and C in the US had a separate domestic division for each of the three products and the fourth division dealt with its international operations.

However, as during fifties and sixties MNCs were expanding their operations, man y of them changed their structures to production divisions operating in the global level. The change was necessary because in many cases, MNC international divisions became larger than all other division together and globally oriented production divisions offered the most logical and efficient managerial structure. The trend had started during fifties and sixties and continued to the nineties.

During eighties and nineties, another new MNC organizational structure emerged, the model of integrated network. This organizational version observes multinational corporations as an integrated network of divided and inter-dependent resources and capacities that operate in various markets. Each unit, in a way, creates a competitive advantage for the multinational corporation as a whole. Thus, the activities of each unit must be coordinated with the activities of other MNC parts in order to gain the best possible benefits. Such an organizational structure places the emphasize on coordination and managers with broad perspectives.

The structural changes were followed by a subtle change in multinational corporation management perspectives. Often, top manager perspectives in multinational corporations change from the attitude that MNCs national companies with international operations to the attitude that has considered MNCs real international corporations. Thus, essentially, many corporate managers consider MNCs international rather than national companies. The implications of the subtle change of emphasize may be large.

Before we examine these implications we have to examine deeper MNCs themselves. As a rule, multinational corporations prefer full ownership of their foreign subsidiaries because it enables the maximum control. In order to gain the full ownership of subsidiaries MNCs must often invest large sums of money directly into foreign countries. Money that multinational corporations - or companies and individuals - directly invest outside their home-country is called foreign direct investment.

Sometimes, a home multinational corporation shares ownership of a subsidiary abroad with public or private group in a host-country. This is called joint venture. In some cases, the public group a home corporation shares ownership with can be the government of the host-

country. One of the main changes established in the Soviet economy before the USSR disintegration was the law on joint venture between western companies and government owned Soviet businesses. In China, this kind of joint ventures were legalized in the eighties and the law are still in power nowadays.

There are several reasons why multinational corporations participate in joint ventures although they loose a part of the control over the subsidiary. First, they can find that public or private groups in a host-country possess capital or professional knowledge necessary for the subsidiary to operate. Second, a multinational corporation can think that some market requires the participation of host-country to lower political risk of foreign corporation operating in the given market. And finally, in some countries, laws and regulations require the presence of domestic capital in a subsidiary. Sometimes, multinational corporations actively intervene to change what they consider unfavourable economic or political environments. The leading example of multinational corporation political influence happened in Chile, between 1970 and 1973 when ITT together whit he CIA had helped overthrown Salvador Allende government in order to achieve more favourable environment for its operations.

Here the moral issue regarding multinational corporation interference in host-country political matters is a very important question but there are also some other moral issues about MNC operations that are not on the level of "correctness" or "incorrectness" of overthrowing governments. If, for example, the usual business practice in a country dictates large payments of cash in advance to guarantee the agreement and in the home-country the MNCs consider such payments a bride, do MNC employees behave morally or not if they pay for the purpose? Similarly, if a MNC management decides to stop or eliminate operations in a country in order to use less expensive raw materials or labour force in some other place, what are the multinational corporation responsibilities towards its former employees?

These and similar questions are the part of a dilemma about decision making in multinational corporations.

The other part of the dilemma include whether a MNC should stay in the given market if it incurred losses. Although the short-term economic return assessment can indicate the need to shut down an operation, the hope that in future profit can be achieved in the same market can dictate the continuation of the operation. Coca-Cola is a good example. For years, Coca Cola's operations in Japan have produced high costs but the decision was to continue operating in the country. During the seventies, such a decision had been justified because Japanese subsidiary of Coca Cola started to increase its profitability. Small financial losses during a longer period of time have finally brought to a large profit. In China, Coca Cola Corporation followed the same strategy of accepting losses hoping that profitable market would develop in the long term.

And again the global profitability of Coca Cola Corporation allowed for the losses to be absorbed within a longer period of time. Similarly, centralized control of all operations enabled those decisions. In fact, when you examine nowadays multinational corporations in details, the two elements - size and the centralization of operations - are the ones that make a multinational corporation important power in contemporary international relations.

The Decision-making and managing process in International Business Operations implies the application of very complex procedures. The decision-making and managing process in multinational companies include: goal setting; data collecting, informing and interpreting; option- formulating; planning and programming; decision-making; politics-expressing and politics-applying; decision-observing; decision-validating; decision-modifying; data-saving and data-using.

Shown in **Figure 1** are the decision-making phases along with goals and potential obstacles that have been identified for each phase[60].

[60] Prof. Dr Milija Zecevic, Prof. Dr Dragan Nedeljkovic, Management Decision Making, European University, Belgrade, 2014.

ASSIGNMENTS	GOALS	OBSTACLES
1. GOAL SETTING	Identification of interests	To agree
2. DATA COLLECTING, INFORMING AND INTERPRETING	Obtaining the correct information, based on which decisions can be made, understood. Transmitting information.	Incomplete, incorrect information; information delay; incorrect information interpretation; too many information
3. OPINION FORMULATING	Choice making	Limiting options; options giving based on favouritism.
4. PLANNING AND PROGRAMMING	Identifying and estimating consequences and using every option.	Favouritism, group opinion.
5. DECISION MAKING	Decision making and choosing the suitable option.	Favouritism, time limit.
6. DECISION EXPRESSING	Effective policy expression	Contraindications; misconceptions; preoccupation for personal image; media distortion
7. DECISION APPLICATION	Clear command and action control.	Expressing the problems; blurry authority lines; changes of situations.
8. DECISION OBSERVING	Informed about the policy and its effect when it is applied.	Lack of feedback; ambiguous relations between cause and effect.
9. DECISION VALIDATING	Validating the intended decision's effects.	Favouritism, group opinion.
10. DECISION MODIFYING	Policy modification in order to achieve the goal.	Insufficient resources, bureaucratic structure.
11. DATA SAVING AND USING	Learning from previous experience, to improve subsequent decisions.	Saving data partially or unreliably.

Figure 1. Decision-making process in multinational companies

Multinational companies have one clearly defined goal: *profit*. Hence, the first phase in decision-making process in multinational companies, the goal setting, has been clearly set. However, from this point on, the decision-making process in multinational companies is special in every way.

In order to obtain the profit, the multinational companies management should make more efficient decisions, regarding the

elections of business practice and strategy that should be followed; and it is the same, regarding the elections of markets and countries suitable for establishing business operations. This requires correct and up-to-date information. Therefore, it's not surprising that the multinational companies' management dedicates a lot of time, talents and resources to collecting, reporting and interpreting data regarding great number of different factors: market size; consumer preferences; abilities and strategies of real and potential competition; attitudes of host countries' governments and their political orientations towards foreign companies concerning current and future risk; labour costs; capital costs; quality and reliability of a host country's infrastructure and corporative culture. After the collection and analysis of these data, and their preparation for use, the corporation managers can develop different decision options. This means that managers of multinational companies are able to form numerous set of options for their future business activities.

Management of multinational companies has to make complex decisions about their companies' different international activities. After presenting the options to their companies in different countries or regions, where the business is taken, the decision-makers of multinational companies determine the way to "measure" and predict the factors that are out of their control, but that can significantly influence the decision-making process. These factors can include: host country policies; estimation of the market growth; capital structure; labour laws, and other.

After the decision of applying certain business strategy has been made, the management of multinational company explains and elaborates their decision to owners, shareholders and to other participants (lower levels of managers, employees, and the host country government).

Managers of multinational companies may also find certain obstacles in their decision-directing. Very often, management of multinational companies needs to ask first for the approval, from government or from other legal authorities of the host country, in order to conduct their decisions or company's operations. Depending on government's policy of a state, management of multinational companies can find some obstacles

in conducting their operations. As opposed to that, multinational companies may have strong economic influence on government's decision-making, and sometimes that gives them power to influence their policy as well.

Management of multinational companies supervises administration, evaluation and modification of their decisions. The purpose of these procedures is to increase the effect of the final results through changes and corrections that have been made.

Saving and using data is essentially important for management of multinational companies, especially in the area of planning and predicting the future business policies and strategies. Inadequate saving and data using may affect the company's profitability. With different data banks within that multinational companies, the "institutional memory" of managers, the source of saving and using data can be significant.

The Influence of Social Responsibility on Decision-Making Process in International Business

Social responsibility could be formally explained as responsibility of a company's management in optimal choice of decision that should contribute to the welfare and interests of society and of the very organization.

Even though this definition may seem simple, social responsibility can be a difficult concept to understand, because different people have different beliefs when it comes to realization of actions that promote welfare of society. Social responsibility covers great number of issues, and many of them are ambiguous regarding the concepts of what is right and what is wrong. For example, if a bank deposits money, from some fund that has been entrusted it to a management, in the account with low interest rate on 90-day, and makes a profit out of it, could that be considered unethical? Also, is it socially responsible that a smaller corporation goes bankrupt because of a bigger one? Or let us think about companies like *Manville Corporation*, *Eastern Airlines*, or *Texaco*, all of these are oil companies that went bankrupt, which is completely legal, in order to avoid rising financial obligations

towards the suppliers, the labour unions, or the competition. All of these examples contain moral, legal and economical preoccupations which is why it is not easy to define socially responsible behaviour.

One of the reasons why it's complicated to understand the concept of social responsibility is that managers have to answer the question: *Towards whom are they really responsible in their decision-making process?*

The interest, within an organization, can have any group, inside and outside that organization. Shown in **Figure 2** are the groups with interest in some organization that deals with automobile production[61]. Investors and stakeholders, employees, buyers and suppliers are considered to have the main interest in some organization, and they are essential for its survival. These types of interests are satisfied by management's efficiency, that is, by the use of resources to make the profit. The employees expect to be paid, and the consumers are interested in decisions that consider quality, safety and availability of the goods. When a group with main interests in organization becomes seriously unsatisfied, the organization's capability and its development are threatened.

Other important groups, with interests within some organization, are government and social community. Most of the corporations exist only under legal founding acts and with permissions for foundation; and they function within security laws and within demands considering the conservation of environment and other laws and regulations inside a government sector. Social community also includes local government, natural and physical surroundings and quality of life. Special interest groups, within an organization, can include trade associations, committees for political activities, professional societies and members of consumer movements. Socially responsible organizations take into consideration the effects of their activities on all interest groups within organization.

[61] Prof. Dr Milija Zecevic, International Management, European University, Belgrade, 2012.

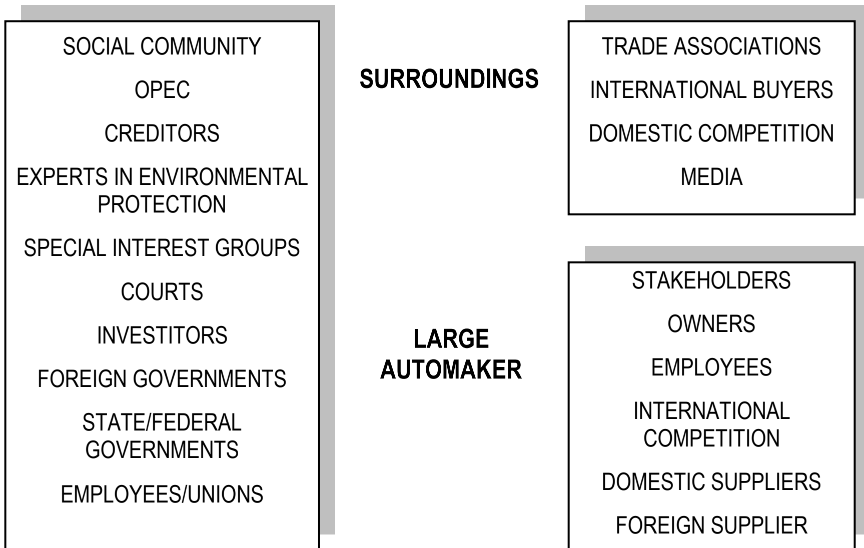

Figure 2. Groups with interest in car manufacturing company

Sometimes, the management of companies may confront and deal with those that also have some kind of interest in the company; but the management can also make decisions that would help in solving these conflicts.

For example, the company *Fina Inc*. was founded on an oil refinery in Port Arthur, state of Texas, in 1937. During the years, grounds with attractive ranch-style houses were sprouting in the shadow of this factory. Because of the noise and the unpleasant smell, the owners of the houses became unsatisfied with the fact that the factory is located in the middle of their zone. The residents expected from the company to buy their houses at the highest price of the market. In several occasions, *Fina Inc.* had tried to demonstrate its good will, trying to resolve these issues; and in the end the company agreed to buy the houses because the owners had the legitimate right of ownership. The management of companies, such as *Fina Inc*., act in socially responsible manner, by helping those with interest in their companies.

Hierarchical Area of Goal Influence on Decision Making in European and American Companies - Comparative Approach

This paper initiates the issue of management model performance «with deeply rooted local culture», such as European and American model in relatively homogenous European environment. We will research coordination and interaction between management culture and business environment.

European management model is more homogenous observed «outside» than the American or Japanese ones. If we analyze European management model the differences between nations could appear as the main differential line. However, with a certain nation there are some new lines - such as corporation size, regions they perform their operations, industries, they belong to, etc. As Europe consists of a large number of countries with strong cultural differences, European managers have more abilities in managing international diversity and leadership between extremes. Although there are some exceptions within Europe, Groupe ESC Lyon for the ERT has found that the differences are sufficiently distinctive to differentiate European management model from the American or Japanese ones. [41]

Significant differences between European and American approach can be summarized in several characteristics. First, including a larger number of participants from different hierarchy levels in decision making and implementation process; second, «social responsibility» concept and third, relatively less emphasize on profit importance because in addition to profitability as an ultimate goal, European companies «must» meet social responsibilities towards environment they operate in.

Beside the fact that there are different approaches in decision making and implementation process in European and American companies, their goals are rather similar. The real «driving force» and «reason» of their behavior is not only their home culture but «limits» they face in doing business. Thus, for example, a decision on operation centralization and decentralization is not a generic one implemented on the whole organization level but it depends on specific market demands directed to each corporate function, and sometimes to each task within a function. Adaptation to market

change is usually not connected to corporate nationality (specially European and non-European companies). American companies respond to market change and demands the same way European companies do and not in advance determined «American way». Such an attitude can be confirmed by comparative examples of decision making and implementation process in strategy implementation, organizational design restructuring and owners (shareholders and stockholders) goals influencing decision making and implementation process in European and American companies.

Making and implementing decision on whether operations should be centralized or decentralized does not have to be consistent with all business functions in a company. For example, sales and service functions must be more centralized. For example, pricing coordination in the single European market is very important to avoid over variance that can endanger customer trust. However, at the same time, companies cannot allow common European pricing turn into birocratic pricing mechanisms ignoring flexibility in a highly competitive European market.

Companies various responses in decision making and implementation process originate from various business challenges and different specific approaches to «the challenges», and not because of their corporate nationalities. For example, four American companies operating in European market - Microsoft, Gillette, Compaq and IBM - have different approaches to decision making in strategy implementation process. Microsoft has a decentralized approach opposite to centralized pan- European strategy implemented by Gillette[62].

Compared to many companies, Gillette management has probably achieved the greatest effects in their strategy pan-Europeanization. Aiming at more efficient strategy implementation the Company management made a decision to unite several previously separated marketing departments that were organized on regional principle. Such a decision resulted in marketing campaigns of higher quality than any individual budget could afford. Decision making process has been centralized. Decisions are made in the Company headquarters while in decision implementation process

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[62] Mitchell D., Reorganizing for Europe: Effective Cow Cost Approaches, The Economist Intelligence Unit Ltd., London, 1993, p. 17, 79

national and regional subsidiary managers are expected to focus on establishing relations with retailers and search for their market specifics[63].

Compaq management also follows a centralized way of strategy implementation. The Company management retained some local autonomy of its subsidiaries aiming at efficient response in decision implementation process regarding some regional diversity elements in European market. On the other side, the Company management abolished the freedom of independent decision making for managers of previously thirteen independent subsidiaries in Europe; the result was the centralization of most operations including finances, marketing, administration and distribution.

IBM management pursues a specific approach in strategy implementation and organizational change. In the mid of 1990s, the Company management made a decision to organize thirteen LOBs (lines of business). Managers of nine departments were delegated the responsibility for decision making and implementation in global production and development while the rest of them were in charge of decision making and implementation in distribution and support.[64] The decision on organizational change in IBM Company aimed at speeding up production development and competition increase in the highly developed personal computer market.

In European market, IBM management has started to implement flexibility strategy through a complete decentralization and establishment of totally autonomous business unit network. Thus in Europe, IBM organized two hundred autonomous business units whose managers were delegated the responsibility of independent decision making and implementation. Company local operations were strengthened in order to increase sales and service effects. Organizational change implementation enabled the Company management to respond efficiently and rapidly to the specific local market demands and adaptation of production innovation.[65]

Rank Xerox European division management performed the

[63] Ibidem, p. 30

[64] Hingorani S.G., IBM Corporation Company report, Nomura research Institute Europe, No. 27, August 1992

[65] Cane A., Summers D., IBM May Force Job Cuts on European Staff, Financial Times, June 1993

reorganization in its European headquarters and reorganized functional departments (marketing, sales, services). Company management abolished strategic freedom in decision making for European subsidiary managers so they could not independently manage and lead the operations. The „seven basic lines“ have been established to replace all functional departments of the Company. Operations have been completely centralized and decisions are made only on the top management level.[66]

Management of one of the European companies, ABB (Asea Brown Bovery Ltd.) achieved a great advantage as the result of reorganization in the main company headquarters. At the beginning of 1990s, ABB comprised of six operational divisions covering 65 different business areas.[67] By the mid of 1990s a drastic job cuts in the headquarters was carried out (from 4,000 to 150 jobs in the headquarters) the decision was made to lower the number of operational divisions from six to four. Company management made a decision on organizing three regional departments on the corporate level and their managers were delegated authority and responsibility of decision making in European, the US and Asian markets.[68] Such a decision on organizational structure change enabled ABB management to achieve high competitive edge in the environment.

As one of the pioneers in organizational change implementation, 3M Company management started with „Company Europeanization" in the mid of 19970s following the European Community expansion. As traditionally „hierarchical“ company with diversified production scale, 3M Company used to operate through independent divisions organized by national principle. Anticipating the single European market development, Company European division management encouraged the decision on facilities rationalization: till the mid of 1980s each of 24 facilities in Europe produced one (global) product for the whole European market. This decision enabled the management to avoid problems multinational companies faced: incompatibility with national goals, unnecessary internal competition. In 1990s, the Company opened its

[66] Lorenz C., Time to get Serious, Financial Times, June 1993
[67] ABB Annual report, 1996
[68] Redger I., Abb Managers Strip for Action and ABB Restructures to Strenghten Competitiveness, Financial Times, August 1993

European headquarters in Brussels in order to coordinate its activities in Europe efficiently. Company management made the decision on centralizing the functions of financing and marketing and decentralizing transport and storage in distributive center in the Netherlands. The purpose of such a decision on organizational structure change has been the placement of similar values and goals so the „European reflection model"[69] could be built in the divisions or subsidiaries that used to be oriented only to meeting the needs of national values.

The above listed examples help us conclude that in decision making process corporation management respond to various market changes in the way appropriate to the concrete, specific situation. It is easy to notice frequent needs for production line decentralization or making decision on company organizational structure change. A far more difficult challenge company management confronts with refers to implementation of a decision on change, i.e., company restructuring.

The problem of implementing the decision on organizational design change in a large company can be shown by a comparative analysis of and American and a European company - IBM and Philips Electronics.

During 1980s, IBM Company management implemented a number of decisions on company restructuring. At the beginning of 1990s, company management (within its European operations) delegated the complete authority and responsibility in decision making and implementation process in production from production managers to regional managers who were responsible for all company operations in the four largest markets: France, United Kingdom, Germany and Italy. Initial activities regarding restructuring showed as controversial. Company management made a decision on reorganizing production lines in order to adapt to local consumers. Such a decision obviously was not permanent but flexible solution aimed at satisfying changeable European demands. Later decisions on reorganizing „European operations[44] included the organization of eight main production divisions. Each division was divided into individual profit centers whose managers were delegated a certain degree of freedom in making decisions. For

[69] Business International, Management Europe: How Companies Are Dealing with Critical Management Issues, London, 1992

example, IBM sales operations in Great Britain were organized in 30 separate units. The manager of each unit has become responsible for making decisions on pricing and expenses and for the unit performance he /she reported to the headquarters.[50] Such an action typical for American companies, means that IBM units that are not able to achieve established goals will be confronted with shutting down.

After a number of implemented decisions on organizational changes, Philips NV Company management is still in the course of carrying out various decisions in order to create successful pan-European operational structures. Dutch electronics company has been faced with the problem of „bureaucracy" resistance. In the process marked as „controlled decentralization[44], autonomy in decision making and implementation process was „abolished" for regional managers of national divisions. The new organization delegated authority and responsibility in the decision-making process to production division managers.[51] Such an organization increases the complexity of interaction between managers in the company (production/regional divisions). It strives for establishing less hierarchical structure and clear chains of commands. The basic goal of such a decision made by the Company management is to make Philips become the company with global strategy through reorganization.

We can point out that neither in the first nor in the second example there is what we can call typically American or European feature in the decision making and implementation process. It is clear that the holders of changes in decision making and implementation process are primarily the needs to acquire competitive positions or to increase company operational abilities in a market. Regarding this issue, American company management behavior is relatively homogenous and does not vary from European company management.

Hierarchical area of goals influencing decision making and implementation process is different in American and European companies. The differences stem from various owner (stockholders) interests. For American owners, profit is the only criterion to determine success and this is why corporate decisions are concentrated on maximizing revenues. On the other hand, European company management is „forced[44] to consider many other factors in

decision making and implementation process, in addition to stockholder interests.

In European companies, decision making and implementation process has different time perspective showing that there are differences in strategic decision making and decision implementation process between European and American companies. Decision making process in European companies has broader time perspective unlike less flexible and time limited decision making that prevents American company management from long term strategy implementation and orients them to short term decision making effects in order to achieve quarter or annual profits.

Ways a company implements its strategy also varies between European and American company managers have a higher degree of strategy freedom delegated in decision making and implementation process (because they report only to company owners (but they are also faced with higher degree of risk (because they are the only ones responsible for profit(than European managers.

Less sensitivity to government requirements and a greater role of stockholder and owner interests American corporate decision making is influenced by, show higher operational abilities of American company management in change implementation (for example, in organizational design restructuring process). In European companies, decision making could be defined as a “black box» system because decision making and implementation process is under the influence of not only stockholder capital (including shareholders, government, banks...) but also of other various stakeholders (including trade unions, local, national and supranational public services, industrial groups, workers...). Therefore, European company managers face many barriers in decision making and implementation process (for example in change implementation) which could have negative effects on interest well-being and fulfillment of one or more corporate stakeholder goals. Unlike American companies where decision making and implementation process is subjected only to owner interests and goals, in European companies, decision making and implementation process is influenced by various hierarchical level goals (from interests of company owners, managers, subordinates to interests of various stakeholders in the environment the company operates in).

American company owners and shareholders attach far less interest to their company stakeholder goals (for example, local employees) and they do not subject their goals to local environments interests where a company operates. Consequently, American managers are delegated more freedom in decision making and implementation process (for example, decision on production division relocation or shutting down). Thus, for example, a decision on shutting down facilities in France to open a new one in Spain will be made and implemented more easily in IBM or Hoover than in a European company.

Many examples point to the fact that American managers being under the influence of owner interests and goals, make decisions on divesting operation sin a certain market more readily and rapidly regardless to consequences the decision may cause in their environment. Such or a similar option in decision making process in European companies is more difficult to implement because for a European company it is almost inconceivable to abandon its home operational base. Thus, for example, Volvo or Renault cannot stop production and selling cars in Europe while Federal Express or Tendy are the examples of American companies that made decision to divest European operations. Faced with unsatisfactory results and failing to achieve its owner interests, Tendy made the decision to divest it European operations.

Similarly, Federal Express management made a decision to close its operations within Europe expecting the single European market to enable improvement of logistic operations and create large market for cross-border “courier” services. Federal Express management was confronted with three problems: firs, shorter distances in Europe compared to the US, increasing costs per kilometer; second, abundance of local practice, attitudes, national prejudices was preventing successful integration of “courier services” on the European level; and third, Europeans have not developed yet the feeling for rapid courier services, so the boom Fedex management anticipated never come true.

The two examples do not imply that a large number of American companies would easily make a decision on abandoning their operations in Europe. In fact, many American companies have made efforts to retain and improve their positions in Europe in spite of their weak financial performance and failure to meet primary goals of their owners and shareholders.

In order to achieve company owners and shareholder interests, American managers often fail to consider direct social consequences that may result from corporate decisions and their implementation. Profit as the only goal “allows” or “forces” American managers to make strategic or operational decisions that may have negative effects on regions or population. A good example is Hoover Company and its management that has implemented restructuring within its European operations (facility relocation from France to Great Britain). Within the context it is necessary to mention the comments of OECD Trade Union Advisory Committee about Hoover management decision on facility relocation. The Committed has emphasized that “facility relocations must be implemented in cooperation with all stakeholders, primarily employees and trade unions.

The examples of European corporations Nestle and BSN show Hoover management failure in implementing the decision on relocation. BCN management experience in implementing similar decisions implies the need to consider various alternatives that may result in decreasing labor dismissal. In implementing decision on relocation of Nestle cookie production facility, the company management made the announcement and started negotiations with trade union.

The characteristic of American management is different approach to short-term and long-term goals. Thus, for example, American Company United Parcel Services - UPS is and example of different way of long-term and short-term goal assessment compared to European companies. In early nineties, UPS made and acquisition of Calcudo parcel services in Spain. Local workers and company derivers were dissatisfied because of American management style “built-in” decision making and implementation process (working conditions, rules, procedures, behaviors), UPS management did not anticipate the fact that employees in Europe and specially in the southern part of Europe were not ready to follow various procedures and rules and to give up practice they considered personal freedom and not an element of service like their fellow workers in the US. The key mistake was that UPS management had failed to notice priorities in decision making and implementation process imposed by the situation in Spanish rapid delivery service market. The priority in this young and fast increasing market should have been the largest possible market

share and not the creation of local efficiency, labor homogenization and focus on quality and service. UPS management contributed to this error because it had "tied up" its home management model to local environment without any adjustment. The situation in the given Spanish market was completely opposite to the one in the US. In Pain that represents fast developing market, acquiring market share and consequently acquiring customers and personnel motivation could be basic priority in decision making process even at the cost of service quality.

However, the failure of various company operations and many other American company ventures in Europe largely lies in wrong managing of local, cultural and corporate differences. Observing Euro Disneyland failures, the company made on American resort complex pattern, many analysts have emphasized that the corporation decision makers ignored those factors, thus, for example, there was not enough attention paid to French consumers although they potentially represented the largest group of consumers. Also, European tour operators were not sufficiently satisfied; their employees companied of long working hours and low earnings. This example shows us the consequences of foreign management model "import" and its application in European companies with no prior adjustment to local environment.

In addition to European and American managers facing various problems in doing business in European market, interests and goals of various shareholder structures largely influence decision making and implementation process.

The skills European managers have mastered in their home markets represent a certain advantage in performing operations in European environment. On the other side, American companies respond faster to market change and can be more competitive in pan- Europeanization of their organizations and operations in some industries (for example, electronics, computers, medical equipment).

Within the context one may ask whether European companies can and should join pan-Europeanization in the same way as American companies do. To answer the question we will use the example of ABB company knows as one of the companies that simultaneously became largely pan-European and local European company. ABB management has combined "the most efficient" aspects in American and European approach. ABB organizational

structure has been built on the combination of two contradictions: “large and small”, “global and national”. “Global and large” refer to international coordination, technology transfer, engineering and production. “Small and domestic” refer to “multi-domestic” organizational solution of ABB company with distinctly decentralized organizational structure and emphasis on closer relations with their consumers. Such and organizational structure enables flexibility and larger freedom ion decision making and implementation process for managers of company independent local and profit centers.

ABB company is an example of pan-European company using “multidomestic” approach in many host-countries thus being considered as local, national company[70].

Whether to follow an American or European approach in decision making depends on a company that must perceive potential consequences a decision may have on its owners (shareholders) and other stakeholders in their business environment (workers, trade unions...). Compared to most European companies American companies have some advantage in performing their operations in European market because they are considered “outsiders” as their business is focused on goals and shareholder interests. European companies, however are expected to consider their citizens and employees the vital shareholders in their business. If European companies attempt t follow American pan- Europeanization model, they will risk to disturb complex inter-relations with key stakeholders (trade unions, local and national agencies, employees) representing the vital participants in the implementation of their short-term and long-term operations.

[70] ABB Annual Report, 1995

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