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Importance of Cultural Intelligence: Cross-Cultural Examination and Analysis

Daniel Marcotte
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Table of Contents

Importance of Cultural Intelligence: Cross-Cultural Case Examination and Analysis 6
Daniel Marcotte, Bryant University
Elzotbek Rustambekov, Bryant University
Joseph Trendowski, Valparaiso University

Past and Future of the ASEAN Member’s Trade Partnership with the U.S. and China 25
M. Anaam Hashmi, Minnesota State University Mankato

A New Investment Mecca: North Korea for Global Enterprise 41
Sang T. Choe, University of Southern Indiana
Glenn A. Pitman, SUNY–Binghamton

Crossing Cultures: Guides and Models for Development, Selection and Application 48
Robert Service, Samford University
Clifton Eason, Samford University
David Sonius, Flint CPS Links
Kavore Kariuki, KGroup Consultants
Joseph Worcester, Silk Road Global Study Programs LLC.

Tariffs in the Global Economy 74
Van Mobley, Concordia University Wisconsin

Big Data: The Human Perspective and the Governance Imperative 78
Rafael Dan Schur, SÃO Paulo School of Business Administration (FGV-SP), Brazil
Patrick Michel Finazzi Santos, SÃO Paulo School of Business Administration (FGV-SP), Brazil

What can Time-Use Surveys teach us about the “Glass Ceiling” and the Gender Wage Gap in the United States? 90
Sucharita Sinha Mukherjee, College of Saint Benedict/Saint John’s University

Making Industry Self-regulation Workable 104
Maria Lai-Ling Lam, Calvin College

Attributes that Influence the Inclination to Become an Entrepreneur: A Case Study on Mexican Male Students 114
John E. Spillan, University of North Carolina at Pembroke
Mohammad Rahman, University of North Carolina at Pembroke
Alma Mintu-Wimsatt, Texas A&M Commerce
Carlos Ruiz, George Gwinnett College

Students’ Perception of the Competitiveness of International Businesses Programs—Case Study of Mexico 126
Victor Bahhouth, University of North Carolina at Pembroke
John E. Spillan, University of North Carolina at Pembroke
Addressing Corruption Risk in Collectivist Cultures: Toward an Identity-Based Model of Multi-National Corporate Compliance 143
Duncan McCampbell, Metropolitan State University

Business Diplomacy Gone Rogue? Transnational Tobacco Companies and Illicit Trade in Tobacco Products 159
Amit Mukherjee, Stockton University
Naz Onel, Stockton University
Importance of Cultural Intelligence: 
Cross-Cultural Examination and Analysis

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Abstract

Globalization requires collaboration, partnerships, alliances, trade agreements, and business conduct across both borders and cultures. Growth in international business necessitates corporations and employees to be culturally intelligent. Cultural intelligence has proved to be an instrumental skill that will be a major determinant in the success of cross-cultural collaborations. We examine cross-cultural situations of financial and social problems caused by a lack of cultural intelligence and compare them to situations of effective collaborations. We conclude with practical suggestions and five recommendations that can help improve cultural intelligence levels.

Key Words: Cultural Intelligence, International Business, Merger and Acquisition,

Introduction

The most important concept that needs to be understood about cultural intelligence is that it is a relative term. There is no worldwide norm, there is no benchmark, and no set example or template to follow (Thomas, 2008; Murphy, 2014). Cultural intelligence (CI) is defined “as an individual's ability to function effectively in situations characterized by cultural diversity” (Ang & Van Dyne, 2015; Earley & Mosakowski, 2004). An individual’s cultural intelligence is a skill, a developed and learned aptitude that is unique to one person (Hampden-Turner, 2016). In a modern and connected global stage, effectively exercising cultural intelligence is a skill with implications and consequences if not done correctly (Erez, 2013). This is evidenced in many case studies, with large financial implications in many cases (Lewis, 2013). This skill goes far beyond interaction with citizens in other countries or executing a cross-cultural business deal. It is applicable in places as close as people from a different down, or persons belonging to any type of social group other one’s own (Crowne, 2013; Walker, 2016). Too often, this important trait isn’t exercised, which can and has led to subpar outcomes in many areas of society (Ming, Mobley, & Kelly, 2013). When a high emphasis is placed on CI with effective utilization, there can be outcomes in certain situations both small and large that serve as blueprints and models by which to strive for (Eisenberg & Brook, 2013).

Originations of Cultural Intelligence

Cultural Intelligence, referred to as CI, can be thought of as emotional intelligence and social intelligence combined in a multidimensional setting to understand and interact with individuals and situations from another geographic or social group (Reichard, Dollwet, & Louw-Potgieter, 2014). Emotional intelligence is the ability to identify and manage one’s own emotions and the emotions of
others (Goleman, Boyatzis, & McKee, 2015). Emotional intelligence also involves the application of knowledge and emotional management to tasks such as thinking and problem solving (Ang, Soon, & Dyne, 2015). Social intelligence is mostly learned and picked up through immersion and experience conversing with others (Riggio, 2014). Equally important is the ability to adapt (Coetzee & Harry, 2014; Eisenberg, 2013). Social norms and roles that exist in the “home” culture may be completely different or nonexistent in another group. The ability to adapt and understand the differences between two population groups provides the critical knowledge which can be acted upon in an unfamiliar setting (Thomas, 2006; Stone & Woodcock, 2013). However, learning the content and background knowledge of another country or starkly different group is helpful (Muntean & Rînciog, 2014). Additionally, from the emotional intelligence component is the necessity for mindfulness, which is the increased awareness of the current situation, location, and the state of both the internal environments of individuals and external environmental variables (Karelaia & Reb, 2014; Muntean & Rînciog, 2014). When all the social and emotional intelligence components are exercised in an immersive and multidimensional environment, there are outcomes that are observable. If CI was effectively used, the outcomes will be positive (Murphy, 2014). If the components of CI were misused or left out, there will likely be failures or unsatisfactory outcomes.

Described in this flow chart are several principles, skills, contributing factors, and results. Depicted on the left-hand side are the components of necessary requirements to serve as a foundation for the proper execution of CI; the components being derived from behavioral learning (social intelligence) and cross-cultural training (Ferraro, 2017). On the right-hand side, failures in diversity and cultural distance from other countries lead to a lack of cross-cultural competence, resulting in unfavorable outcomes in the conduct of International Business (Stahl & Tung, 2015). Contributing factors to failures...
consist of workings in the internal firm, and external cultural differences (Moran, Abramson, & Moran, 2014). Discussed below are case examples where failures in International Business and cultural competency have unsatisfactory outcomes.

Case Examples of Ineffective Cultural Intelligence

There are many areas of global and domestic society where a lack of cultural intelligence is noticeable. There are far too many case studies of instances where international business dealings experienced major problems due to a lack of basic CI (Cheng & Seeger, 2012). An infamous example of a cross-cultural business failure was the Chrysler-Daimler merger. The end result was a divorce several years after the merger. It was thought of as a cultural mismatch, however this conclusion can be heavily disputed (Weber, & Tarba, 2012). The goal of the merger was to establish a company that could meet the demands in every car segment, with sales expected to increase exponentially (Marks & Mirvis, 2010). This was to be accomplished by a “smooth integration” of employees and departments between the two manufacturers. This “smooth integration” was the only path towards success, however the integration of employees completely failed (Weber, 2013). Employees, managers, and executives did not exercise cultural intelligence in performing critical functions (Tian & Borges, 2011). Several points of conflict arose. Culturally, Germans are more formal in their composure and use fact-based communication styles. The American communication style consists of small talk, opinions, occasional entertainment, and persuasion. Their differences in communication rendered presentations and decision making less effective (Tian & Borges, 2011). American agreements arose through persuasion, German agreements resulted from thorough analysis of details, leading to clarification and justification. It was a more formal, hard-lined, and strict approach from people that Americans referred to as “eggheads.” Each side learned to be like the other side more, but not before the Chrysler share dropped by more than 50 percent (MacKay & Chia, 2013). The sale of Chrysler in 2007 caused a financial loss to Daimler. The merger in 1998 made sense strategically and accounting wise, however the lack of CI by employees and managers led to an environment where neither side could recognize or understand each other’s social norms, mindsets, processes, or goals (Weber, 2013).
In this Geert Hofstede 6-D Country Comparison Chart, cultural traits of Germany are compared with those of the United States. The differentials in categories explain the source of the problems between the German and American employees. With the Indulgence category, Americans exhibit more actions of colorful presentations, complete with persuasion and other rich tactics to get their points across (Powers, 2012). The Germans are much more focused and technical. This is similar to the Long-Term Orientation category, where Germans more than three times more focused on long term goals and success. This was seen with their highly analytical and technical-based decision making. Americans in contrast ran meetings and functions with more “showboating” and short-term goals (Powers, 2012). This same trend was observed in the Uncertainty Avoidance category, because Germans ran thorough, fact-based analysis to achieve clarification. This was far less present with Americans (Lewis, 2013).

This flowchart depicts the timeline and contributing factors discussed above that doomed the Chrysler-Daimler merger, which stemmed from the lack of social and emotional intelligence hindering any results of CI (Luo & Shenkar, 2011). This type of failure to exercise emotional and social intelligence to achieve mutual goals of success is also seen right here in the United States.

Over the last few years, the country has become far more divided politically. Many may attribute this to the rise of internet connectivity and social media causing ideological “echo-chambers”, however the underlying problem is the lack of cultural intelligence between the two ideologically opposed political parties (Barnidge, Ardévol-Abreu, & Gil de Zúñiga, 2016). In this peer-reviewed research article, the study evidenced many statistical samplings to draw conclusions from. “Results show no main effects of content expression on ideological extremity. However, they do show conditional relationships based on emotional intelligence. Among those high in emotional intelligence, content expression reduces extremity; however, among those low in emotional intelligence, these behaviors contribute to extremity.”

1 <Accessed on 04 01 2019 at 16:14>
The key factor noted in this analysis is the presence of emotional intelligence. Those who have greater control of emotional intelligence are less prone to extreme views due to their greater ability of applying knowledge and problem solving (McCleskey, 2014). Those determined to have less emotional intelligence develop greater polarity with expressive content, because they are failing to think and attempt to understand the problems at hand.

**Figure 4. Barnidge, Ardèvol-Abreu, & Gil de Zúñiga, 2016, 827.**

In this Figure taken from the content-expressive behavior study, data points of users are depicted in the right-hand scatterplot to show that with increased values of content expressive behavior and increased emotional intelligence, comes the result of less extreme ideology (Barnidge, Ardèvol-Abreu, & Gil de Zúñiga, 2016). This translates into a trend of individuals with less polarizing viewpoints and actions. This chart also shows the result of low emotional intelligence, which are represented as a flurry of localized dots, which represents the phenomenon of polarization. These are the individuals with low emotional intelligence.

Widely known examples of low emotional intelligence in active thinking and attempts at problem understanding result in anti-intellectual stereotypes (García-Sancho, Salguero, & Fernández-Berrocal, 2014). A perfect case study of this ongoing issue is present-day America. Republican voters primarily live in rural America, while Democratic voters primarily reside in cities and far more populated areas. Each side primarily interacts with people and groups that are like-minded that share the same social and cultural experiences. Where the lack of cultural intelligence comes into play is when each side doesn’t have the learned social interaction or emotional awareness of the other side. Each ideologically opposed culture therefore are rendered culturally incompetent, and fail to understand the internal processes, external environments, social norms, and other factors that define each culture (McCleskey, 2014). This cultural incompetence manifests itself as common stereotypes and demeaning impressions that are talked about in the media. Rural Republicans are likely to judge Democrats as “Big City Liberals,” “The Coastal Elite,” and “Lazy.” Democratic voters in more populated regions are likely to judge Republicans as “Unintelligent,” “Closed-Minded,” “Uneducated,” and “Rednecks.” (Graham, Nosek, & Haidt, 2012). While politically-oriented social media pages have a role in the spread of stereotypes and misconceptions of the other culture, ultimately it is the lack of emotional turned CI being exercised by each side. The lack of interest and motivation for the population to learn more about the opposing side’s complex problems...
and culture has led to violence, political stalemate in Washington D.C. and a nation with high tensions.

Case Examples of Successful Cross-Cultural and International Integrations

Many international business failures start with a lack and understanding of cross-cultural competence (Johnson, Lenartowicz, & Apud, 2006). A study performed by KPMG International concluded that a staggering 83% of mergers and acquisitions fail to meet their predicted overall increase in value. “Mergers and acquisitions are designed and executed to create growth, competitive advantages, technological acquisition, eliminate competition, and more in order to create value. But many companies badly estimate the complications that can arise during an acquisition, resulting in a “2+2=3” rather than a “2+2=5” effect” (Appelbaum, 2000; Cartwright and Cooper, 1993; Hovers, 1971). The referral to the 2+2=3 example describes the situation with the Chrysler and Daimler merger, ultimately a failure (Marks & Mirvis, 2010). The biggest takeaway from the many failed mergers and acquisitions speaks to the level of importance of CI when planning and executing international arrangements. The most quoted reason for a failure in an M&A is cultural differences (Appelbaum, Roberts, & Shapiro, 2009; Cheng, Sophy, & Seeger, 2012). This finding is unfortunate, but not surprising. “While strategic, cost, revenue and legal issues drive most deals it is cultural issues that determine their success. It is not an exaggeration that how companies handle culture issues is probably the single most decisive factor that can make or break a deal.” (Papadakis, 2007). Historically and presently, companies that set focused goals and conduct due diligence on their acquisition or merger target, are the ones that will have successful integration in the 2+2=5 example.

A true performer and leader in successfully acquiring and joining forces with other companies is Cisco Systems (Thurm, 2000). Currently, Cisco has acquired 203 separate companies from across the globe to date. Cisco serves as a gold standard by which other companies are able to mirror and conduct their own international dealings. This model dubbed “The Cisco System” entails several philosophies and conducts that have made Cisco unusually successful in this arena (Strategic Direction, 2004). Firstly, one of Cisco’s core philosophies is communication; the early, frequent, and honest dissemination of essential information will give employees ownership of the process (Strategic Direction, 2004). When Cisco acquired Cerent in 1999, it put into practice their critical communication philosophy. Secondly, Cisco decided it would use the best aspects and areas of excellence in each company and use those areas to primarily create the final result. If one entity was outperforming the other merging company in a specific area, the outperforming company’s practices would be the ones utilized (Appelbaum, Roberts, Jessie, Shapiro, 2009). The third main method Cisco used in this acquisition was not to force cultural change and practices upon the other company. Instead, Cisco used an all hands-on deck strategy, where Cisco management veterans acted as dependable mentors for Cerent’s managers and executive team (Appelbaum, Roberts, & Shapiro, 2009). This allowed Cisco as a company smoothly implement their goals and company values by using Cerent’s managers to “trickle down” the new culture and structural changes to the staff below him. This theory of all hands-on deck by the more senior Cisco leaders stands in stark contrast to the Chrysler-Daimler merger. “The management team would have had to develop a global brand strategy and associated logic of competitive positioning. None of this happened.” (Watkins, 2014). This underscores the necessity for proper CI when joining forces. Companies each have their own individualized culture, and Cisco exercised their own CI when deciding to implement veteran managers to act as mentors, which allowed employees from Cerent to continue their work under a new company, while retaining their culture. They experienced less cultural conflict and clash than the Chrysler and Daimler teams did, and ultimately this acquisition was yet another success for Cisco because they appropriately devoted their resources to handling the most decisive factor in an M&A, which are culture issues (Papadakis, 2007).

The Cisco-Cerent acquisition was a successful cross-cultural integration done on American soil from two American companies. However, this acquisition seems miniscule and easy in comparison to
successful strategic alliance of automakers Nissan and Renault. While not a typical full-blown merger, Nissan and Renault were able to establish a very cohesive partnership, despite each automaker hailing from vastly different cultures with no history of ever working together (Korine, Harry, 2002). Prominent market experts had low expectations, given that the proposed strategic partnership was unusually far reaching. “As much as has been made of the culture clash between Daimler and Chrysler, it will be nothing compared with Nissan and Renault……At their core, they both are nationalistic and patriotic, and each believes its way is the right way to do things.” (Treece & Farhi, 1999; Asakawa, 2010).

Figure 5. From Hofstede, https://geert-hofstede.com/france.html.

Besides the geographical reach, there are key differences in the culture of each country. There are many cultural differences in reference to the Hofstede 6-D chart between Japan and France. The biggest differential as viewed in the chart is masculinity. “A high score (Masculine) on this dimension indicates that the society will be driven by competition, achievement and success, with success being defined by the winner / best in field – a value system that starts in school and continues throughout organizational life (Hofstede)”. Japan has an exceptionally high score of 95. This cultural norm of masculinity and its encompassing traits of competition, achievement, success, and winning are hallmarks of Nissan’s manufacturing process, because it was superior both technologically and organizationally (Stevens & Merieke, 2008). France’s level of cultural masculinity scores much lower at 43 (Figure 5), primarily due to the fact that the upper class maintains a feminine culture which is far less competitive than a masculine

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one. This in combination with the high-power distance score of France yields top level managers and executives at Renault that are less motivated to achieve dominance and complete excellence in relation to the Japanese at Nissan (Ghosn, 2005).

Despite these many cultural flashpoints, the Renault-Nissan Alliance was ultimately a success because employees on all levels of the company were able to exercise CI through a variety of methods (Ghosn, 2005.) Cross-functional teams were established to improve communication between departments, particularly at Nissan where management and order had a history of shortcomings (Treece, 1999; Dore & Sako, 2012). Other methods were the establishment of cultural management teams, and cross-company teams devoted to identifying gaps and areas of weakness in relations. An Alliance Board was established, where areas of synergistical development are looked into each month. A common theme observed here is a commitment to communication. “Several studies have reported a link between national culture and performance. Naor et al. (2010) propose that societal and institutional collectivism should improve operational performance because it improves teamwork, increases employee involvement, and breaks down barriers between departments. These cooperative relationships and cross-functional teams have lower costs, less scrap, and higher productivity, as demonstrated in initiatives developed by Japan, such as Quality Circles, that improve quality and decrease defects (Gill, 2012; Asakawa, 2010).” A direct result of increased employee performance and involvement was the establishment of ten common vehicle platforms established between Renault and Nissan. The result was an increase in part commonality and common design plans which accounted for 90% of their combined production volume, which increased overall efficiency (Stevens, 2008). Lastly, strong and attentive leadership from the top ranks of both companies played a prominent role in making the Nissan and Renault Alliance a success. Carlos Ghosn, former Vice-President of Renault-turned Chief Operating Officer of Nissan spoke to the importance of the aspects of CI in an address to the Automotive News World Congress. “We cannot use them as a copout or as a crutch. We know they will come, but we are determined to treat them as speed bumps, not detours......Before Nissan can overcome its financial problems, we must establish a binational, multicultural company - not through a forced merger, but by feeding off each other's strengths and minimizing each other's weaknesses for the sake of developing a healthy business” (Kranz, 2000).
Figure 6. From Khaleel³, [https://www.slideshare.net/adamkhaleel/pudelko-dij041012](https://www.slideshare.net/adamkhaleel/pudelko-dij041012)
This figure depicts several stages and strategies used by both companies in the creating and implementation of the alliance. The establishment of common vehicle type platforms provides greater engagement of employees in motivation and interaction, while reducing costs and accelerating product development (Stevens, 2008). Additional goals of cost savings on behalf of both companies came from the improved management of Nissan’s supply chain through Renault-established management techniques (Gill, 2012).

³ <Accessed on 04 01 2019 at 09:32>
In this visual depiction of several main components and processes of integration methods, there are several parallels noticeable between the strategies of Boston consulting firm The River Group, and the successful strategies used by the senior leadership teams involved in the Cisco-Cerent and Renault-Nissan integrations. In the Cisco-Cerent merger, a vision was communicated very clearly by Cisco veterans to the acquired company (Strategic Direction, 2004; Appelbaum, Roberts, & Shapiro, 2009). These Cisco veteran managers also used their champion communication and information sharing strategy to communicate goals and culture to the Cerent managers, which allowed perceived “less-invasive” integration and change protocols to the employees below the Cerent seniors (Watkins, 2014; Papadakis, 2007). These tactics led to the creation of an aligned culture between the two companies, which is important because it has been established and studied throughout historical observations that cultural integration conflicts will make or break an M&A deal (The River Group, 2017; Appelbaum, 2000; Cartwright & Cooper, 1993; Hovers, 1971). As seen in The River Group diagram, Nissan and Renault integrated with specific goals to achieve the “2+2=5 effect,” which allowed higher performance organizational practices to take place (Appelbaum, 2000; Gill, 2012; Asakawa, 2010). Through cross-organizational and cross-functional teamwork, ten common vehicle platforms were established between Renault and Nissan which accounted for 90% of their combined production volume. Direct results from this combination of high-level Japanese manufacturing and quality control methods with Renault’s far superior management techniques (Stevens, Merieke, 2008) had immediate effects which mirror The River Group’s ideals of Designing a High-Performance Organization, and Managing a High Engagement Integration Process (Moran, Abramson, 2014). The results of the teamwork between Renault and Nissan were lower production and managerial costs, increased production efficiency between both companies, greater employee involvement, and faster product development (Stevens, 2008; Gill, 2012, Dore & Sako, 2012).

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4 <Accessed on 03 07 2019 at 11:12>
From Geert Hofstede’s cultural dimension definitions, there are several noticeable numbers that relate to case examples discussed. On the pillar of Long-Term Orientation, the difference between Germany and the United States is staggering. Germany’s rating is 83, while the United States’ rating is 26. This reflects upon the challenges of the failed Daimler-Chrysler merger, in the fact that the American managers and design teams were far less focused on committing to non-flashy and practical automotive designs. These Chrysler teams prioritized more bombastic presentations and ideas, and spent little time coordinating with their German counterparts on the required engineering and technical aspects.

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5 <Accessed on 04 02 2019 at 21:55>
The failed Daimler-Chrysler merger is again explained by the visualized cultural differences. From the World Values Survey conducted every few years, respondents from the United States expressed a strong pride in their nationality and culture with 65.3% of respondents describing their level of pride as “Very Proud.” This theme of strong pride represented itself in the Daimler-Chrysler boardroom meetings, where American managers and design teams fostered a culture of slight arrogance and borderline overconfidence, which were attitudes that didn’t help make any progress when it came to the engineering and detail-oriented aspects. The Germans were more subdued in their sense of pride, with 21.1% of respondents rating their pride in nationality as “Very Proud.”

Figure 9. World Values Survey\textsuperscript{6}. Worldvaluessurvey.org/WVSOnline.jsp
Figure 10. World Values Survey\textsuperscript{7}. Worldvaluessurvey.org/WVSOnline.jsp

Japan’s culture is far more closed off than others, with 54.6 of respondents claiming that they do not trust foreigners very much. When Renault from France and Nissan from Japan joined forces, this was a sticking point. However, the collaboration between both companies was a success due to the establishment of the Alliance Board and several cross-functional teams that led the breaking down of boarders between departments. The result was a more trustful workforce, and greater operating efficiency. The most noticeable improvement was with Nissan’s manufacturing process and management, which historically were described as inefficient and faulty.

\textsuperscript{7} <Accessed on 04 02 2019 at 22:32>
This figure speaks again to the compatibility issues between Americans and the Germans involved in Daimler-Chrysler. 34.7% of respondents from the U.S describe the practice of experts making decisions as “Not Good.” In the Daimler-Chrysler relationship, the Germans were far more superior in engineering, design, and overall automotive expertise than their American counterparts. This statistic explains why there was inefficient collaboration occurring on multiple levels of the company; the workforces just were not equal in caliber and commitment. From Figure 8, it is shown that the pillar of individualism in the United States is rated at 91, which is very high. The disdain for experts controlling decisions accompanied by a strong sense of individualism resulted in inefficient or even nonexistent collaboration.

**Actionable Recommendations**

There are many multinational businesses that have had impactful successes integrating their business model across several continents and many countries, with employees acting synergistically to accomplish corporate goals from a diverse array of cultures (Chibba, 2013). Banks, electronics manufacturers, food chains, and retail stores have all integrated and established themselves, which serve as models for the successful execution of CI. While no recommendation is an overnight fix, especially for large scale problems such as a sharp political divide, there are routes to ensuring the success of the integration of cultures (Managan, 2017).

Our first recommendation is embedding training workshops. Employees may not have the experience or immersive history to be socially intelligent. Employees may not have ever been challenged in attempting to understand other people’s emotions. To fix these shortfalls, corporations preparing to send individuals abroad or establish a new office in another location should establish training courses (Sherriton & Stern, 1997). Where Daimler-Chrysler went wrong in this regard was developing a training course which focused only on the differences between the two cultures.

An effective training course would consist of the differences between the two cultures to provide

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8 <Accessed on 04 02 2019 at 22:41>
background information, but the far more important aspects to include in the training course are non-cookie-cutter approaches to developing cultural intelligence, and furtherly using that to make decisions (Sherriton & Stern, 1997). That part of the training course should consist of education in role-playing under the social intelligence component. Employees will know how to adapt to an unfamiliar scene of new social norms (Wander, 2013). The course should also consist of the importance exercising mindfulness, which is heightened awareness to a situation and attention to new social cues and emotions being exhibited by an individual from another culture.

Our second recommendation is an extension of the first recommendation, however this recommendation touches upon the critical component of personal behavior, which can have immediate effects abroad (Trompenaars & Woolliams, 2002). As part of the training course, the employee must be attuned to different behavioral expectations of going abroad. The term “Ugly American” is used to describe Americans who visit another country and make no effort to change or modify their habits. This is because they don’t understand they are in a new culture or aren’t aware their behavior should adapt to people around them (Randolph, 2011). The ability to correctly adapt and change personal behavior is a result of exercising cultural intelligence. Because the vast majority of situations abroad can’t be trained for in a corporate office, employees should be taught that personal conduct needs to fit with the culture around them (Randolph, 2011). However, this does not amount to mimicry.

In the training course, it is crucial that employees understand that while abroad, they should not get too comfortable and attempt to replicate behaviors. Behavioral adaption should be based on cultural expectations learned through the differences and contrasts portion of the training course (Heffron & Maresco, 2014). Examples of how employees should not adapt depends on the situation, and they should judge the situation based on the principles of mindfulness, observation, and listening. Examples of correct situational judgement are employees not attempting to replicate the Japanese bow, certain hand gestures, or pretending to be fluent in a different language (Morrison & Conaway, 2007). Attempts to adapt based on mimicry can result in interactions being perceived as offensive, rude, or amusing in a non-serious manner. The common theme in these two recommendations for the corporate training course is teaching employees how to think and make judgements, based on their skills and understanding of CI.

Our third recommendation is incorporating movies into training process (Drummond, 2008). Watching movies that are produced in other countries and are made in other languages can serve as a tool to improve CI (Herrmann, Call, Hernández-Lloreda, Hare, & Tomasello, 2007; Livermore, 2011). For instance, many low budget French movies show very peculiar cultural aspects of French people, and by watching those movies employees can increase their level of CI (Morrison & Compagnon, 2010). The same holds true for movies produced in other cultures.

Our fourth recommendation is encouraging employees to travel to locations with larger psychic distance from local culture. During travel environment can provide important clues on what constitutes cultural intelligence (Lee & Sukoco, 2010; MacNab & Worthley, 2012) and over time CI improves in individuals with extensive travel background (Triandis, 2006).

Our fifth recommendation is incorporating immediate experiences into employees’ lives. These experiences include theater and comics of other cultures (Ng, Van Dyne, & Ang, 2009). Immediate experience have been shown to improve CI over time (Livermore, 2012; Warshow, 2001).

**Relevance to Modern Business**

The recommendations that speak to a theoretical corporate training program is a model that can fit many situations, such as a middle or high school classroom. The examples of international integration used in the training model template can easily be switched out with examples of cross-cultural understanding, with a goal of younger students preparing to exercise cultural intelligence in a smaller scale within their country, state, or town (Stone, Merlin, and Neil Woodcock, 2013). The principles of learning background information and facts, learning to develop and adapt social and emotional
intelligence to serve as cultural intelligence, and furtherly using that intelligence for informed decision-
making in a school and community setting does not change from the corporate international training
model (Goleman, Boyatzis, & McKee, 2013; Muntean & Rînciog, 2014). They are the exact same
concepts with identical goals. These two concepts have proved crucial in creating cross-cultural business
partnerships that work. KPMG’s study stated that 83% of all mergers and acquisitions fail, and cultural
conflicts is the most cited reason in the 83% of failures (Appelbaum, 2000; Thurm, 2000). The Renault-
Nissan alliance was strongly doubted as being a viable partnership, but ultimately was successful due to
internal corporate training programs, and strong hands on leadership assisting in collaborations (Gill,
2012). Their collaborative projects resulted with each company creating synergies, where each area of
each company was able to accomplish more and operate with increased efficiency. This translates into the
broad goal of every business; Generate revenue, reduce costs, and maximize profit. For successful
international and cross-cultural business transactions and integrations, employees of all levels must be
prepared and have knowledge of the proper exercise of social and emotional intelligence to produce
culturally competent conduct (Coetzee & Harry, 2014). The costs of not doing so can be disastrous; look
no further than the costs that Daimler incurred to offload Chrysler (Watkins, 2014). Inevitably, companies
that engage in the creation of a corporate culture that places high emphasis on the development and
execution of culturally intelligent conduct will be the ones remembered for the right reasons.

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Past and Future of the ASEAN Member’s Trade Partnership with the U. S. and China

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Abstract

The ASEAN trade alliance was founded in 1967 by five Southeast Asian countries to facilitate trade in the region. It is a ten member alliance now, representing 630 million people. The ASEAN member countries have been engaged in international trade with the United States, Japan, and the European Union. However, China has recently become a dominant player in the region. Chinese enterprises are competing well with the U.S. corporations in all the ASEAN member countries. Lately, all member countries have generated a trade deficit with China, suggesting that they cannot leverage their export industries and are losing their competitiveness to Chinese counterparts. Most of the member countries are enjoying trade surplus with the United States. The future of the ASEAN-China partnership depends on the Chinese government’s strategic goals, success of the ASEAN-China Free Trade Area (ACFTA), and the United States’ trade policies including participation in the Trans-Pacific Partnership (TPP).

Keywords: ASEAN, China, Geopolitics, Trade bloc, Trade relationship, USA

Introduction

The Association of South East Asian Nations (ASEAN) trade alliance was formed in August, 1967 by Indonesia, Malaysia, The Philippines, Singapore, and Thailand. Over the years Brunei Darussalam, Cambodia, Lao People’s Democratic Republic (Lao PDR), Myanmar, and Vietnam joined this trade alliance of mid-sized emerging economies in Asia, making it a ten member organization. The ASEAN celebrated its 50th anniversary in August 2017 (ASEAN Economic Community, 2017). Its mission is as follows:

- To accelerate economic growth, social progress, and cultural development in the South Asian region.
- To promote regional peace and stability.
- To promote collaboration and mutual assistance on matters of common interest.
- To provide assistance to each other in training and research facilities.
- To collaborate for the better utilization of agriculture and industry to raise the living standards of their citizens.
- To promote Southeast Asian studies.
- To maintain close, beneficial co-operation with other international organizations with similar aims and purposes.

On December 15, 2008 the members of the ASEAN met at the Indonesian capital of Jakarta to launch a new charter, signed in November, 2007, with the aim to create an economic community based on the model of the EU. These efforts were successful and ASEAN is a full customs union now, which implies that there are no international trade barriers among member countries and common external barriers are enforced for non-member countries. This study covers all ten members, which had a combined GDP of about $2.55 trillion in 2016 and a total population of over 630 million people. The ten member countries’ combined population is about twice that of the U.S. population and over one-half of China’s population.

China has used its five-year economic plans to declare its future goals and aspirations. The Tenth
Five-Year Plan (2001–2005) clearly demonstrated China’s focus on economic globalization. The outline of the theme of the plan is as follows: “In the 21st century, with growing globalization, the IT wave, rapid economic restructuring, intensifying global competition and radical changes in the world economy, particularly its imminent accession into the WTO, China is no doubt facing enormous opportunities and hefty challenges” (Rongji, 2010). The Tenth Five Year Plan was in fact a plan to address the challenges in China’s accession to the WTO and declare aggressive globalization by the Chinese economy. China eventually joined the WTO on December 11, 2001. The U.S. trade deficit with China continued to grow since 2000 and Chinese enterprises started to aggressively target international markets including those of the ASEAN member countries.

ASEAN is the second most important trade partner of the United States, with total trade of $234 billion in 2016, followed by the European Union (EU), with total trade of over $700 billion in 2016 (Association of Southeast Asian Nations, 2017; European Union, 2017). At the beginning of the tenth five-year plan (2001-2005) and before joining the WTO, China was not a significant player in the ASEAN region. However, China is aggressively challenging the United States’ dominance in the ASEAN region, thus making this study relevant in the present.

China’s exports to the ASEAN region in the early 1990s were less than one percent of its total exports. The share increased to over ten percent by 2016. The ASEAN region represents a large, growing market for Chinese enterprises as they consider the region vital to their supply chain and continued growth. Chinese enterprises have recently increased their commitment to the ASEAN region and the increase in Chinese exports to the ASEAN region may be at the expense of the U.S. exports to the region.

The U.S. economic relationships with the ASEAN member countries is over a century old, but Chinese enterprises have made major inroads in ASEAN markets since the beginning of the twenty-first century, often at the expense of U.S. corporations. ASEAN has been a key trading partner of the United States and the EU, but trade with China has grown at an exponential rate in recent years. This study focuses on analyzing the trade competition between United States and China in the ASEAN trade bloc in the 21st century (2000-2016).

Purpose Statement:

The purpose of this study is to analyze the trade relationships of the ASEAN member countries with the two of the world’s largest economies, the United States, a historical partner; and China, an emerging regional player. Both countries consider the ASEAN region as critical to their global strategic objectives, despite regional political disputes. This study is relevant in the present due to the simmering political and trade tensions between the United States and China. In addition, it analyzes the recent trends and the importance of the economic relationships between the United State, China, and the ASEAN member countries.

Literature Review

The ASEAN Free Trade Area (AFTA) was created in 1993 and subsequently the bloc established a Customs Union among its member countries. The AFTA has created a Common Effective Preferential Tariff (CEPT) consisting of an inclusion list, with the majority of its products subject to a 0-5 percent tariff range (ASEAN Economic Community, 2017). With the official announcement in 2015 and starting on January 1, 2016, the next step was to reap the benefits of the ASEAN Economic Community (AEC), with an aim to create a single market for about 630 million citizens of its member countries. This is the most ambitious regional integration initiative in the world outside of Europe, and after its implementation, the AEC will become larger than the EU (Tangkitvanich & Rattanakhamfu, 2017). Economists project an increase in regional GDP by 5-10%, directly attributable to the AEC (Jones, 2016). The AEC focuses on the following four objectives of integration:

- Creating a single market and production base.
- Creating a competitive economic region.
Equitable economic development.
Integrating with the global economy.

Jones (2016) concluded that the AEC, like many other trade agreements is driven by intra-ASEAN political (non-economic) imperatives. This is one of the reasons the implementation of the AEC’s goals may be resisted by a few of the member countries and its progress may be influenced by politically motivated goals of China, the United States, and even the ASEAN member countries. Despite these internal policy differences, the AEC’s goals are achievable. The region will continue to grow and possibly offer different growth opportunities to the Chinese and U.S. businesses, whose strengths and weaknesses need to be understood to analyze the trade growth patterns of the two countries.

He (2014) attempted to understand the ASEAN member countries’ dilemma in dealing with sensitive territorial issues and at the same time strengthening their business relationships with China. The ASEAN countries are small and mid-level economies; therefore, they must consider economic costs if they choose traditional military means to deal with China by relying on their past associations with the United States. The ASEAN has employed institutional balancing strategies to deal with China’s economic power by adopting several institutions such as the ASEAN Regional Forum (ARF), the East Asia Summit (EAS), and the Regional Comprehensive Economic Partnership (RCEP). It is not surprising that China has tried to influence the goals and agenda of these institutions’ with its economic power. At the same time, there are a few ASEAN members (Cambodia, Lao PDR, and Myanmar) who are more sympathetic towards Chinese claims in the South China Sea, while other members (The Philippines, Indonesia, and Vietnam) feel threatened these claims. He (2014) concluded that the United States will not be tolerant of the ASEAN’s leadership in regionalism as well. Hence, the ASEAN has to play a balancing role in its relationships with China and the United States.

The Trans-Pacific Partnership (TPP), signed in February, 2016, is another free trade agreement in the region, involving twelve countries (including the United States and China) that border the Pacific Ocean, representing about 40% of the world GDP and one-third of the world trade (Granville, 2017). The TPP is the largest regional trade agreement in history. Four ASEAN members (Brunei, Malaysia, Singapore, and Vietnam) are part of the TTP agreement. Beside the TPP, the other mega-regional trade deal in the region is the ASEAN initiative of the Regional Comprehensive Economic Partnership (RCEP) announced in May 2013. RCEP is also called ASEAN+6, and it is an agreement between the ASEAN and six countries with which it already has bilateral or multilateral free trade agreements (Wilson, 2015). This new mega-trade deal is led by the ASEAN. The RCEP combines the objectives of multiple previous attempts by China (East Asia Free Trade Area; ASEAN+3) and Japan (Comprehensive Economic Partnership in East Asia; ASEAN+3). Its major goal is to multi-lateralize the regional trade system. On the other hand, the TPP seeks to solve the equity and quality problems in existing regional agreements. The success of the RCEP depends on the desire of future U.S. administrations to join the TPP. In the absence of the United States from the TPP, the ASEAN-led RCEP has a better chance to thrive and offer China, which is one of its members, a trade advantage over them. Without a major breakthrough, ASEAN has been in the process of negotiating a free trade agreement with the EU since 2007 (Wilson, 2015).

Kandogan (2014) tracked the changes in economic centers of gravity for major countries and regional trade blocs including the ASEAN. The purpose of the research was to analyze changes in the magnitude of economic activity for the period 1970-2009 and predict future trends. One of the significant conclusions was the emerging economic significance of Eastern Europe, Latin America, and specifically East Asia (including the ASEAN member countries). It was also concluded that the ASEAN member countries have acquired increased soft powers and they are important markets for all the developed countries including the United States. Based on the shift in the center of gravity, China has also acquired more soft power, while North America and Western Europe has lost its soft powers by the end of the researched period (1970-2009). Business entities from the United States need the ASEAN and even Chinese markets to consolidate their soft powers. At the same time, countries like China, with its
increased soft power, are trying to dominate countries in the region including the ASEAN member countries. The struggle to dominate ASEAN markets could turn out to be pivotal for both China and the United States.

**Strategic Rivalry between China and the United States:**

Geib & Pfaff (2015) published results of an interview-based study of the ASEAN region’s changing trade pattern with China and the United States during the period 1997-2006. The study also analyzed the policy differences of the two countries vis-à-vis the ASEAN region. China has embarked on a step-by-step policy of establishing close trade and foreign direct investment relationships with the ASEAN member countries, including the implementation of the ASEAN-China Free Trade Area (ACFTA). They summarized the differences in the trade policies of China and the United States with the following analysis: “While the United States is trying to widen and reinforce the international trading system, Chinese efforts seem to be concentrating on pursuing a regional strategy in the Pacific.” The region has a growing importance in the economic health of both these competing countries. China’s exports to the ASEAN grew by 450% while U.S. exports grew only by only 18.7% during the period 1997-2006. Similarly, Chinese and U.S. imports from the ASEAN increased by 624.6% and 56.6%, respectively, during the same period (Geib & Pfaff, 2015). The findings of this study should raise an alarm for U.S. policymakers about the future trade trajectory in the ASEAN region and highlight the need to further investigate the ASEAN trade partnership with China and the United States now and in the future.

Zhao (2015) proposes that the trade dominance attempts by China and the United States in the Pacific Rim and in particular, the ASEAN region cannot be understood without fully comprehending the causes of the China–United States strategic political and military rivalry in the region. The disputes in the South China Sea, defense agreement between the United States and several ASEAN member countries, and the perception among the U.S. policymakers that China has become an “expansionist” power are dominating the trade relationships of these two countries (Zhao, 2015). China’s growing role in the region is alarming the U.S. policymakers, indicating a need for strategic restraint to avoid armed conflicts in the future. The strategic rivalry between China and the United States is possibly channeled through the trade and economic competition between the two countries. This is a good omen based on the analysis of the European experience after the Second World War. Therefore, this study is relevant and vital in understanding the trade and economic competition between China and the United States.

In their desire to dominate the Asia-Pacific region and in particular, the ASEAN region, China signed the landmark Framework Agreement on Comprehensive Economic Cooperation with the ASEAN member countries in November, 2002, with the ambitious goal of creating the ASEAN-China Free Trade Area (ACFTA). There have been a series of agreements between both the parties negotiating tariffs on different commodities and allowing the lesser developed ASEAN member countries to delay implementation of the ACFTA for a few years. During tense negotiations over the years, there have been delays in implementing various ACFTA agreements, but tariff duties were eliminated for six ASEAN member countries (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) by January 1, 2012. Tariff reduction for the remaining four countries (Cambodia, Lao PDR, Myanmar, and Viet Nam) shall be completed by January 1, 2018. (Horhager & Elisa, 2016). The establishment of the ACFTA created one of the world’s largest trade areas. As of 2017, the ACFTA region comprised of over two billion people. This is a strategic victory for China and a study is needed to compare the Chinese and the U.S. trade flows once the ACFTA in fully implemented in 2018.

The U.S. policymakers also consider the Asia-Pacific region vital to their strategic objectives, with their active involvement in the Asia-Pacific Economic Cooperation Forum (APEC) and the proposed Trans-Pacific Partnership (TPP) (Geib & Pfaff, 2015). While China is deepening its economic relationships in the Asia-Pacific region with the ASEAN member countries, the decision of the current U.S. administration to abandon the TPP agreement in 2017, which was signed by the previous
administration, has provided another opportunity for China to fill the gap (BBC, 2017). If the United States stays out of the TPP, China does not have any major competitor in the Pacific Rim, besides Japan.

Despite China’s success in improving trade relationships with the ASEAN countries, the territorial disputes over the South China Sea may slow down economic cooperation with the ASEAN region (Hong, 2013). The Philippines, Indonesia, and Vietnam are particularly concerned with the “creeping assertiveness” of China in the South China Sea. Global politics may be an impediment to better regional trade relationships with the ASEAN member countries for China. Chinese policymakers may have to choose between political or trade dominance.

Wei & Clegg (2014) describe the liability of foreignness (LOF) in a host country as a lack of business and consumer related information, discrimination by citizens and governments, and currency exchange barriers. The analysis is based on a case study of an U.S. company’s acquisition of a Chinese firm, but the conclusions are applicable to all foreign business entities. Chinese and U.S. companies have been facing the LOF in the ASEAN countries as well. Chinese companies may be able to overcome the LOF more easily as they understand ASEAN markets better and their currency exchange risk is similar to that of U.S. companies as China has pegged their currency with the U.S. dollar. Overcoming the LOF is going to be crucial for Chinese and U.S. organizations to capture the ASEAN market. Hence, there is a need to analyze the growth (or decline) of trade volume to ascertain which countries are successful in overcoming the LOF in the ASEAN market.

Field (2012) stated that china has also been competing with the ASEAN for foreign direct investments (FDI) originating from developed countries including the United States. Since there is a free trade agreement signed between China and ASEAN, each partner is benefiting from FDI in their country. Resources such as oil & gas, timber, gold, rubber, and arable land for agriculture are major attractions for countries outside ASEAN. The U.S. corporations are interested in investing in natural resources and eventually increase trade with the region. The dynamism of the ASEAN region is not only limited to trade. Increased FDI in the ASEAN member countries may influence future trade flows as well.

After the literature review on the Chinese and U.S. trade relationships with the ASEAN member countries, there is a need to further investigate the trade involvement of the two largest global economies in the ASEAN region and determine how and why the relationships of these nations have shifted over time. Trade involvement is a part of these two countries’ strategic rivalry to dominate the ASEAN region. The following two research questions are addressed in this study. The findings can be used by policymakers in China, the United States, and the ASEAN member countries:

**Research Question # 1:** What is the current status and trends of the trade relationships of China and the United States with the ASEAN member countries?

**Research Question # 2:** What is the trade balance status of the ASEAN member countries with the United States and China?

**Research Methods**

All ten ASEAN members are included in this study. The trade data of all the countries are collected for a 17-year period (2000–2016). The data series for all ten members (exports, imports, and trade balance with the United States and China) are presented in Tables 1-10 for a better understanding of the changing patterns of the ASEAN’s trade with the United States and China. Data pertaining to the growth in trade of member countries with the United States, China, and the rest of the world are summarized in Table 11. The data are obtained from secondary sources, including the *Directions of International Trade* (2007; 2014; 2017).

**Data Analyses and Discussions**

The trade data of the ASEAN member countries vis-à-vis the United States and China are analyzed in this
section.

**Brunei Darussalam:**

Brunei Darussalam’s trade flow with China and the United States does not follow any noticeable trend, but its total trade with China has drastically increased since 2009 (Table 1). Exports to the United States peaked in 2005 and fell thereafter. There is a sharp increase in imports from the United States in recent years. Brunei Darussalam was primarily exporting petroleum products to the United States throughout the early 2000s, as the crude oil and natural gas industry constitutes the largest share of Brunei Darussalam’s economy. Brunei Darussalam has been running a trade deficit with both the countries since 2008. Its total trade with China increased by 305%, while that with the United States increased by 65.5% only (Table 11).

As stated in the literature review, most of the ASEAN member countries are looking to benefit from macro or micro level trade and Brunei Darussalam seems to be slowly, yet effectively, driving its economic development through micro trade efforts. Some of the opportunities Brunei Darussalam is seeking are industries outside of the natural gas and petroleum sector, such as financial services and manufacturing. Brunei Darussalam intends to become an offshore financial center to diversify its economy. This strategic plan may not produce immediate trade growth with either the U.S or China. At the same time, the new strategic plan may provide an opportunity by enticing corporations from the United States, China, and other countries to participate in Brunei Darussalam’s economy.

**Cambodia:**

The next ASEAN member to be examined is Cambodia, which has exhibited gradual trade growth patterns as indicated in Table 2. Excluding a few discrepancies in the data, there seems to be a symbiotic relationship of trade flows between Cambodia, China, and the United States. According to Table 2, throughout the duration of this study, a constant upward trend in exports to the United States and imports from China is evident. Cambodia has maintained a trade surplus with the United States and a trade deficit with China during the 17-year study period.

There are several variables that hinder the growth of the Cambodian economy, in particular, the lack of basic infrastructure. Additionally, Cambodia is a poor country that relies heavily on imported goods, which explains the constant increase in imports from China throughout the period 2000-2010. China is seeking long-term opportunities, including foreign direct investment (FDI), in Cambodia, which may benefit the latter in the future. Some of the impediments to imports from the United States are an underdeveloped legal system, corruption, lack of transparency, and poor infrastructure. Until there is increased transparency, and economic reforms, trade with the United States will not increase significantly. Its trade with China sky-rocketed during 2010-2016 (2380% growth), while that with the United States stayed relatively stagnant during this period (189% growth), with a 744% increase in total global trade (Table 11). It seems Cambodia is currently benefitting from trade with both the countries, but more so from China.

**Indonesia:**

The United States is a historical trade partner of Indonesia, and China has emerged as a new player in the Indonesian economy. Based on the 2000-2016 data presented in Table 3, exports to China have increased six fold, while imports from China increased a staggering 15 times. Exports and imports with the United States doubled during the same period. From 2000 to 2007, the United States and China had relatively stagnant relationships with Indonesia. In 2006, there was an exponential growth in imports from China and the Indonesian trade deficit widened during the period 2006-2016. The data reveals continuous growth in imports from China, beyond the catalyst year of 2008, and a gradual growth in exports to China.

Indonesia has enjoyed a growing trade surplus with the United States during this period. Based on the data presented in Table 11, Indonesia’s total global trade increased by 192%. Further, its trade with
the United States increased by about 98%, while that with China increased by a staggering 893%. It seems Indonesia has already affirmed its interest in enhancing the longevity of its trade relationship with China.

**Lao People’s Democratic Republic:**
Trade data related to the Lao People’s Democratic Republic (Lao PDR) is presented in Table 4. Lao PDR has come a long way from isolation and a centrally planned economic system. However, it is still a less significant member of the ASEAN. It also joined the WTO in February 2013 and developed an accession plan to increase its free market opportunities (World Trade Organization, 2017). These reforms and adherence to the WTO goals will potentially increase its global trade and the country will continue to grow in its trade with the United States, China, and the rest of the world.

Lao PDR’s total global trade increased by 915% during 2000-2016, while its total trade with China increased by an amazing 5252% (Table 11). During the same period, its total trade with the United States increased only by 527%. Once again, China is clearly the dominant trading partner. Lao PDR has generated massive trade deficits with China in every year of the study period except 2016, and a modest trade surplus with the United States during most of these years (Table 4).

**Malaysia:**
Looking at the trade trends, the United States has enjoyed a steady trade relationship with Malaysia during the period 2000-2016 (Table 5). Its total exports and imports are almost the same in 2016 as in 2000. During this period, China improved its trade ties with Malaysia due to the growth in the economy of the latter. Exports to China increased eightfold, while imports from China grew about tenfold, with the total trade increasing about nine-fold (Table 11). Malaysia has enjoyed a steady trade surplus with the United States and an increasing trade deficit with China in all the 17 years.

China is undoubtedly becoming Malaysia’s most significant trading partner. However, the United States is still one of its primary trade partners along with Singapore, Japan, and the EU. Malaysia is an attractive country to partner with because of its free-market policies and advanced infrastructure, making the country a foothold access point to the ASEAN market. Additionally, Malaysia offers various incentives to foreign companies such as tax reductions associated with foreign direct investment.

**Myanmar:**
Myanmar is one of the poorest countries within the ASEAN and the relationships with all its trade partners (within and outside ASEAN) have been limited due to the small market size and decades of centralized anti free-market policies. Its trade data is summarized in Table 6. China has vested interest in a long-term trade relationship with Myanmar as indicated by the gradual growth of imports during the period 2000-2015. However, there was a drastic dip in exports/imports in 2016. China contributed to one third of Myanmar’s total imports in 2015, making it a critical trade partner for Myanmar. Further, Myanmar has an increasing trade deficit with China. The data presented in Table 11 indicate that Myanmar’s total global trade increased by 327%. Its trade with the United States declined by about 15.4%, while that with China increased by 626%.

The United States and the EU have placed trade sanctions on Myanmar in recent years because of their anti-democratic policies and persecution of religious and ethnic minorities. Therefore, data is unavailable for several years. The outcomes of these sanctions are indicated by limited imports and insignificant exports during the period 2000-2014. Finally, lack of complete data and abrupt trade-flow changes are key obstacles in drawing meaningful conclusions about Myanmar’s relationships with China and the United States.

**The Philippines:**
The Philippines is another well-known country within the ASEAN region as it has maintained
long-term partnerships with both the United States and China. This is partly due to the Philippines’ free-market trade policies and abundance of natural resources. The country witnessed a gradual increase in its total exports and imports during the last 17 years. The data presented in Table 11 indicate that its total global trade increased by 105%. Further, its trade with the United States declined by about 8.2%, while that with China increased by an astounding 1426% during the same period. The Philippines’ trade relationships with China and the United States are quite similar to the relationships of these two countries with Malaysia.

The trade data indicate that the Philippines has effectively utilized its primary trading partners, China, the ASEAN member countries, and the United States to provide goods and services to their relatively large domestic market. Looking at the data summarized in Table 7, its export and import trade with the United States has remained unchanged during the period 2000-2016. Its exports to China increased over nine-fold, while its imports from China increased a staggering 20 times. The Philippines has a trade deficit with China and a trade surplus with the United States during most years of the study period. China has also emerged as a major trade partner to the Philippines, most likely at the expense of the United States.

Singapore:

Singapore is one of the wealthiest members of the ASEAN due to its strong infrastructure, free market policies, and educated work force. As a result of friendly business policies, tax incentives, and premier trading location, it has attracted huge investments from the United States. The trade data in Table 8 indicate an increase in trade between China and Singapore, which is a notable change, considering that the United States was a major trade partner in the past. Exports to the United States remained unchanged, while imports grew only 1.5 times during the 17-year study period. On the other hand, exports to China grew eightfold, while imports from China grew over fivefold. The data presented in Table 11 indicate that Singapore’s total global trade increased by 125%. Its trade with the United States increased by about 20%, while that with China increased by an amazing 433%. Being a major trans-shipment location, trade deficit and surplus data do not reveal the true competitiveness of these two countries. Since 2009, Singapore has been the only country in the ASEAN region to enjoy a trade surplus with China. Singapore has had a trade deficit with the United States since 2006 (Table 8).

During the period 2004-2007, Singapore’s GDP grew substantially, indicating an increase in trade flows. There was a decline in its GDP in 2009, which was reflected in the trade flows of the country as well. China and the United States find Singapore to be an attractive country for good trade relations because of its developed infrastructure and growing economy and thus, it will remain a more favorable member within the ASEAN for both countries.

Thailand:

Thailand’s trade data is presented in Tables 9 and 11. Its total global trade grew by 213%, while its trade with the United States grew by a mere 66% during the period 2000-2017. At the same time, its total trade with China increased by an amazing 965% (exports to China increased more than eightfold and imports from China increased more than 20 times). Thailand has witnessed a steady trade surplus with the United States and an increasing trade deficit with China. The data suggest that Thailand based corporations are unable to compete with Chinese business entities, but they have identified industries where they have competitive advantage against the U.S. corporations.

Thailand has the second largest economy after Indonesia in the ASEAN. Due to its similarities with other prosperous countries of the ASEAN, both the United States and China are intrigued by its potential for market growth. Thailand’s total global trade growth has been relatively constant and the country was hit hard during the international recession of 2009, which is evident from a significant decline in its total exports and imports (Table 9). Following the international trade crises, Thailand made a quick recovery and enjoyed substantial surplus in 2010, but as the years progress, this surplus simmered
down to a more sustainable growth pattern. Finally, both the trading partners have the same level of exports from Thailand, but the Chinese imports to Thailand are about threefold that of the United States. China has also become a dominant trade partner for Thailand.

**Vietnam:**

Vietnam went through a major transformation from a centralized economic system to a free-market system. More than two thirds of Vietnam’s GDP is derived from international trade, particularly exports, so all trading relationships are detrimental for the longevity of Vietnam’s economic development. The data presented in Table 10 indicate that the United States has a more advantageous relationship with Vietnam, which is likely to remain constant for years to come. During the period 2000-2016, Vietnam’s total global trade increased by 1135%. Its trade with the United States grew by a staggering 4333%, while that with China grew by 2380% (Table 11). As a result of production outsourcing by major U.S. corporations from Vietnam, the country is enjoying an increasing trade surplus with the United States. During the same period Vietnam has generated a trade deficit with China.

Contrary to all other ASEAN members, Vietnam’s trade with the United States grew at a much higher rate than its trade with China. Exports to the U.S grew more than 50 times and imports from the United States grew an amazing thirty-three times during the 17-year study period. Increased trade with the United States is attributed to the increase in investment by United States’ corporations in Vietnam, after the rebuilding their diplomatic relations. Although, the United States is a primary buyer of Vietnam’s goods and services, China has also expressed keen interest in the country’s market by importing large quantities of goods and services from it. Vietnam’s foreign sector has witnessed an exponential growth since. During the period 2010-2016, there was a gradual, but significant growth in Vietnam’s trading capacity, including its exports to the United States and imports from China. As Vietnam’s economy continues to develop, the United States and China have a renewed interest in developing long-term trade relationships with it.

**Results and Conclusions**

This study sheds new light on the ASEAN member countries’ changing nature of trade relationships with the United States, a historical partner, and China, an emerging partner. China has already replaced the United States as the dominant trading partner in all the ASEAN member countries with a rapid increase in trade with the country vis-à-vis the United States. As compared to U.S. corporations, Chinese enterprises are better equipped to overcome the liability of foreigners (LOF) in the ASEAN region. Historically, the ASEAN member countries have been engaged in trade with the United States, Japan, and the EU, but recently, China has emerged as a dominant player in the region, with increased foreign direct investment and international trade. China’s exports have increased approximately 25 times in the ASEAN region, while its imports have increased 15 times during the period 2000-2016, spurred in part by bilateral free trade agreements and aggressive globalization since the Tenth Five-Year Plan (2001-2005).

Total Chinese trade has surpassed that of the United States in all the ASEAN member countries. This trend may continue in the near future as a result of the U.S. government’s decision to withdraw from the TPP agreement and the formation of the ACFTA. In conclusion, Chinese business entities have competed well in all ASEAN member countries (Research Question # 1).

With the exception of Singapore, in recent years, all the ASEAN member countries have generated a trade deficit with China, suggesting that they are unable to leverage their export industries and are losing their competitiveness to Chinese enterprises. Chinese products are widely available in the entire ASEAN region. Seven out of the 10 ASEAN member countries have a surplus with the United States and its business enterprises, thus generating enough exports to offset imports from the United States. A component of their exports may be the result of outsourcing of the American multinational corporations or declining competitiveness of American multinational corporations (Research Question #
The future of the ASEAN-China trade relationship is bright because both sides require each other’s products; however, increasing trade deficit has a potential to slow down future trade growth. Future success of Chinese business enterprises also depends on the Chinese government’s strategic goals, the U.S. government’s trade policies including membership in TPP, and territorial disputes in South China Sea.

Almost all the ASEAN member countries have witnessed positive trade growth with China, the United States and the world. Based on the data analyses of each of the ASEAN member countries’ trade patterns, it is concluded that China has shown interest in trading with less developed member countries as well as the emerging innovators within ASEAN, which may solidify China’s role as the front runner in the ASEAN region. The U.S. corporations have exhibited more interest in the ASEAN member countries with developed infrastructures. They may need to revisit their past trade strategies in the ASEAN region, as they must now compete aggressively with the Chinese businesses and to a lesser degree with the domestic corporations in the region.

References


Horhager, Elisa. (2016). China-ASEAN Relations and the South China Sea: Beyond Balancing and Bandwagoning? Power Politics in Asia’s Contested Waters. February 20, 2016, 359-386. [https://doi.org/10.1007/978-3-319-26152-2_17](https://doi.org/10.1007/978-3-319-26152-2_17)


Wei, Tian & Clegg, Jeremy. (2015). Overcoming the Liability of Foreignness in Internationalization in


Table 1

Brunei’s Trade Relations with the U.S. and China (Millions of USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports to U.S.</th>
<th>Imports from U.S.</th>
<th>Exports to China</th>
<th>Imports from China</th>
<th>Balance with U.S.</th>
<th>Balance with China</th>
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Table 2

Cambodia’s Trade Relations with the U.S. and China (Millions of USD)

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<th>Imports from China</th>
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Table 3

Indonesia’s Trade Relations with the U.S. and China (Millions of USD)

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<th>Exports to China</th>
<th>Imports from China</th>
<th>Balance with U.S.</th>
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36
### Table 4

Lao PDR’s Trade Relations with the U.S. and China (Millions of USD)

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### Table 5

Malaysia’s Trade Relations with the U.S. and China (Millions of USD)

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<th>Exports to China</th>
<th>Imports from China</th>
<th>Balance with U.S.</th>
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Myanmar’s Trade Relations with the U.S. and China (Millions of USD)

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<th>Exports to China</th>
<th>Imports from China</th>
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<tr>
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<td>2012</td>
<td>72.4</td>
<td>1,181.2</td>
<td>6,242.5</td>
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</tr>
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<td>2013</td>
<td>27.2</td>
<td>160.4</td>
<td>2,554.2</td>
<td>8,084.0</td>
<td>-133.2</td>
<td>-5,529.8</td>
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<td>2014</td>
<td>84.3</td>
<td>102.1</td>
<td>4,161.9</td>
<td>8,312.4</td>
<td>-17.8</td>
<td>-4,150.4</td>
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<tr>
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<td>250.0</td>
<td>4,763.0</td>
<td>10,325.6</td>
<td>-119.2</td>
<td>-5,562.6</td>
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<tr>
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<td>204.0</td>
<td>186.5</td>
<td>2,092.0</td>
<td>2,694.0</td>
<td>17.5</td>
<td>-602.0</td>
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Table 7

The Philippine’s Trade Relations with the U.S. and China (Millions of USD)

<table>
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<th>Year</th>
<th>Exports to U.S.</th>
<th>Imports from U.S.</th>
<th>Exports to China</th>
<th>Imports from China</th>
<th>Balance with U.S.</th>
<th>Balance with China</th>
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<td>11,406.0</td>
<td>6,413.0</td>
<td>663.0</td>
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<td>4,993.0</td>
<td>-123.0</td>
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<td>6,412.0</td>
<td>793.0</td>
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<td>2,582.0</td>
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<td>8,691.0</td>
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<td>1,356.0</td>
<td>1,252.0</td>
<td>1,402.0</td>
<td>104.0</td>
</tr>
<tr>
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<td>7,275.0</td>
<td>7,407.0</td>
<td>2,145.0</td>
<td>1,797.0</td>
<td>-132.0</td>
<td>348.0</td>
</tr>
<tr>
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<td>8,276.0</td>
<td>2,653.0</td>
<td>2,659.0</td>
<td>-1,067.0</td>
<td>-6.0</td>
</tr>
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<td>9,105.0</td>
<td>4,077.0</td>
<td>2,973.0</td>
<td>-1,676.0</td>
<td>1,104.0</td>
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<td>8,404.0</td>
<td>4,617.0</td>
<td>3,672.0</td>
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<td>1,749.0</td>
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<td>5,469.0</td>
<td>4,561.0</td>
<td>478.0</td>
<td>908.0</td>
</tr>
<tr>
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<td>5,488.0</td>
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<td>1,436.0</td>
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<tr>
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<td>5,702.0</td>
<td>5,070.0</td>
<td>1,116.0</td>
<td>632.0</td>
</tr>
<tr>
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<td>7,156.0</td>
<td>6,102.0</td>
<td>6,665.0</td>
<td>-49.0</td>
<td>-563.0</td>
</tr>
<tr>
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<td>7,833.0</td>
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<td>7,329.0</td>
<td>-427.0</td>
<td>-1,170.0</td>
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<td>7,832.0</td>
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<td>8,837.0</td>
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<td>-2,254.0</td>
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<tr>
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<td>6,199.0</td>
<td>8,022.0</td>
<td>10,662.0</td>
<td>2,534.0</td>
<td>-2,640.0</td>
</tr>
<tr>
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<td>8,811.0</td>
<td>7,940.0</td>
<td>6,393.0</td>
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Table 8
Singapore’s Trade Relations with the U.S. and China (Millions of USD)

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<th>Year</th>
<th>Exports to U.S.</th>
<th>Imports from U.S.</th>
<th>Exports to China</th>
<th>Imports from China</th>
<th>Balance with U.S.</th>
<th>Balance with China</th>
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<td>7,116.0</td>
<td>3,621.0</td>
<td>-1,739.0</td>
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<td>19,159.0</td>
<td>5,329.0</td>
<td>7,195.0</td>
<td>-404.0</td>
<td>-1,866.0</td>
</tr>
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<td>19,106.0</td>
<td>16,605.0</td>
<td>6,863.0</td>
<td>8,869.0</td>
<td>2,501.0</td>
<td>-2,006.0</td>
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<td>11,073.0</td>
<td>2,567.0</td>
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<td>20,744.0</td>
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<td>16,211.0</td>
<td>2,538.0</td>
<td>-819.0</td>
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<td>23,482.0</td>
<td>19,752.0</td>
<td>20,526.0</td>
<td>398.0</td>
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<tr>
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<td>-729.0</td>
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<td>32,867.0</td>
<td>28,927.0</td>
<td>31,890.0</td>
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<td>-2,963.0</td>
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<td>33,711.0</td>
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<td>2,830.0</td>
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<td>38,020.0</td>
<td>-4,714.0</td>
<td>4,744.0</td>
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<td>38,818.0</td>
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<td>39,192.0</td>
<td>-16,109.0</td>
<td>4,879.0</td>
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<td>43,685.0</td>
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<td>4,852.0</td>
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<td>7,097.0</td>
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<td>48,254.0</td>
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<td>-9,256.0</td>
<td>6,063.0</td>
</tr>
<tr>
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Table 9
Thailand’s Trade Relations with the U.S. and China (Millions of USD)

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<th>Year</th>
<th>Exports to U.S.</th>
<th>Imports from U.S.</th>
<th>Exports to China</th>
<th>Imports from China</th>
<th>Balance with U.S.</th>
<th>Balance with China</th>
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<td>6,197.0</td>
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<td>-2,048.0</td>
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<td>8,084.0</td>
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<tr>
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<td>9,958.0</td>
<td>-10,625.0</td>
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<tr>
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<td>37,595.0</td>
<td>7,982.0</td>
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<td>9,026.0</td>
<td>-13,702.0</td>
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<td>12,183.0</td>
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Table 10
Vietnam’s Trade Relations with the U.S. and China (Millions of USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports to U.S.</th>
<th>Imports from U.S.</th>
<th>Exports to China</th>
<th>Imports from China</th>
<th>Balance with U.S.</th>
<th>Balance with China</th>
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</tr>
<tr>
<td>Year</td>
<td>Total Global Trade</td>
<td>Trade with the U.S.</td>
<td>Trade with China</td>
<td></td>
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<td></td>
</tr>
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<td>------</td>
<td>--------------------</td>
<td>---------------------</td>
<td>------------------</td>
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<td>4,909.0</td>
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<td></td>
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<td></td>
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<tr>
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<td>11,087.0</td>
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</table>

Table 11
A New Investment Mecca: North Korea for Global Enterprises

Sang T. Choe
Professor of Marketing
University of Southern Indiana
and
Glenn A. Pitman
SUNY-Binghamton

ABSTRACT

North Korea is moving in the right direction as it moves from the closed market system that advocated the self-sufficiency policy for the last seven decades, to a new open-capitalistic system allowing Jangmadang markets to take part in the retail industry. The experience of the failed Communist market doctrines seemed to have led, at least tacitly, to approving the evolutionary process of the new emerging Jangmadang markets that have been growing rapidly and spreading throughout the country. The Jangmadang retail-evolution that germinated in the 1990s is now one of the major channels of distribution and has become a critical value chain that can move the hungry North Korean consumers out of poverty as it also can lead the country’s economy to potential prosperity like their Southern neighbors (South Korea) achieved decades ago. Two market structures; one prior to and another since the 1990s are presented and discussed.

Key Words: North Korea, Retailing, Jangmadang, Channels of Distribution

THE SEVEN DECADES OF SECLUSION

Countering stereotypes of the country as starving, backward and relentlessly bleak; in recent months North Korea has been promoting to attract tourists around the world and are predicting as many as 2 million by 2020 (Talmadge 2015). However, with its rogueish policy and few allies for the last seven decades, few people have been allowed to step into the country for research of any subject. The control of information flow out of the country by the state has been almost impeccable. This situation creates various obstacles to studying North Korea for any subject. No wonder North Korea is branded as one of the most mysterious nation states on earth (Yonsei Institute of North Korean Studies, 2015). The study of the changing market system of North Korea is not an exception for securing any necessary data and information. There is no alternative to relying on one of two avenues; one is to be dependent on the secondary information already published elsewhere, and the other is to interview defectors of North Korea currently residing outside the country. The information barriers cast a caveat to if a reliable and accurate portrait of North Korea has ever been presented.

The birth of the North Korean market system traces back to August 1945, seven decades ago, when the Japanese invaders were being forced out of Korea at the end of World War II and the Korean communist leaders, supported by the Soviet Union, began to section the peninsula by a demarcation line called the 38th parallel. It was drawn by U.S. official Dean Rusk with the surprising acceptance of the Soviets (Fry 2013) that eventually led to the division of one Korea into two Koreas; South Korea and North Korea, three years later. The close political and ideological proximity with the Soviet Union steered North Korea into an idealistic state-run economy under which the North Korean market had become a thoroughly orthodox Communist State with but few deviations from the Russian type (Kuark 1963). The market was a closed-system rather than being open to the outside world. They were especially closed off to western countries, specifically countries in Europe and North America.

Today, in reaction to what became a dysfunctional public distribution system by which people were expected to receive reliable provision of food and basic goods, an increasing number of
Jangmadangs have been born and have become the primary source for supplying goods, including food, for most of the population. This phenomenon that can be called “marketization” by Smith (2015) was a social, economic, and political consequence. In this market transformation from the public distribution system to private Jangmadang operations, women became the predominant participants because women are perceived by the government as being less of a threat than men. They also took on this role because the men are busy either carrying out ten years of military service or holding prestigious jobs at the public offices.

STRONG START BUT STRUGGLING SYSTEM

The North Korean market that separated in 1945, going a different direction from that of the existing traditional Korean market system, had substantial advantages over the capitalistic South Korean system. Helped by the abundant natural resources and the industrial-based infrastructure designed by the Japanese during the 36 years of occupation, the North Korean market was expanding rapidly. It was home to as many as 43 different minerals in number and became the world’s second largest producer of magnesia (Sowinski, 2000). For these reasons, the national income doubled in 1949 as compared with 1946, and factory and office workers’ salaries increased by 83 percent. This lasted until the whole country was miserably devastated by war against South Korea in 1950 on North Korea’s initiative (Kuark 1963, p. 52).

As shown in Table 1, even after the war, the North Korean market was reinvigorated with rising per capita income, but beginning 1979, the growth rate of the North Korean market moved into a negative territory and further experienced even worse in 1990 after the Soviet Union, North Korea’s principal source of support, had ceased. The failure of the Soviet Union’s perestroika combined with two natural disasters: prolonged drought and an unprecedented flood, caused the entire North Korean market to become dysfunctional, killing at least 1 million people from starvation. Still persisting is a chronic food insecurity that affects two-thirds of the country’s 24 million people (Thomson Reuters Foundation 2003; BBC News 1999).

The Communist Market Systems around the world had either disappeared or waned from their prosperous era of the cold war. Remaining is almost none but the markets of North Korea and Cuba. The Cuban market is getting ready to undergo a face-lift by normalization with the U.S.A. (Cresswell 2014). The Cuban market is already taking fifth place for U.S. export, and U.S. business interest in Cuba has exploded since December 2014 when the two countries announced they would restore diplomatic relations after 54 years of trade embargo (Murray 2015). This diplomatic action has left only one market, the North Korean market, as the sole Communist market closed to the global community.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Brief Economic Comparison of North Korea to South Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1960 North Korea</td>
</tr>
<tr>
<td>Land</td>
<td>120,538 Sq Km</td>
</tr>
<tr>
<td>Population</td>
<td>10.5 Million</td>
</tr>
<tr>
<td>GDP (PPP based)</td>
<td>$1.52 Billion</td>
</tr>
<tr>
<td>GDP Per Capita (PPP based)</td>
<td>$137</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>Rich overall. The world 2nd producer of</td>
</tr>
</tbody>
</table>
A brief contrast of the two market systems between North Korea and South Korea cannot be more dramatic than shown in Table 1. After the seven decades of its own claim to be self-sufficient and the strongest military nation, the market of North Korea is crossing from the old Communist system and moving into an entirely new market system that has been evolving for the last twenty years. Looking over the 38th parallel demilitarized zone, people in North Korea can easily see that life in the South is far different from theirs. The South Korean market enjoys a 40 times larger economy and is 18 times wealthier for individuals despite 21 percent less land mass and fewer natural resources.

### EMERGING DISTRIBUTION STRUCTURE OF THE NORTH KOREAN MARKETS

For the last seven decades, North Korea officially recognized only three commerce structures (Lee 1960); the National Distribution System, the Cooperative Distribution System, and the Farmers Distribution Commerce. The National Distribution System (NDS) is the most supreme distribution network, controlling more than 60 percent of domestic products produced at wholesale level. NDS is considered to be artery of North Korean commerce, centralizing from the networks of every regional unit of production sites. It has total control of the quantity of production and types of goods to produce under the national economic plan. It also determines the prices of goods at the national level. The Cooperative Distribution Association (CDA) is a semi-independent regional commerce association that cooperates with the NDS. Agricultural producers are the main elements of CDAs, but fishery and other commerce are also part of them. CDAs occupy at least 40 percent of national retail distribution. Finally, the Farmers Distribution Commerce (FDC) plays a supplementary role to NDS and CDA. FDC is a distribution system at a smaller scale where individual members of the system can exchange their own products that are in excess of state requirements.

The channels of distribution in North Korea for both industrial and food supply products, can be generalized in Figure 1 which shows that all products, regardless of the type, are collected from the producers and distributed through the public distribution system by rationing to the needs of the people/resident consumers. The public distribution system (PDS) was established by collectivizing all the means of production, including land, meaning all the land was taken by the state and redistributed to farmers to use. In doing so, even though the land is owned by the state, in theory it implicitly represents people, producers, and farmers. As shown in Figure 1, producers use the government assets, as farmers use the land, by entering either cooperatives or state farms resulting in private production being prohibited, hence no private market being created anywhere in the country. This distribution system means very limited or no choice for the buyer. Instead, North Korean residents are simply receivers of the products and food items through rationing, not as consumers per se we have known.

![Figure 1](image-url)

**Figure 1**
Channel of Distribution System in North Korea: Prior to the 1990s

<table>
<thead>
<tr>
<th>Foreign Aid</th>
<th>Imports</th>
<th>Collectives of All Products: Industrial &amp; Agricultural</th>
<th>Public Distribution Centers: NDSs &amp; CDAs, FDCs</th>
<th>People as Residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submitting</td>
<td>Rationing</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: The Ministry of Unification of South Korea, [http://www.populstat.info/Asia/nkoreac.htm](http://www.populstat.info/Asia/nkoreac.htm), and World Factbook, [https://www.cia.gov/library/publications/the-world-factbook/](https://www.cia.gov/library/publications/the-world-factbook/)
The public distribution system became insidious as the Soviet Union’s support diminished along with the declining growth of the North Korean economy which was worsened by excessive military expenditures that accounted for almost a quarter of its GNP (Lee 1990). The growth rate of 10.5 % in 1970 was a miniscule 2.1 % by 1986. In fact, the dysfunctional PDS created a window of opportunity for the private market system; a small-scale private market activity throughout the country as shown in Figure 2. The small-scale market activity was encouraged by the regime announcing the “People’s Consumer Goods Production Movement,” which allowed people to produce consumer goods, such as small handcrafts, locally, without state control or supervision. Initially it was small scale to a limited number of people, but as the economy began to deteriorate, more and more people began to generate income outside of the centrally planned system, eventually in a larger scale and even illegally. Those that engaged in business illegally were called “frog markets” because the traders would jump up like frogs and run off with their wares at the first sign of trouble (Everard 2011).

This is a significant event in the development of the North Korean markets. The private markets, though small scale, created two concepts that had never been used before: profit and consumer. The concept of profit could not exist in the PDS because all the products produced by the state assets were collected and rationed to each resident of the country. The meaning of consumer was new to them because people in North Korea made up the collective group that was cohesive toward the national goal, not the individual choice. There were no products produced to satisfy individual preferences, no prices to decide on any products for profits, no distribution channels to choose for efficiency, and no promotional activity or choice of media to inform of the products or services.

Now with profit motive and choice of products as a consumer, the North Korean markets present an entirely different picture. The North Korean regime not only allowed small-scale home production, but also offered an incentive system by 2002 recognizing a family as an economic unit that can market any quantity of production over the quotas. The government admitted prices should reflect the costs, and wages should be priced fairly. The admission of these three measures; family as an economic unit, marketing opportunity of production over the quotas, and fair pricing based on the costs, opened a new era in the evolution of the North Korean markets. The forces behind the admission of the three measures can be summarized in three areas. First, for so long the state purchase prices were too low for all the products including agricultural products. Second, in the absence of incentives, the producers avoided meeting the quotas. Third, the producers tend to divert the products to illegal private markets for profit motives.

Figure 2
Channel of Distribution System in North Korea: Emerging since 1990s

The key players in the evolution are the birth of Jangmadang; a new type of private market similar to a farmer’s market, but not limited to agricultural products; and the arrival of smugglers. Unlike the original 3600 state stores of the PDS in the country, Jangmadang and the black markets were born for
profit offering value to individual residents as consumers. This is the beginning of the marketing era in North Korea. The new stage of the North Korean markets had a new variety of products brought into Jangmadang by small-scale producers and smugglers from China and South Korea.

**Jangmadang**

The Jangmadang markets as of today are taking center stage in the North Korean markets. It is a place where demand and supply are observed - a phenomenon that is quite different from the PDS. Jangmadang is a market place reflecting the reality of North Korea. Right after Jangmadang became openly recognized in 2002, price changes for the three staples of the North Korean diet: rice, corn, and potatoes, shown in Table 2 are good examples. The prices in 2002 are clear indications of the low prices artificially set by the state without any regard to costs or value concepts, and they were increased substantially in 2003 reflecting the economic mechanism balancing the demand and supply.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Price Change Before and After 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2002</td>
</tr>
<tr>
<td>Rice (Won/kg)</td>
<td>44</td>
</tr>
<tr>
<td>Corn (Won/kg)</td>
<td>24</td>
</tr>
<tr>
<td>Potatoes (Won/kg)</td>
<td>9</td>
</tr>
</tbody>
</table>

(Source: Evaline Diang’s Food Situation in Democratic People’s Republic of Korea, March 1, 2003)

Jangmadang is an emerging market place for the 24 million North Korean consumers. As of today, it is generally believed about 83 % of the North Korean residents who are at least 16 years or older are participating in this market structure. Since Jangmadang is still in an evolutionary process, the structure is improving constantly with the infusion of new types of businesses and ideas. The growth of Jangmadang, a drastic departure from the old public distribution system, has already helped the overall living standards of the consumers.

More Choices of Products

Increased productivity through an efficient exchange process such as Jangmadang enabled North Koreans to consume greater amounts of food. For example, 397 g per day of food consumption in 2013 is some improvement from 383 g per day in 2012. Varieties of products imported from South Korea and China are sold in Jangmadang by family businesses. Many that were not available before in the country are displayed for purchase ranging from cosmetics, cell phones, TVs, and Cuckoo rice cookers to South Korean DVDs and Choco pies. Aside from Jangmadang, even the luxury goods consumed by its ruling elite have been increasing through imports that include foreign cars, air conditioners, laptops and mobile phones whose imports surged to 64 % up in two years from $272 million worth of imports in 2008 to $446 million of 2010 (Free Republic 2011).

Published Prices in Market Entrance

Unlike many markets in Asian countries where the price haggling is so common in practice, in Jangmadang there are price boards, not fancy electronic ones, but simple white wooden boards with the names of products in black. Surprisingly the published prices are respected and in general most of the products in Jangmadang are sold at fixed prices.

Nationwide Locations of Jangmadang

As of today, there are more than 350 Jangmadang establishments, and for many North Koreans, Jangmadang is a major source of income, providing as much as 80 % of the total living expenses. On average, each of the Jangmadang markets generates 10,000 visitors per day. There are stores located indoors as well for higher space fees than the amount charged for the outdoor space.
Increasing Promotional Activities in the Markets

Promotional activities are still limited to the western market standards, but at a national level, 111 North Korean companies participated in the International Trade Fair (2011) to allow product sampling and information diffusion toward the global markets.

IMPLICATIONS and CONCLUSION

In the schema, Figure 2, there are three different market structures: PDS as official markets, Jangmadang as semi-official markets, and Black Markets as underground illegal markets. Since the 1990s, official markets have not been functioning properly because of inherent shortages of supplies in many types of products including even the basic necessities such as rice that is a staple food for North Koreans. Jangmadangs are growing rapidly as the markets serve the ultimate consumers by offering opportunities to exchange goods and services to make up for the shortages caused by the poor official markets. It is termed semi-official because the central North Korean government intentionally ignores its existence even though it is illegal under the regime’s doctrine. Black markets are illegal, and are underground economic activities. There are two types of illegal activities; one is import of foreign products from China and other countries, and the other is underground production that is not reported to the National Distribution System. The distribution structure of the North Korean markets is a contrast to the U.S. market distribution system that is mainly composed of manufacturers, wholesalers, and retailers with the participating agents of distributors and agents that do not take title or ownership of the products. A comparison of the old North Korean market prior to the 1990s with the new emerging market in the recent decades is shown in Table 3.

Table 3

A Contrast of the Old and New North Korean Markets: Before and After the 1990s

<table>
<thead>
<tr>
<th>Existence</th>
<th>Old Markets</th>
<th>New Emerging Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945 to the 1990s</td>
<td>The 1980s to present</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Old Markets</th>
<th>New Emerging Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Every means of production by the state</td>
<td>Some private ownership with incentives and birth of new concepts: profit, consumer, value, and costs.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key players</th>
<th>Old Markets</th>
<th>New Emerging Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Distribution System: NDS, CDA, FDC</td>
<td>Co-existence of public distribution system, Jangmadang, and Black markets</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Products</th>
<th>Old Markets</th>
<th>New Emerging Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>All produced to be collected by the state</td>
<td>Any volume of products over the quotas can be marketed through Jangmadang.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prices</th>
<th>Old Markets</th>
<th>New Emerging Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determined by the state</td>
<td>Demand and supply of economic mechanism</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Place (Distribution)</th>
<th>Old Markets</th>
<th>New Emerging Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>All products to be rationed to the 24 million residents</td>
<td>More than 350 Jangmadangs, public distribution system stores, and licensed department stores</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Promotion</th>
<th>Old Markets</th>
<th>New Emerging Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Propaganda and no advertising</td>
<td>Radios and media are used for information of product, price, and place.</td>
<td></td>
</tr>
</tbody>
</table>

It is highly unlikely for the North Korean government to stop the evolutionary process of Jangmadang where anything and everything is available for its people. Jangmadang has been a positive force for their economic life. Jangmadang is a place where people do private banking, such as currency exchange, and seek employment. It took center stage for 24 million North Koreans and Jangmadang is not limited to the exchange of merchandise and artifacts. It is a place where the selling of various services are also offered. The “new capitalism” of North Korea in services includes small-scale import/export, the fixing of bicycles (Tudor and Pearson 2015), and money changes for foreign currencies, for instance. Through a decree of “Freedom in Production Choices,” the North Korean government allocated and supplied privatized farms (as much as 1000 pyung) to individuals to cooperatively produce many
agricultural products and market them in Jangmadang with state enterprises.

Jangmadang markets are centers of information as well as exchanges of products and currencies. In a communist society where public meetings are strongly discouraged to control the flow of information, markets seem to provide one of the least constrained environments for the exchange of news, information, and even rumor (Everard 2011). In a Jangmadang market, typical customers spend a long time wandering from stall to stall before making a purchase decision. They conduct a careful pre-purchase comparison of the goods on offer and their prices, but it also provides an opportunity to converse with a large number of vendors. Through Jangmadang, North Koreans are ushering in an “American Gold Rush” era to be rich someday. They have now started to understand the concept of profit and costs. It is a good sign that a new rich social class may be born out of the Jangmadang operations that could boost the entire North Korean markets and usher into a potential global market place.

Note: Pyung is an areal unit for measuring a space or land. 1 pyung is about 3.3058 square meters or 35.586 square feet. It is commonly used in Korea, China, and Japan. However, in Korea it is prohibited to use since 2007. A person can be fined up to $500 for a violation.

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Crossing Cultures: Guides and Models for Development, Selection and Application

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Abstract

Approach all new situations and communications with others, especially those unlike you, with informed caring, cautious curiosity. Judge not as right or wrong; think instead that it is possibly “just different.”

We begin this research with trepidation, yet the opening statements are valuable initial guides for anyone desiring to succeed crossing cultures. Because of the existing depth of research and pronouncements about succeeding across cultures, we must demonstrate that the content of this manuscript is worth your time. First, despite many calls for it, we note that there has been little action toward an all-inclusive manuscript that is practical, empirically verified, and provides guidelines for becoming and remaining “strategically culturally adaptive” (Bell et. Al., 2018; Powell, 2017). As Gregersen (2016) notes, “In any case, the key to success is having a systematic way of assessing the cross-cultural aptitudes of people you many want to send abroad” (p. 150). “As a result, those companies are poised to capture tomorrow’s global market opportunities” (Black & Gregersen, 2016, p. 153). Further, a tremendous number of articles and books related to applying and teaching into the future stress managing or leading globalization (Blinder, 2018; Bogers, et al, 2018; Chadha, 2018; Drucker, all dates; Felsenthal & Pine, 2018; Freidman, all dates; Priem, 2018; and many others). To meet these strong calls to work, learn, and innovate across cultures, the goal must be to move from the mass of unrelated assertions to the weaving of co-created, manageable models that are useful in learning, teaching, and practice.

Key Words: crossing cultures; cultural adaptation; cultural innovation; cultural intelligence; thinking clearly; leadership; global leadership

Introduction

Whereas previous generations have focused on addressing weakness, the focus in the 21st century has been on strengths (Buckingham & Clifton, 2001). Additionally, we often talk about emotional intelligence and an emphasis on eliminating biases while providing a consistent message across cultures. Indeed, leaders and managers need to be able to cross multiple cultures and provide consistent, objective goals and accountability (Bell et al., 2018; Powell, 2017).

Accordingly, our guiding Global Leadership Quotient Model (GLQ) has proven to be vastly useful in classes and in selecting and preparing for cross-cultural experiences. Further, the GLQ provides a good base for ongoing evaluation and improvement (Service, Loudon, & Kariuki, 2014; Service & Reburn 2014). GLQ aims to help people continuously improve in becoming and remaining culturally adaptive as they work, manage, lead, and enjoy across many norms and rules.
The Literature

One cannot explore this topic without noting that there is much in the composite extant literature that could be used to advance thinking in culturally adaptive behaviors. As such, we must narrow our focus in this research. That said, we assure readers that we have included as much as feasible, and our coverage has left few stones unturned. All too much of what we see in so many areas of social science academic research is too narrow or so academically slanted that it is unusable for a practitioner. Meanwhile, the popular press and instructive literature can be so broad and delineate so many rules that it becomes of little use. We intend to fill this gap with a model that incorporates an appropriate amount of detail while recognizing that it must be simple enough to be practical. We start with the case for a cultural imperative of adaptability. There is no single “best way,” and there is no perfect model. However, the GLQ presented here is useful for evaluation and improvement.

Initial cross-cultural experiences teach more about one’s own cultures than about new or others’ cultures. Those that have not crossed cultures simply cannot know, with proper context, what entails their own culture. We start with a few simple points. First, cultural norms for words, thoughts, actions, and thought vary and occur at many levels – from locally at home to globally abroad. The units of analysis include corporations, tribal units, cities/villages, and more. Second, in an ordinary day, one may cross cultures several times doing business. For example, in a single day, a salesperson may communicate with a NASCAR lover in Alabama, a boutique dress shop owner in Eastport, Maine, human rights advocate in San Francisco, and a Texas cowboy. And these same labels could have been applied in any of the other locales (e.g., a cowboy in Maine). Diversity is the norm, and these examples are just for the United States.

Many other countries and even cities are too large and diverse to have a single culture. Third, to learn more about one’s own culture, that person must experience another culture. Fourth, cultural norms are generally not good or bad; they are just different. Fifth, it is difficult to lead under diverse norms without totally avoiding your principles. Sixth, even those unavoidable and necessary standbys of truth and trust can be different according to where you are, who you are, and who they are. Finally, we concur with Trompenaars and Hampden-Turner (2012) that ethnic differences within societies, such as “South African and, to a lesser degree, the US can be as big as international difference” (p. 341). This speaks to the importance of understanding the implications of crossing cultures regardless of whether or not one plans to go abroad.

There is so much in the extant literature that could be of help when one crosses cultures in a high stakes business context. If one is in that high stakes situation, such literature can be a valuable tool. But we suggest strongly several readings (their key points are included in this manuscript) and encourage spending considerable time reviewing some general works that we have curated and condensed: 1) Dobelli’s (2013) book on thinking clearly; 2) Elmer’s (2002) book that stresses “just different” thinking; 3) Haidt’s (2012) book on why good people think differently; 4) Mendenhall et al.’s (2008) review of global leadership research; 5) Brooks (2011), Chopra and Mlodinow (2011), Hall (2011), Pinker (add dates), Sternberg (add dates), or even Frankl’s Man’s Search for Meaning (2006 edition of 1946 classic) demonstrate what it means to be human and exhibit wisdom regardless of culture; 6) Service and Arnott’s (2006) work on the LQ©; 7) Trompenaars and Hampden-Turner (2012) bringing it together with examples that provide understanding over categorization; 8) HBR’s 10 Must Reads: On Managing Across Cultures (2016); and 9) our derived Global Leadership Quotient (GLQ)
Models for measuring and improving cross-cultural intellect. We contend that our research gives readers a more comprehensive and logical approach to measuring and improving one’s self and others as they cross cultures.

1.1 Thinking clearly—a guide

Here we are fortunate to have found Dobelli’s (2013) *The Art of Thinking Clearly*—an easy read with 99 chapters of three pages each that describe the more common cognitive biases. Cognitive bias #1 manifests itself when we make up our minds quickly and seek only confirming evidence. This and many other preferences guide all our thinking preferences (predispositions) that are used in our considerations of arguments, frames of reference and mental models, to guide our views of others and cultures, and to direct our judgments and actions—thus helping us determine and justify our place in the world. Our cognitive biases often keep us in our known and unknown ignorance (unawareness). These mental favoritisms and misguided interpretations can keep us from innovating and creating new and different products, organizations, selves, or approaches. Dobelli aims to help readers learn to recognize and evade the biggest errors we have in thinking in order to improve our personal and work lives as well as our organizations.

Table 1 has all 99 biases broken into three domains: cognitive biases, psychological biases, and math-arithmetic biases. Further, Table 2 has a partial list of the biases with brief descriptions. We encourage readers to reflect on what these mean at a personal level. The primary foundation for successfully crossing cultures is the elimination—or at least recognition—of the need to identify and control biases.

1.2 The Perceived Complexity of Mathematics

Fortunately, mathematics is a language without bias or cultural boundaries. Unfortunately, many westerners live in a world that accepts mathematical ignorance, leading us to being easily mislead. When mathematical ignorance is coupled with normal self-serving predispositions, the validity of empirical findings must be viewed with high levels of skepticism and a deep knowledge base. Supporting this supposition, a recent study recounted in the *Wall Street Journal* found that the findings in a majority of peer-reviewed scientific journal articles cannot be replicated. This is a major obstacle in being able to suggest that one’s findings are highly generalizable and, therefore, practical to a large audience. When considering the question of there being no alternative explanations for a phenomenon, it becomes essentially impossible to “prove” anything from a scientific perspective. “The chief cause of irreproducibility may be that scientists, where wittingly or not, are fishing fake statistical significance out of noisy data” (p. A17). We note this often happening in studies that tout findings from small and/or convenience samples. Sadly and tellingly, “The social psychology that informs education policy could be entirely irreproducible” (Wood and Randall, 2018, p. A17). When we examine much of what social scientists study and produce in academically refereed empirical studies, there is little evidence that we have proven almost anything of use in managing and leading in the ever-evolving, globally competitive landscape. Too much of what we read and even teach “was true in a misleading sense only” (Blinder, 2018, p. A13).”

We see misleading statistics in economic reports and publicity. Corporate income tax “rates” in America (prior to the Trump tax cuts of 2018) were the highest in the free world. While a fact, in reality, no organization in America pays that highest rate (Blinder, 2018). Notably it would take less than 1% of total corporate revenue in America to replace all of the corporate income tax actually collected annually.
in America ("IRS Data," 2013). Economists and statisticians often "prove" what they want to instead of providing clear views from multiple angles. The deranged gunman who targeting American Congressmen in June, 2017 railed that the top 1% for not paying their fair share. Yet the top 0.17% pay over 20% of income tax, the top 12% pay about 75%, and the bottom 66% ($50K income and less) pay 7.5% (Service & Reburn, 2016). These examples show the power of big data and analytics; we should follow the data – not our emotions.

Too often, we focus on independent or isolated events. False numerical comparisons and number bias are common. Small samples are used to make conclusions without reference to margin of error. And inadequate math skills are too often an excuse to defining the wrong issue or defining the right issue wrongly. There is no shortage of data; yet there is a profound lack of context and understanding. This leads to a sense of knowing when, in fact, ignorance abounds.

1.3 How can ‘good’ intelligent people think so differently?

We can all describe a “bad” manager – including the experiences of the authors (IS/IT, banking, academia, international production-distribution, healthcare, government—management and leadership). Haidt’s The Righteous Mind (2012) describes clearly why good smart people can have such radically different dividing opinions on work, politics, and religion. Related to our current attempt to succeed in different cultures, Haidt reminds us of the importance of: 1) reciprocity; 2) thought experiments (pre-thinking how actions will play out); 3) thinking to learn (also Albrecht, 2003); 4) addressing conformational biases; 5) allowing for intuitions leading logic; 6) realizing and using innate understanding forms the first draft of life’s beliefs and actions; 7) stressing the notion of shared intentionality; 8) development of wisdom from the knowledge that morality binds but also blinds; 9) realizing that evolution can be fast, as genes and cultures coevolve; 10) showing that innate does not mean unmalleable (rather, it means organized in advance of experience); 11) noting useful pronouncements in books, analogies, research – empirical or otherwise; and 12) admitting and using facts that “Markets Are Miraculous.”

Understanding Haidt’s first principle of moral psychology, “Intuitions come first and strategic reasoning second” (p. 82, bolding ours) is key in handling differences more effectively. A careful individual will see that much of the dichotomous thinking about selfish genes and economic self-interest logic versus societal collaborations and greater good sacrifices can be reconciled and better understood when one considers the benefits of reciprocity that cultural norms provide. Yes, innovations and collaborations follow self-interest (Colino, Benito- Osorio & Armengot, 2014; Collins, all dates). A “moral life is really about cooperation and alliances, rather than about power and domination. Dishonesty and hypocrisy of our moral reasoning is done to get people to like us and cooperate with us…” (p. 392). Morality is, in a large part, an evolved solution to the free rider problem” (p. 412). Societal norms have evolved to punish cheaters and provide pleasure in revenge. These points need to be considered in light of the strength of confirmation bias directing innate conclusions that precede unbiased logical reasoning.

The key point here is to not assume that those in other cultures are wrong and that we are right. We should recognize the “just different” of cultures and how understanding can enable us to remain simultaneously open and cautious as we witness actions, read, or hear things we may have never considered. Yes, highly intelligent people do think differently about the same topics given the same facts. Study literature that helps orientate learners to biases, cultural norms, and why cultures think
1.4 The Leadership Quotient (LQ©)

The next section is based largely on Service and Reburn’s “Leadership for Innovation: Fundamentals of Human Influence” (2014) and Service and Arnott’s (2006) LQ©. The research into developing this quotient for leadership started in the late 1990s as the authors attempted to find texts useful in self-assessment and improvement and that were useful as measurements for the teaching and development of leaders. Finding that there was no single unified model of leadership, Service and Arnott’s book provided some 192 percepts divided by well-known and new quotients. Here, the current authors recount some of the LQ© development that has been well-vetted in at least 30 academically refereed articles, used in many consulting assignments, and with scores of students at the undergraduate and graduate level. LQ© is a sturdy bridge to the development of the GLQ, which is the LQ© for crossing cultures.

1.4.1 The Meat of LQ©

The LQ©, as depicted in the formula in Figure 1, came from over 1,100 respondents having an average of 15 years of working experience and 17 years of education. In addition, it borrows from the authors’ over 50 years of combined personal experiences and observations, and thousands of published sources (Service & Arnott, 2006), and evolved over 10 years.

The leadership model development started with research in the areas of the IQ, EQ, and related psychological and instructive literature in an attempt to go beyond the “normal” business disciplines and continued onto numerous efforts and pretests to solidify the understanding of all aspects of leadership. The ensuing LQ© defines leadership as a measure of the precepts/components that are observably crucial when leadership occurs. In this leadership model, positive elements indicate effective or good leadership, and negative elements indicate the opposite. An important triangulation occurs when we witness an effective LQ© as a function of the interaction of: 1) Leader, 2) Followers, and 3) Environments (Situations) as shown in LQ©’s formula (and relationally) in Figure 1.

The Leadership Quotient directs one to realize the traits, abilities, and behaviors that they naturally have and do not have and how to adapt those to followers and environments. After identifying and honing those possibilities (maximizing strengths), figuring out a way around shortcomings (minimizing weaknesses) are keys. This is the application of the “max-min principle” (Service, 2012). This is not a simple on-time task and we are not offering a pseudoscientific pill to cure all leadership problems. “The more complex society gets; the more sophisticated leadership must become. Complexity means change, but specifically it means rapidly occurring, unpredictable, nonlinear change” (Fullan, 2001, p. ix). To the current authors, this sounds much like crossing cultures. The above quote does not mean there is a need to lead with complexity. Rather, successful leaders are ones that can interpret the difficult and complex and present them in a simplified and understandable way to followers. Leadership can be developed and honed appropriately using the 12 Quotients.

The current authors, as practicing managers, consultants, and professors see management as controlling, arranging, and doing things right. A leader sets visions and does the right things (inspired by Maas, 1998; and Service, all dates). “[L]eadership plays the prime role for the creation of excellence differently.
in an organization” (Kanji & Moura e Sa, 2001, p. 701). As one moves into the arena of global competition, a shift from managing for stability and control to leadership for speed, experimentation, flexibility, change, and innovativeness becomes critical (Service & Arnott, 2006). “Leadership is the art of accomplishing more than the science of management says is possible” (Colin Powell, quoted in Harari, 2002, p.13). “I know of no case study in history that describes an organization that has been managed out of a crisis. Every single one of them was led” (General G. J. Flynn in Sinek, 2017, p. xi). Leadership is human influence occurring as people do things together (Blanchard, 2007).

It requires: an understanding of self, others, and environments; learning to balance people, contexts, and tasks; commitment, fit, intellect, principles, desire, and more. A leader’s goal should be to help others learn how to fit in yet stand out and make a difference through others. A truly self-perpetuating leader develops others as leaders first and foremost. The road to personal leadership improvement starts with desire and self-awareness, goes on to continuous commitment to development, and ends with practice: application by you and your followers (Yukl, 2013; Zecca et al., 2013).

1.4.2 Leaders’ characteristics and traits

Referring to the applicability of LQ© as visualized in Figure 2, effective leadership and a satisfyingly successful life require a balanced fit among environments, behaviors, contexts, processes, contents, and needs (Christensen, Allworth, & Dillon, 2012; Service, all dates). The GLQ Worldview Strength and Weakness Guide (Figure 3) details the extended LQ© precepts one must evaluate against and train for to improve effectiveness in crossing cultures. Max-min principles can be employed to make the best use (maximize) of what you have and to render irrelevant (or minimize) weakness you cannot (or will not) change. Fit and balance are keys to most endeavors. “Do not separate yourself from the community” (Hillel, from Safire & Safir, 2000, p. 187). “Consider well who you are, what you do, whence you came, and whither you are to go” (English proverb, from Safire and Safir, 2000, p. 209). Learn from the people who not only challenge and conquer the context but who change it in fundamental ways (Bennis, 1989). “… leadership… is about getting alignment and it’s about inspiring people to achieve” (Fullan, 2001, p.19). Well-developed systems and organized processes do not become effective until the right people are in the right places for execution of the processes noted here and elsewhere.

Great people need to have good processes to be successful. The balance is tough yet powerful when achieved through application of these principles: a) Adapt to followers. b) Fit with environments and tasks. c) Balance self, followers, and the environment. d) Create adaptable “fitability” with time, place, people, and things. e) Fit in before you stand out.

2 Leadership across Cultures

The first rule of leadership is to understand relationships – to understand the differing logics of achievements and ascriptions (McIntosh, 2011), which vary on a scale from being assigned/ascribed by birth or title to being completely earned. Refusal to send young women into new cultures or to use a surgeon of a different race can be the result of ascription. The opposing perspective would be to select the most proven, effective person without regard to ascribed categories. These decisions can be seen as points along a continuum of doing the same versus doing something new or different (Trompenaars & Hampden-Turner’s, Riding the Waves of Culture, 2012).

Waves brings cultural understanding together with applicable understanding emphasized over
categorization. *Waves* notes that the key differences and biases that must be understood for crossing cultures successfully relate to a spiraling, looping continuum considering: 1) universal versus particular; 2) individual versus community; 3) neutral versus effective; 4) specific versus diffuse; 5) achievement versus ascription status; 6) internal versus external control; 7) times as past, present, and/or future (also Bhaskar-Shrinivas, et al., 2005); and 8) sequencing versus synchronicity. We add to this Hofsted’s (2001) classic, *Culture’s consequences: Comparing values, behaviors, institutions, and organizations across nations*, as a source that is most often quoted in academic research. For our purposes, Hofstede’s five points relate to the eight points just mentioned from *Waves*. Adding Hofstede’s five, we get: 9) power distance; 10) uncertainty avoidance; 11) individualism-collectivism; 12) masculinity-femininity; and 13) long term versus short term orientations.

Before we continue with the *Waves* points useful in building our model, we would like to weave in applicable concepts from Northouse’s *Leadership: Theory and Practice* (2016). Northouse presents the following useful concepts: 14) traits; 15) skills; 16) behaviors; 17) situations; 18) path-goal; 19) leader-member exchange; 20) transformational styles; 21) authentic styles; 22) servant styles; 23) adaptive styles; 24) psychodynamic approaches—understand ourselves and our drivers; 25) leadership ethics; 26) teams; 27) gender; and, finally, 28) culture and leadership. When using any classifications, rules, guides, or categories, note that there are often unintended consequences (Conard, 2012).

Now we will add some words that require thought and differing approaches. Change and flexibility; learning; constituency focus; relationships; loyalty; commitment; strategic alignment; teamwork; task orientation; shareholder value; and professional development and structure—corporate, individual, or otherwise. Here we advise that famed author Peter F. Drucker should be a cornerstone for anyone interested in knowing more about these words and how they apply to management and leadership in general (Drucker, 1973, 1985a, 1985b). We then recommend Cohen’s (2010) *Drucker on Leadership*.

Dilemmas arise from the difference in cultural diversity, though that variability is extremely valuable to organizations especially in innovating (Abernathy & Utterback, 1988). For example, as well as it works at times and as much as we teach it, paying for performance may fail in many cultures. The challenge is to find out where. However, this pay for superior performance is the new model in the U.S. healthcare system, codified with MACRA (Medicare Access and CHIP Reauthorization Act: HR 2, 114th Congress, 2015). A key is to remember that across the world, things are not valued the same, and all things are experienced differently according to overriding cultural differences (Service & Carson, 2013). Culture is different everywhere, and culture defines the preferences, norms, and ways people define, solve, and ignore problems and issues. Even within cultures there are professional, educational, farm, urban, and other subcultures (Arnott, 2000: Sarros, Cooper, & Santora, 2008). Context, context, context is the overriding idiom for crossing cultures, just as location, location, location is for real estate. There are alternate facts (Allison, 2013; Baumohl, 2005; Blair, 2010; Bush, 2010; Kennedy, 1987; and Rumsfeld, 2013). One must consider whose facts, where are they, why are they, and how they are being used to define the multiplicity of duplicitous “facts.” People perceive phenomena in many differing orderly or less orderly ways, in sensible or nonsensical ways based on overarching culture.

Productive and informative cultural intelligence (CQ) researchers Early and Mosakowski (2016) rightly proclaim that “Rote learning about the beliefs, customs, and taboos of foreign cultures, the approach corporate training programs tend to favor, will never prepare a person for every situation...
that arises, not will it prevent terrible gaffes [p. 5]… Unlike other aspects of personality, cultural intelligence can be developed in psychologically healthy and professionally competent people… The individual examines his CQ strengths and weaknesses in order to establish a starting point for subsequent development efforts” (p. 13).

The GLQ provided in this manuscript provides the most comprehensive comparative tool currently available for CQ comparative and improvement purposes. Finally, these researchers warn against solely relying on “tech” for communication, pronouncing that in person face-to-face is still the richest form of communication. But in an ecommerce era, many leaders will cross cultures without even leaving home.

Our own cultures are like water to a fish, and we have to get out of the water before we miss it. The humanness of thought makes cultural variables and variations not normally distributed and requires that our GLQ be taken over spectrums – not as a dichotomy. Generalizations and generations vary the strength, form and directionality of variables (Ang & Van Dyne, 2008). If problems and definitions vary by culture, one can expect solutions to vary, as well.

As we get deeper into Waves, we are weaving other research, observations, stories and examples. The current authors, having hired, fired, taught, and consulted with thousands over the years, see Waves as solidifying our belief that there is no “demonstrably fair and universal way of managing” (Waves, p. 55). This leads to the conclusion that the only real answers to the complex question of leading or managing across cultures are themselves questions. Furthermore, the “just different” scale of extremes on the 28 cultural dimensions listed earlier are not straight lines but more like corkscrew circles that spiral back into themselves. The old idea of right and wrong represented as being on the line or linear must be reconsidered (Csikszentmihalyi, 1990; Elmer, 2002). A continuum representation is better than a binary choice, but we suggest it actually it looks more like Figure 4, which simply loops back in on itself.

In Figure 4, we see key competencies, old or new, are not definite and complete. It is a challenge to reconcile dilemmas to a complementary degree that both sides can accept. This compromising will tie into our GLQ Model being presented here with the realization that answers depend on circumstances. Self-realization, reconciliation, and “universal otherhood” (Waves, p. 73) can be tough concepts to grasp. For example, when one of the authors was in Kenya, he felt better when he realized that the rules as he had known them about age, gender, social conation, professionalism, and more were treated there more like suggestions than rules (Service, Loudon & Kariuki, 2014; Stalk & Hout, 1990). And “African time” reverted back to the 2-year-old who easily understands now and not now with little concern for the concept of yesterday or tomorrow.

Another important work, Meyer’s (2014) The Culture Map: Breaking through the Invisible Boundaries of Global Business, clearly explains the importance of understanding diverse styles of communication and leading in different cultures. Culture Map espouses that seven key aspects of cross-cultural leadership are useful as evaluative scales for guiding communication, evaluation, leading, decision-making, trust, disagreement, and scheduling. Meyers notes that cultures have commonalities in these areas, but existing differences require broadening understandings. For example, Chinese and Japanese cultures have great similarity in their communication and leadership perspectives, but they are very different in decision-making. Therefore, Meyer encourages greater intentionality in seeking understanding of the corresponding cultures where one is seeking to work as an outsider (also see

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When comparing the U.S. and China, “high power distance” is a common challenge in cooperative situations. The Culture Map scale depicting attitudes towards authority puts China far on the hierarchical side compared to an egalitarian approach to leadership in U.S. An author of this current manuscript has viewed this dynamic causing tensions in higher education partnerships between China and the U.S. In one example, the president of the U.S. educational institution had a very egalitarian attitude toward leadership, which led to misunderstanding the importance of the primary leader in Chinese culture. The American university’s president noted that “the provost is really in charge of most of the important decisions” and, therefore, the president decided to skip the meeting with the Chinese University. The international cooperation offices in China were very upset about this decision. Consequently, the Chinese university’s president did not show up and nothing of significance resulted from the meeting.

As professionals, we all like plans or strategies and say “don’t leave home without them,” for your competitors and distractors have them. Strategy defines which choices you should make to reach desired and defined goal and objectives (Mintzberg et al., 2004). Useful and correct mutuality requires level playing fields, and nothing makes for a slanted table like one person with strategy and the other without. We see strategy books filled with differing labels for people professionals will encounter – from silly titles such as guided missiles to directors, reactors, defenders, analyzers, prospectors, and more (Bennis, all dates; Broom, Loudon, Service & Sonius, 2014; Porter 1980). Of course, you have to know the types of others and work toward understanding your own if you want to win in a new cultural arena.

What we have presented here is a guide for knowing biases, traits, skills—precepts—that can direct or misdirect thinking and impede or aid teaching and learning. Whether or not our GLQ is useful to you will be more about you than our model. “Banishing our conscious and unconscious biases and adopting a mindset of openness expands, enriches, and diversifies our point of view… Be adventurous, creative, and open-minded… Build open and honest relationships with communications” (Tjan, 2017, p. 74 and 75).

3 The GLQ Models

Using our extensive literature review and LQ©’s research (described more fully in Service & Carson, 2013), we see our GLQ Models (Figures 3 and 5) must revolve around intentionality (Glynn & Giorgi, 2013; Groves & Feyerherm, 2011). Vigilant attention and sustained effort to understand the precepts represented in our models will help interested individuals maximize strengths and minimize or deflect weaknesses, thereby moving one more step toward successful cross-cultures experiences.

Today's world of global business requires that companies must “innovate by learning from the world… transform[ing] individuals in ways that make them more valuable employees [p. 129]… [T]oday's leadership will not be sufficient for the future [p. 50]… The passion to make a difference and the willingness to allow others to participate in creating it is more likely to lead to leadership success than simply acquiring and checking off a list of skills” (Mendenhall et al., 2008, p. 62).
3.1 Cross-Cultural Leadership for the Rest of Us (Figures 3 and 5)

All principles and precepts are amalgamated or extrapolated into Figure 3, which is our comprehensive GLQ Worldview Strength and Weakness Guide that details the extended LQ© precepts derived in this research. Here one must evaluate against and or train for effectiveness in crossing cultures by understanding and evaluating all their capabilities and knowledge shown in the concepts depicted in Figure 3. Then to improve, one must use the max-min principles to maximize the best use of what one has and to minimize or render irrelevant weakness one cannot or will not change. In the Global Leadership Effectiveness Model depicted in Figure 5, we see the relationships and related precepts that you must master to become a well-rounded cross-cultural leader. This overriding final model (Figure 5) provides a comprehensive view of leading innovativeness in ever-changing global environs. Drucker said becoming a more effective leader for innovation is possible if it becomes a life-long self-development activity (Buford, 2014; Cohen, 2010). Drucker stressed the fact that people can learn to be more innovative and more effective leaders and concludes much of his writing by saying not only can we all improve, but that we must continue progressing in these areas if our society is to continue to progress. The learning never ends if cross-cultural intellect is the objective (Blasco, Feldt, & Jakobsen, 2012). Our models can jump start and bookend intellect toward measuring and improving cross-cultural capabilities—innovation exemplified in application.

The GLQ© model is the amalgamation of sweet-spots of leadership effectiveness as the "wisdom" to balance combinations and permutations of circumstances within characteristics and knowledge that provide a timely fit for the involved people in the proper manner. Focus must be on analyzing yourself, others, and situations and applying new-found knowledge to improve leadership effectiveness in the ever-more complex contexts of leading innovation.

3.2 How do we apply?

GLQ Model 5, and to a lesser extent Figure 3, show influences of worldviews and leadership concepts coming together to foster applying all parts of the other sub-models by using relevant earned and learned relational, management, and leadership wisdoms. “Wisdoms” can’t be reduced to principles or secrets presented by the rich and famous (Gladwell, all dates). The GLQ provides a roadmap toward becoming a cross-cultural leader capable of understanding the wisdom sweet-spots of varied reflections, perspectives, and extro-and introspections.

“All generalizations are false—including this one” (Rumsfeld, 2013, p. xiii). That is, rules can never replace considered judgment nor can models replace base values. Situations and all those involved are at best slightly different. Recognizing the appropriate differences and applying all principles in a balanced way is cross-cultural wisdom. Contemplate another warning from Rumsfeld: “What should they know of England who only England know?” (citing Rudyard Kipling, p. 106). An inside-only view is seldom a fully intentionally useful reality.

Consider GLQ as a bridge to success in another culture that is supported by the solid “rest-of-us” leadership paradigm.

3.3 An important reminder warning for us and our readers about religion

When crossing-cultures for business reasons, do not “witness” with your words to others about your faith (Broom & Service, 2014). Your witness needs to be your actions and how you speak. Your
actions speak louder than any words. Treat people with kindness, respect, and the utmost honesty, but hold off on the preaching until you are in a place of worship.

Conclusions

Though we present and espouse models and principles in this manuscript, we want to remind the reader that understanding must preclude labelling, and principles override models. Cultures are powerful and they feed or starve innovation, learning, and progress. However, cultures do evolve, and they can be directed. Cultures, be they broad societal norms, more local norms, or organizational-specific, need to be adhered to… to a degree. The key is to first know then do, and you will then become the leader you want and need to be in the cultures within which you must act (Service, Reburn, & Windham’s, 2017 “Know Do Be” model is very useful here). Those complete cultural directions are beyond this manuscript and are for a future study. Our chief aim is to help readers fit into a culture before they stand out and attempt to direct any aspect of culture.

In the scope of this manuscript, the literature is clear on crossing-cultures requirements, and an incorporation of our models shows how to meet those needs to: 1) develop people with the right knowledge, skills, and abilities that are willing to work for success in global leadership (Earley, all dates); 2) Find people with the relatively rare and correct balance of knowledge, skills, and abilities required for crossing cultures (Caligiuri, 2006). 3) Use comprehensive interdisciplinary approaches to research in this area (Bate & Child, 1987). 4) Comprehend that global leadership occurs in a world of varied complexity, with interactive patterns among subunits of many varied constituents with pressures for stability and change (Crowne, 2013). 5) Measure for the development of the wisdom of leadership and culturally-appropriate actions requires a life-long commitment to searching and learning (Elmer, 2002). 6) Reassess your or your organization’s competitive identity in this web of global relationships (Hofstede, 2001). 7) Understand foundational requirements for power, feelings, concerns, dependences, collaborations and competition, and team and individual efforts across cultures (Bhaskar- Shrinivas, Harrison, Shaffer & Luk, 2005; Lencioni, 2002; Mendenhall et al., 2008).

Effective influence through leaders – global or otherwise – is characterized by ambiguously complex interrelated relationships, communications, values, missions, motivations, and visions (Gundling, 2003; Kupka & Cathro, 2007; Lee, 2005, 2007, 2009; Lee & Sukoco, 2008; Service & Arnott, 2006). This complexity shows when one views the varied constituents commanding attention with their all-too-often mutually exclusive desires (Furrer, Tjemkes, Aydinlik, & Adolfs, 2012; Takeuchi, 2010; Takeuchi, Seakhwa Yun, & Tesluk, 2002). It seems “unconscious processes are better when everything is ambiguous [p. 243]… [Acquire] a set of practical skills that enable [you] to anticipate change” (Brooks, 2011, p. 249).

Identify and modify your habits. Habits are always with us, and they are responsible for all failures and successes: Habits will make or break your attempts to be more effective at crossing cultures (Covey, 1998 (all Covey’s works are good for preparing for cross cultural experiences); Dorner, 1996).

Without a doubt, every thinking human wants to feel appreciated and have something to build their lives around. Leaders and managers must give them those things regardless of cultures involved. Additionally, “What people want in leaders today, more than ever before, is integrity—walking their talk” (Blanchard in Despain & Converse, 2003, p. xvii; also see Shinn, 2011).” J. Dennis Hastert, Speaker of the House (Despain & Converse, 2003: first unnumbered introductory page): “I have come to understand the truth behind the saying “leaders aren’t born, they are made.” Despain and Converse
(2003) based their book on a lifetime of experiences, and they espoused that the key is values defined with shared beliefs coupled with standards for workplace behaviors. “Leadership is about others and not about self” (p. xxii). James Despain says, “I give people freedom to handle work their own way, I listen more than I talk, I work with every employee to create a development plan, and I say something positive to every employee in my group every day” (p. 148). Indeed, leaders and managers must move from a control-based leadership to a values-based leadership model, which is one that basically defines working across cultures effectively.

Leaders and managers need enough intellect to handle the tasks, but they also must motivate, guide, inspire, listen, know how to gain consensus, teach and learn, innovate, anticipate, and analyze regardless of setting or cultures of those they lead (Maxwell, all dates; Phan, 2011; Pink, 2009). Leaders must ultimately move and act to get others to do so. To do this requires much beyond talent and requires principles of discipline, endurance, love, and luck. The principles presented and tested here can lead one to a lifetime desire for the needed shift toward a more effective way of leveraging people for innovation (given the desire and effort) regardless of cultural norms or settings.

Shift from seeking confirming evidence to seeking disconfirming evidential views. We tend to accept 100 percent of confirming evidence and very little that goes against our beliefs. Successfully crossing cultures requires truth, image, clarity, intention, curiosity, flexibility, and innovation of self and related mindsets.

Humans are self-interested beings that are moral and cognitive. We have evolved to understand and use the mutual benefit of “honest” cooperation in our societal cultures (Pinker, 2011). Cultural differences exist on an honesty scale that is mostly determined by “The Influentials” within a society (Keller & Berry, 2003). Be one of those 10% identified Influentials guiding cultures to improve mutual outcomes in order to flourish in an ever-flattening global stage. In these arenas (familial, communal, global—personal and organizational) set your self-expectations at a level that are difficult to realize. Push yourself to succeed in new cultures.

References


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Covey, Sean. (1998). The 7 Habits of Highly Effective Teens. New York: Fireside [Studying this series for executive education, we recommend this book over most 7 Habits renditions].
A 2016 report by the World Economic Forum predicted that the top job skills in 2020 will be complex problem-solving and critical thinking across cultures (from p. 84-85).


https://www.usi.edu/media/3651434/Leadership-for-Innovation.pdf


Table 1: Normal Biases
(Modified directly from Dobelli’s 99 cognitive biases, 2013)

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<tr>
<th>Cognitive</th>
<th>Psychological</th>
<th>Math-arithmetic</th>
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<tbody>
<tr>
<td>1. Survivorship—be the example</td>
<td>1. Swimmer’s body-born not made</td>
<td>1. Sunk cost—reevaluate base</td>
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<tr>
<td>2. Authority—not outside expertise</td>
<td>2. Clustering—look for patterns</td>
<td>2. Contrast—2 for one or 50%?</td>
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<td>3. Story—is incomplete or slanted</td>
<td>3. Social proof—everyone does it</td>
<td>3. Regression to the mean</td>
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<td>5. Outcomes—exception not rule</td>
<td>5. Confirmation—to support mind</td>
<td>5. Gambler’s fallacy independent</td>
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<td>6. Coincidence—they happen</td>
<td>6. Availability—easy to get</td>
<td>6. Exponential—grows so much more</td>
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<td>7. Scarcity—not always of value</td>
<td>7. No-pain, no-gain</td>
<td>7. Averages can be skewed</td>
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<td>8. Base rate neglect—hear the good</td>
<td>8. Story—want it to be true</td>
<td>8. Improve averages—extremes do</td>
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<td>10. Induction—may not continue again</td>
<td>10. Chauffer knowledge—superficial</td>
<td>10. Missing matters more than there</td>
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<td>11. Winners’ circle—not always again</td>
<td>11. Illusion of control</td>
<td>11. Forecast on straight lines</td>
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<td>15. Forecast illusion</td>
<td>15. Endowment—clinging to things</td>
<td>15. House money—not mine</td>
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<td>17. Framing—distorted</td>
<td>17. Group think</td>
<td>17. Twaddle—jabber to</td>
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<td>18. Action preference</td>
<td>18. Lose aversion—over winning</td>
<td>18. Rant about a past event</td>
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<td>Association—Pavlov’s dog</td>
<td>Halo effect—attractive</td>
<td>20. Contagion—it’s associated with</td>
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<td>22. Decision fatigue—many choices</td>
<td>22. Because—addicted to because</td>
<td>23. Contagion—it’s associated with</td>
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<td>24. Value new or different</td>
<td>24. Twaddle—jabber to</td>
<td>25. Contagion—it’s associated with</td>
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<th></th>
<th>disguise</th>
<th>Effort-worked so hard, but</th>
<th>Expectations-not real &amp; fail</th>
<th>Exposing charlatan-astrology!</th>
<th>Volunteers’ folly-takes job/pay</th>
<th>Puppets to emptions</th>
<th>Introspective-can be right or not</th>
<th>Inability to close doors</th>
<th>Sleeper effect-propaganda works</th>
<th>Social comparison-against betters</th>
<th>Not invented here</th>
<th>False consensus</th>
<th>In-out groups</th>
<th>Fear or regret</th>
<th>Procrastination</th>
<th>Envy</th>
<th>Personification-representative?</th>
<th>Opinion of persona-more than</th>
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67
Table 2: Truncated Biases with Descriptions
(Modified directly from Dobelli’s 99 cognitive biases, 2013)

<table>
<thead>
<tr>
<th>Bias</th>
<th>Short Description</th>
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<tbody>
<tr>
<td>Survivorship</td>
<td>Only see and hear about successes.</td>
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<tr>
<td>Swimmer’s body illusion</td>
<td>They are made for it, not because of it.</td>
</tr>
<tr>
<td>Clustering illusion</td>
<td>Creating patterns out of randomness.</td>
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<tr>
<td>Social Proof</td>
<td>Even if 50 million people say something foolish, it is still foolish.</td>
</tr>
<tr>
<td>Sunk cost</td>
<td>Evaluate higher because of what you have in it</td>
</tr>
<tr>
<td>Reciprocity</td>
<td>Don’t accept free stuff when you think you are going to get asked for something.</td>
</tr>
<tr>
<td>Confirmation</td>
<td>We are great at assessing all information so that our prior conclusions remain.</td>
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<tr>
<td>Authority</td>
<td>Experts know little outside of their expertise and favor that.</td>
</tr>
<tr>
<td>Contrast</td>
<td>If you think it’s a good deal - buy one get one absolutely free, really?</td>
</tr>
<tr>
<td>Availability</td>
<td>We tend to only use information or examples that are easy for us to get.</td>
</tr>
<tr>
<td>No pain, no gain</td>
<td>We almost killed ourselves so it must be good.</td>
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<tr>
<td>Story</td>
<td>We shape everything we tell-no one is a 100% objective-perspective.</td>
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<tr>
<td>Hindsight</td>
<td>It’s easy to say why or what in retrospect.</td>
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<tr>
<td>Overconfidence</td>
<td>We tend to be more confident with limited information-ignorance and confidence!</td>
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<tr>
<td>Chauffer knowledge</td>
<td>Only having superficial knowledge of a topic.</td>
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<tr>
<td>Illusion of control</td>
<td>Lottery tickets – trying to control what we have no control over.</td>
</tr>
<tr>
<td>Incentive super-response</td>
<td>Unexpected over response to incentive.</td>
</tr>
<tr>
<td>Regression to the mean</td>
<td>All things tend to return to the average over time.</td>
</tr>
<tr>
<td>Outcome</td>
<td>The randomness of a random outcome is just random.</td>
</tr>
<tr>
<td>Paradox of choice</td>
<td>Too many choices confuse and make harder to decide.</td>
</tr>
<tr>
<td>Liking</td>
<td>Being likeable or liking something.</td>
</tr>
<tr>
<td>Endowment effect</td>
<td>Money is there so spend it.</td>
</tr>
<tr>
<td>Coincidence</td>
<td>Are rare.</td>
</tr>
<tr>
<td>Groupthink</td>
<td>We think differently in groups.</td>
</tr>
<tr>
<td>Neglect of probability</td>
<td>Probabilities count/understand real ones.</td>
</tr>
<tr>
<td>Scarcity</td>
<td>Just because it is rare, does not always mean value.</td>
</tr>
<tr>
<td>Base-rate neglect</td>
<td>See extremes not real rates.</td>
</tr>
<tr>
<td>Gambler’s fallacy</td>
<td>No balancing effect in independent events.</td>
</tr>
<tr>
<td>Anchor</td>
<td>False or meaningless base used to evaluate from.</td>
</tr>
<tr>
<td>Induction</td>
<td>Inductive reasoning has limits too.</td>
</tr>
<tr>
<td>Lose aversion</td>
<td>Favor avoiding loss over possible gains.</td>
</tr>
</tbody>
</table>
Figure 1: Leadership Formula

$LQ© = \text{function of:}$

**Leader's characteristics and traits** $DQ + RQ + BQ + AQ +$

**Followers' perspectives of leader** $CQ + PQ + EQ + IQ +$

**Environmental influences and perspectives** $XQ + KQ + SQ + MQ$

**Key:**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Title</th>
<th>Characteristic</th>
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<tbody>
<tr>
<td>$DQ:$</td>
<td><strong>Desire Quotient</strong></td>
<td>Effort, persistence—willingness to do whatever it takes.</td>
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<tr>
<td>$RQ:$</td>
<td><strong>Reality Quotient</strong>:</td>
<td>Correctly clarifying inclusiveness, objectives, forward-sightedness, etc.</td>
</tr>
<tr>
<td>$EQ:$</td>
<td><strong>Emotional Quotient</strong>:</td>
<td>Self-awareness, social awareness, empathy, exhibited mood, ability to control first impressions of self, and level of validity of assessment of self and others.</td>
</tr>
<tr>
<td>$IQ:$</td>
<td><strong>Intelligence Quotient</strong>:</td>
<td>Read more about $LQ$'s IQ replacement with an SQ.</td>
</tr>
<tr>
<td>$CQ:$</td>
<td><strong>Communications Quotient</strong>:</td>
<td>Verbal, written, body language, dialect, clarity, command, presentation skills, and listening effectiveness. All of these aspects of communication must fit with the leader’s followers and environment (Service, 2005a).</td>
</tr>
<tr>
<td>$PQ:$</td>
<td><strong>People Quotient</strong>:</td>
<td>Ability to relate with people; includes relationships, social skills, poise and demeanor, teaming, networking, etc.</td>
</tr>
<tr>
<td>$BQ:$</td>
<td><strong>Behavioral Quotient</strong>:</td>
<td>Exhibited external focus, ethics, values, direction, flexibility, savvy, social graces, timing, inspiration, leader behavior that appeals to the followers.</td>
</tr>
<tr>
<td>$AQ:$</td>
<td><strong>Appearance Quotient</strong>:</td>
<td>Manifestation of correct level of confidence, appropriate dress, vitality, mannerisms, poise, etc. and environmental fit from perspective of followers.</td>
</tr>
<tr>
<td>$XQ$:</td>
<td><strong>eXperience Quotient</strong>:</td>
<td>Accomplishments.</td>
</tr>
<tr>
<td>$KQ$:</td>
<td><strong>Knowledge Quotient</strong>:</td>
<td>Leader’s ability to learn, pay attention, recognize, imagine, and keep up to date on technologies and other useful knowledge.</td>
</tr>
<tr>
<td>$SQ$:</td>
<td><strong>Situational Quotient</strong>:</td>
<td>Ability to interpret cues and develop appropriate strategies.</td>
</tr>
<tr>
<td>$MQ$:</td>
<td><strong>Management Quotient</strong>:</td>
<td>General admin skills, systems and procedures, planning, organizing, controlling, manage (Lane, 2008; and Hersey, Blanchard and Johnson, 2013).</td>
</tr>
</tbody>
</table>
Figure 2: Leadership Success Triangle = LQ©

LEADER'S
Skills & Traits

Desire to become
Ability to interpret the future
Emotional Intelligence
Successful Intelligence

FISO-Fit in yet Stand Out

FOLLOWER'S (people) "balance"?
Perspectives
Perceptions Link
Leader through relating
Your Appearance and Behavior;
Comm1t11icat10ns and People skills.

ENVIRONMENTS (tasks)
Context
"Fit"-ability of
Leader through matching
Your Knowledge of management of
the situation a11d Experience
in leading
Figure 3: GLQ "Worldview" Strengths and Weaknesses Guide

I. Strengths – advantages, enablers in contextual adaptive development
A. Natural* - more uncontrollable ‘good’ traits-key abilities and attitudes
   1. Flexible-openness: equifinality
   2. Dispassionate
   3. Flexible Gender & gender orientations
   4. Internal locus of control
   5. Ability under psychological hardiness
   6. Attitudes & awareness-curiosity
   7. Humility
   8. Empathic listening
   9. Time is theirs
   10. Identificational-new as different
B. Nurtured - more controllable ‘good’ traits-key knowledge and skills
   1. Known "open" mindsets
   2. High social/cultural intellect
   3. Weak ethnocentricity
   4. Observant
   5. Knowledge/skills-job/tasks
   6. High EQ
   7. Patience
   8. Cultural sensitivity
   9. Preparation
   10. Integrity

II. Weaknesses – disadvantages, derailers to leadership development
A. Natural - more uncontrollable ‘bad’ traits-key self-centered
   1. Strong national affiliation
   2. Narcissistic
   3. Change avoidance
   4. Large power distance
   5. Cognitive simplicity
   6. Psychological immaturity
   7. Fixed worldview
   8. Blunt-dogmatic
   9. Knows without study
   10. Lacks moral compass-integrity
B. Nurtured - more controllable ‘bad’ traits-key avoidance
   1. Disdaining other views
   2. Confirming mindset
   3. Learned behavior pervasiveness
   4. Un-accepting of differences
   5. Low EQ
   6. Relationship challenged
   7. Extractionist-to change worldview
   8. Telling over discovering
   9. Seeing as right or wrong
   10. Timeframes vs. events

*Note:
We show as “Natural” traits or mindsets that are formed early and not likely to change. As we indicate throughout this manuscript, our genetic make-up does write the Chapter titles and even sub-titles of our life stories, but they do not write the complete details of the stories of one’s life. Emotional intellect, commonly referred to as EQ, is concept one should understand and practice before managing and leading whether crossing-cultures or not (Bradberry and Greaves, 2009; and the EQ ‘guru,’ Goleman, all dates).
Figure 4: Reality of Adaptation
Figure 5: GLQ©’s Global Leadership Effectiveness Model

<table>
<thead>
<tr>
<th>Individual Realism-personal &amp; professional</th>
<th>Collective Realism-perspectives/practices</th>
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<td><img src="image-url" alt="Diagram" /></td>
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Apply principles --- concepts and theories

Worldviews, precepts-ID; then mind the gaps with LQ© & GLQ

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<tr>
<th>Use</th>
<th>Self/leader applications</th>
<th>Others/followers applications</th>
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Wisdom to

Equifinality

Manage, Lead, Relate, Innovate

Balance & fit with what is appropriate—“it depends”
Abstract

This paper sketches the history of tariffs in the American Economy and argues that American decision makers periodically change their minds regarding whether tariffs are useful to the American Republic or not. The decision concerning whether or not to utilize tariffs changes over time depending upon the internal and external interests, opportunities, and threats of the American Republic. American businesses have proven adept at generating profits in an environment that features rising tariffs, declining tariffs, and stable tariffs. No doubt they will continue to thrive in the future whether or not tariffs continue to rise.

Introduction

Donald Trump campaigned on transforming America’s trade relationships with the rest of the world. Instead of denouncing tariffs as the economic equivalent of original sin, which was the habit of his post-Cold War predecessors, Trump proclaimed himself to be a “Tariff Man”. He argued that the wholesale demolition of American tariff barriers in the post-World War II era in general, and the post-Cold War era in particular, had been a mistake, and that tariffs still had a role in the economic policy of the American state.

Since inaugurated the Trump Administration has deployed and continues to deploy tariffs as an integral part of its national economic policy. The changes introduced thus far have created consternation in some quarters but little effective domestic or foreign resistance. Indications are that this trend will continue and the end result will be the erection of long term tariff barriers which will separate (to varying degrees) the US economy from other global economies. Those businesses (both domestic, multinational, and international) that understand the emerging global dynamic, and respond appropriately to it, have an opportunity to prosper in the new environment. Those that do not will be less successful. This paper situates the transitional period we currently inhabit in an appropriate historical context and points to some (but by no means all) of the ways modern businesses may change and prosper in it.

Tariffs in Early American Economic History

Tariffs have a long history in the American economy. Alexander Hamilton, the first Secretary of the Treasury, identified them as an excellent tool to generate revenue for the Federal government and diversify the emerging American economy. To be sure, not everyone in the nineteenth century shared Hamilton’s favorable view of tariffs. For example, representatives of Southern Agricultural interests had little interest in diversifying the American economy. They desired to sell their agricultural commodities on the global market at the best price possible, and purchase manufactured and luxury goods from abroad at prices cheaper than they could be generated by domestic producers. No wonder, then, that they preferred the “free trade” doctrines which were even then being developed by Britain’s David Ricardo. They might grudgingly concede that the Federal Government needed some source of revenue, but they were unwilling to concede that tariffs were a good, much less the best possible, source of such revenue – particularly since any tariff would, besides raising revenue, also offer some measure of protection to domestic producers, particularly domestic producers of manufactured goods.
With the conclusion of the Civil War and the ascendance of the GOP, which was unabashedly protectionist and exalted protectionist champions – like Henry Carey and Abraham Lincoln -- the debate over tariffs and the American economy changed. No longer did political antagonists argue about whether the government should use tariffs or not. Instead they argued over the appropriate level at which tariffs should be set. Should they be imposed at relatively lower levels that maximized federal revenue, or relatively higher levels that provided maximum protection for existing and/or nascent industries and sectors in the American Economy? The scene for these tumultuous tariff debates was of course the Legislative branch of the American Government -- for the Constitution gave the power to set tariff rates to the House and the Senate.

In the second half of the nineteenth century the US House and Senate generally tilted toward protection. So the tariff rates were normally set relatively high, even if by doing so the federal government left some potential revenue on the table, as it were. Three factors seem to account for this protectionist “tilt”. First, the U.S. Government was quite small at the time and, except for during the Civil War, it didn’t really need all that much revenue. So the constituency for using tariff rates to maximize federal revenue was small. Second, during the nineteenth century there was no central bank with the tools of monetary policy at its disposal to counteract economic downturns. So the government used tariff rates as a macroeconomic management tool and raised them in the face of recession in order to stimulate domestic production and growth. The government lowered tariffs (on those rare occasions when it did so) in the midst of prolonged booms, when it was perceived that the domestic economy needed little stimulation. Third, and most importantly, rare indeed was a Congressman or Senator who didn’t have a favored industry (or industries) in his state or district and rare indeed was there ever a Congressman or Senator who didn’t enjoy a bit of horse trading with his fellow elected representatives. It is no surprise that in the nineteenth century the national legislature was the scene of a great deal of logrolling over tariff rates. The best way for any particular representative to get them high for one of his favorite industries was to agree to raise them for some other congressman or Senator’s favorite industries. Mutual back scratching is a powerful incentive in a national legislature. It encouraged nineteenth century Congresses to erect relatively high tariff rates all the way around the American economy.

**Tariffs in the Twentieth Century**

Now, we can denounce this nineteenth century system of relatively high tariffs and no central bank as barbaric and backwards all we like – but the truth of the matter is that it worked for the people of the time and certainly did not prevent, and might even have helped them obtain, GDP growth rates and business profits that were among the highest in the world. Why then, since it seemed to work, did the US abandon its pro-high tariff, protectionist bias?

Because things change. First of all, the American economy changed. It went from being a primarily agricultural economy with an underdeveloped manufacturing sector to being a fully developed, diverse economy with agricultural and manufacturing sectors capable of generating more product than could seemingly be disposed of domestically and a large financial services sector that was also eager to expand. In the wake of this internal economic transformation a larger and larger percentage of the business interests involved in all American sectors looked to the federal government less and less to provide them protection. Instead they looked to the federal government to help provide them market access abroad that would provide opportunities to dispose of their surplus product and profit from foreign expansion. Second, the political system changed as the Democratic Party, the traditional home of the
“free trade” ideology, gradually recovered from the disrepute in which it languished after the Civil War and strong ideological champions of free trade – like Woodrow Wilson and Cordell Hull – pushed to the fore within it. Finally, the needs of the government changed. Instead of requiring little revenue for a small state, the expanding American government required a great deal of revenue for a multitude of the formerly nonexistent but now increasing domestic and overseas obligations which it took on as the twentieth century advanced.

The result of all this economic, ideological, political, and institutional change was the creation of the system that Trump is in the process of transforming. It featured internal instruments like income and payroll taxes to generate more revenue to pay for an expanded federal government. It included a powerful central bank which had an elastic currency at its disposal and could use its powers to manage the American economy through economic downturns (something Congress had formerly done with the tariffs) – while at the same time facilitating the overseas expansions of a global financial services sector that facilitated burgeoning global trade. And finally, it witnessed the shift of responsibility for managing the tariff system out of the Congress and into the Executive branch, which used its newfound authority to gradually remove (primarily but not exclusively for geopolitical reasons) the tariff barriers that separated the American economy initially from some, but later from more or less all, of the globe’s other countries. The loss of revenue to the treasury from the elimination of tariffs seemed like an acceptable cost for the geopolitical benefit derived from allowing existing or potential allies access to America’s large, stable, productive and diversified economy.

**Tariffs for Today**

There were always some voices raised against the expanding federal government of the twentieth century with its system of internal taxation, central banking, free trade, and global business integration. But as long as this system delivered GDP growth, business profits, and catapulted the US to the pinnacle of world power why would anyone change it? Like the protectionist system of the nineteenth century Americans embraced the twentieth century drift because it worked and helped them accomplish their objectives. But then as was the case before things changed. The federal government’s obligations and revenues became steadily more imbalanced. Income inequalities emerged similar to the one’s that emerged in the late nineteenth century under the old protectionist system – and therefore wide swathes of the electorate no longer enjoyed benefits from the system. Business profits stagnated or declined. And almost all American industries faced increasing competition from foreign businesses in foreign and domestic markets. No wonder, then, that while American businesses and workers still look to the American government to knock down foreign trade barriers and thereby provide them access to expanding markets they are increasingly looking for the American government to provide them protection as well.

And hence a new majority coalition is emerging within the American system. The emerging coalition sees tariffs, as wielded by the Executive branch, as a potentially useful tool. Of course, the American Republic contains a bundle of constituencies whose interests are not always entirely aligned. Thus it is no surprise that these different constituencies see the tariff as a useful tool for different reasons. Some might see it as a useful tool because it raises new revenue – new revenue which can provide reliable funding for current or existing programs, or tax cuts in other areas, or prevent the necessity of raising taxes on domestic labor, income, or capital. Some constituencies (particularly in the tech and agricultural sectors) see tariffs as a useful cudgel the USTR can use to prod other nations into adopting American regulatory standards and codes or giving American producers access to formerly closed markets. Some
constituencies (beginning with manufacturers and workers in the aluminum and steel sector but no doubt expanding in the future) see tariffs as a necessary instrument to “level the playing field” for them in their contest against foreign subsidized competition. And finally, the technocratic caucus, distressed over the fact that the monetary policy tools wielded by the Federal Reserve System seem increasingly antiquated and ineffective, and increasingly concerned over decreasing diversity within the American economy, may increasingly see the tariff as an interesting economic management tool. Thus, whereas tariffs were sacrificed on the altar of expediency in the twentieth century, and had no place in the system forged in that era, as the twenty first century dawns it is increasingly obvious that they are being resurrected to address current and future needs.

**Tariffs for Tomorrow**

Add it all up and an undeniable truth is revealed. Tariffs have recently gone up on a variety of imports because Americans perceive that they should go up. This trend will accelerate in the future. We will forget to ask ourselves the question “when will tariffs disappear?” and instead will ask “how high will they go and what will they cover”? No successful businessmen will assume that global tariffs are destined for extinction. Instead they will assume that they will rise. Where and how they will rise will of course shape decisions on where and how individual corporations produce and sell their products. While the past gives us an ambiguous answer concerning whether tariffs are good or bad for America, it unambiguously suggests that American businesses are capable of adapting – and even more quickly than one might imagine – to a rapidly changing environment. No doubt they will prosper in the future, whatever it holds.
Big Data: The Human Perspective and the Governance Imperative

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Patrick Michel Finazzi Santos, SÃO Paulo School of Business Administration (FGV-SP), Brazil

Abstract

Big Data is on the spotlight among management practices. This phenomenon is possible due the combination of an abundance of data, powerful computational infrastructure, and easy-to-use and sophisticated algorithms. The drivers of Big Data are the professionals who are capable of and motivated to making decisions based on advanced analytics. Driven by the powerful engines of machine learning and fueled by the huge volume of diversified data, Big Data will only be able to reach its value creation potential with adequate data governance mechanisms. Data governance sets forth the authority necessary to drive the company towards the expected business results.

Keywords: Big Data, Data Science, Data Governance, Advanced Analytics, Social Paradigms.

1. INTRODUCTION

Big Data, a term that includes several concepts that are becoming popular in today's corporate environment, such as machine learning, artificial intelligence, data science and advanced analytics, is becoming a management tool for tackling the most diverse business matters. Big Data is a powerful practice that may be a source of great economic and social value by bringing a new way of approaching business issues related to consumer experience, product and service innovation, process optimization and organizational performance. Insights obtained through advanced analytical modelling of structured and unstructured data will assist in answering questions that managers had not even considered before.

However, the hype we are experiencing now is creating an unprecedented pressure on companies to adopt Big Data, without taking into account all aspects required for creating the expected value (Grover, Chiang, Liang & Zhang, 2018). There is broad range of disciplinary frameworks under Big Data and many of them place greater emphasis on technological aspects instead of on existing cultural, economic and political forces fundamental to management science and practice (Crawford, Gray & Miltner, 2014).

Data governance is a logical alternative necessary to the realization of the value created with the adoption of Big Data focusing on the search, usage, exchange and consumption of information in addition to the production of data. This new approach allows the coordination of interactions – inside and outside the company – that create meaning and allow managers and investors to make decisions (Kooper, Maes & Lindgreen, 2011). Information governance defines roles and responsibilities in the organization and establishes guidelines and standards that ensure that deterministic, descriptive, predictive and prescriptive models comply with the corporate strategy and data regulation. This is a contingent practice and each company should evaluate its implementation assessing its strategy, business diversification, organizational structure, culture, and decision-making style (Weber, Otto & Österle, 2009).

Understanding the history of information and how management research focused this matter may help researchers identify governance formats that create greater value with Big Data, therefore avoiding a purely technological discussion and approaching a core issue in business administration – the human imperative – that creates, handles and consumes information, giving it meaning and using this result to...
support the decision-making process.

The purpose of this article is to investigate the human imperative of Big Data, reviewing the theoretical constructs in social sciences that deal with information explicitly and identifying the need for a proper data governance practice to obtain the expected higher value creation with better information, as illustrated in Picture 1. In the first part of this text, we will briefly review how information fits into the business environment over time. In the second section, based on the analysis framework proposed by Burrell and Morgan (1979) regarding the Social Paradigms, we will review some propositions that present information explicitly in their theoretical construct. In the third part, we will introduce the concept of data governance and its relation to value creation. In the fourth and last section, we will summarize our findings and propose suggestions for future studies.

[Picture 1] see at the end of this paper

INFORMATION THROUGH HISTORY AND BUSINESS

Information follows humanity since the cognitive revolution that took place 70 thousand years ago, when fictional language first appeared. This phenomenon allowed the formation of culture and history, and evolved to become a means of communication about the world and humanity itself (Harari, 2015). Spoken communication, in turn, evolved to a written form – a definitive and permanent medium – side-by-side with the agricultural revolution, eight thousand years ago, when the need for records arose to help with the governance of a more complex agricultural society being supported by a new technology, the alphabet, which, albeit ordinary now, was disruptive then. This led to the organization of thought (Gleick, 2011). The term “data” comes from Latin and it originally meant something that “was given”. As the use of this term advanced in Western culture, its meaning changed to acquire its modern meaning, at the end of the 18th Century, of being “that which is given prior to a proposition”, and this definition is accepted as the basis for discussions in sciences in general. As from the 20th Century, data became part of the foundations of both the science and the business worlds, and materialized as objects representing relatively sparse facts that are manually collected and processed by human beings and only then are interpreted, becoming information (Puschmann & Burgess, 2014).

Several research lines in sciences revised their theories, including information as an important element in their theoretical constructions after the publication by Shannon, in the mid-20th Century, of a formal theory on communication (Shannon & Weaver, 1998). The theoretical formulations that followed attached great importance to the issue of meaning and opened up many opportunities for the discussion of information dissemination in a broad and comprehensive way, including all procedures through which one mind affects another, involving not only the spoken and written word, but also music, art and other human behaviors.

In addition to the original technical problem, focused only on the precise transmission of the symbols that comprise the communication, Weaver proposed the importance of the semantic problem, which pertains to the understanding of the symbols transmitted, and of the effectiveness problem, which observes how the message transmitted affects the behavior of agents (Shannon & Weaver, 1998). While the focus of the technical problem is the focus of the engineers, semantics and decision-making are inherently human issues and should be the focus of the social sciences. Information Theory (Pierce, 1961) was created to contribute to the solution of a wide range of problems and now has a crucial role in cultural, economic and social life, having an impact on research related to language, human mind, and business administration (Logan, 2012).
Data is the glue that keeps the cohesion of a company's structure, flowing through its value chain from end to end, defining the boundaries of the corporation in the information exchange economy (Evans, 2013). The introduction of computers in the corporate environment in 1960, which led to the shift from paper to digital records and the adoption of new data processing tools, gave rise to what we now call Big Data, a phenomenon in constant evolution since its inception (Pushmann & Burgess, 2014). The combination of highly-connected and abundant digital data with cheaper and more powerful machines, easier to use and more sophisticated analytical models, and professionals better trained in several disciplines, such as statistics, administration and IT, and motivated to make decisions based on information, is having a huge impact on organizations. Information forms the basis of business management, from the publication of market reports and management dashboards up to the advanced analytical models known as artificial intelligence and machine learning. The usage of these tools seeks to create functional value by transforming data into knowledge that enables managers to make decisions that increase revenues, improve efficiency and reduce enterprise risk, having a positive impact on performance (Schur, 2018). In addition, the signaling of the capacity to innovate that lead companies to achieve long-term sustainable growth with the application of advanced analytics, the state-of-the-art when it comes to the current business landscape, has an impact on the symbolic value arising from the interactions between market agents. The herding effect leverages the reputation gains obtained by innovative companies that occurs with the adoption of a new technology. We should not ignore this symbolic value when reviewing the strategic implications of the adoption of data science in the business environment (Grover, Chiang, Liang & Zhang, 2018).

Data is becoming very popular in business organizations, and no longer play a secondary role to technological processes and systems. Reference to artificial intelligence and machine learning, two disciplines associated with the use of data sciences in the business world, in earnings release conference calls went from virtually zero until 2013 to almost 700 times in 2017, indicating the relevance of this subject for shareholders and managers (The Economist, 2018). Increasingly more areas of the modern company want to use data science to improve their decision-making. The use of Big Data is gaining momentum with companies, surpassing the risk management and technology departments, traditional users of these management tools. According to a recent study prepared by EY covering the period from 2015 to 2016, the adoption of analytical models experienced an average 19 percentage points growth among all business functions, as shown in Chart 1 (EY & Forbes Insights, 2017). In this context of greater usage of advanced analytics, it is incumbent upon academia to assist in the advancement of Big Data through a social perspective that combines with advances in information technology. The more managers understand what data they have and with which models they can handle it, the more we will find solutions to the old human questions that exists in business and society.

[Chart 1] see at the end of this paper

DATA THROUGH THE LENSES OF THE SOCIAL PARADIGMS

How did the different theories in the social sciences include information in their constructs? Our intention is to evaluate information according to the four social paradigms that serve as a meta-theoretical reference for the organizational theory (Burrell & Morgan, 1979). These four paradigms are the result of the combination of two dimensions: (i) the understanding of the observer of the analyzed entity (ontology) and the relation of this entity with the observer themselves (epistemology), and (ii) the philosophical perception of the observer in relation to the nature of society.
In our case, the object of our analysis is information. Is information an independent entity, whose symbolic structure exists in an objective form or does it depend on the existence of the agent that creates and consumes these symbols, attaching meaning to them, therefore only existing in a subjective form? In the first case, we see man as a processor of information, whereas in the second case, man is a builder of symbols and information does not exist independently of himself (Vergara & Caldas, 2005). In the other dimension of analysis, we ask whether the use of information by society has as its purpose assisting in regulation, assuming it tends to be distributed on a balanced way among the agents or whether it is a domination discourse and, as a result, another element that causes conflict within society. We will use this framework to review the several social theories that use information as part of their theoretical construct and evaluate synthetically the differences between these propositions. The formalization of information as an entity that is included in the body of the social sciences resulted in the construction of several lines of theoretical research represented in Picture 2.

[Picture 2]

Initially, we will present the theories that understand information as an objective entity inserted in a regulated society establishing itself in the paradigm known as functionalism. Cybernetics was born in line with Information Theory (Shannon & Weaver, 1998) being defined by Wiener (1948) as the scientific study of control and communication in the animal and the machine. In Cybernetics, processes use information to convey codes through an artificial or organic mechanism. In the social sciences, data creates a set of possibilities processed by agents and result in the dynamics of organizations and society, being a decisive element in the preparation of its structures. In this context, organizations have their dynamics based on the effects triggered by the transmission of information. This approach progressed from simple mechanisms known as first-order systems to fourth-order systems, the so-called Adaptable Complex Systems, where the accumulation of information as knowledge enhances the effects of data on the expected output (Foster, 2005).

Information Economics theory proposes that information is a scarce commodity available in the market and that its distribution and usage affects the decisions of the agents. Financial decisions are contingent upon the uncertainty conditions that result from the limited existence of information. The larger the amount of information accessible in a given situation, the higher the level of certainty for making a decision. Agents seek to increase their level of certainty by structuring means of obtaining more information, including markets, agreements, and signalization and scrutiny processes (Bikhchandani, Hirshleifer, & Riley, 2013). Information, an economic good, has value related to its use and creates an additional return through the informed influence of the agents. Without the expectation of future profits, there would be fewer incentives to incur costs to obtain the information (Alchian & Demsetz, 2005). In a more comprehensive evaluation, economics is about information and the expectations it generates among individuals over time (Birchler & Butler, 2007).

Walter Buckley (1967) proposed the Morphogenetic Theory and established the difference between the natural and the social systems in which information is an element that contains meaning and not an entity that exists or flows from one place to another one, relativizing the classic definition of information proposed in Cybernetics (Burrell & Morgan, 1979). Information is an entity that is independent of the structure and is central for the cycle of knowledge accumulation, generating wealth in post-industrial societies (Boisot & Canals, 2004). Intelligent agents convert data first into information and then into knowledge through a screening process directed by the ownership of previous knowledge, in a cycle of Social Learning that is the primary mission of the organizations, requiring an integrated approach
in this metamorphosis (Boisot, 2004). Knowledge management – a finite resource in organizations – is one of the elements that leverages the growth of companies (Mellor, 2011).

Information Strategy understands information as a resource that has strategic importance by comprising an entrepreneurial action and discovery trigger that is contingent upon the knowledge accumulated by the enterprise (Strikwerda, 2011). The organizational structure is a framework that regulates the flow of information through its procedures and technological systems. Vertical channels convey information from the operating core to the strategic apex (managerial information) and vice-versa (commands and instructions), including the managerial line. Horizontal channels convey information between the technical staff and the managerial line. Complementing these formal channels, there is a network of informal information permeating the entire structure (Mintzberg, 1979).

In the next paragraphs, we will present the theories that attach a subjective value to information that is only meaningful due to its content, created in the moment communication takes place among agents. In the interpretive paradigm, in which information contributes to a regulated society, we found the Symbolic Interactionism, a sociological theory that addresses the way individuals create and maintain society through personal, repetitive and significant interactions. Symbolic Interactionism did not create a unique theoretical body, constituting a general guidance to understand the social phenomenon through the microanalysis of human issues (Burrell & Morgan, 1979). In this context, Blumer (1969) proposes that the understanding of society is a bottom-up construction, through micro processes that emerge during “face-to-face” meetings. Individuals are autonomous agents in the creation of the social environment and use language and its symbols when communicating with each other. As a result, there is a concern regarding the meaning (subjective) to the detriment of the structure (objective) of the information exchanges. Social agents constantly create and recreate meaning through interpretative processes during their social interactions (Carter & Fuller, 2015).

The Communicative Action Theory postulated by Jürgen Habermas (1984) proposes that society stems from communication acts in the radical humanistic paradigm. This communication is not mechanic, but comprehensive (Sfez, 2007). Information imposes domination incorporated into language, serving the interests of the agents who make use of the discourse. The structure of language, its nature and use provide the key to understand the basic mode of operation of several social formations. Communicative Action develops the concept of an ideal discourse situation in opposition to the communicative distortion, the former developing a genuine consensus whereas the latter imposes consensus due to the uneven distribution of power (Burrell & Morgan, 1979).

The functionalist approach seems to be the main paradigm for understanding information in the organizational theory. Pushmann and Burgess (2014) established two metaphors to explain the Big Data phenomenon, whether as a “force of nature to be controlled” similar to water, whether as a “fuel to be consumed” analogous to oil, characterizing data as a material object that should be used by society through adequate technology. Big Data becomes information through the means used to handle and processing data and requires human intervention for its management. In this context, information is an entity that requires governance such as culture, leadership and organizational structure to achieve the desired performance and create value for the business and the society.

THE DATA GOVERNANCE IMPERATIVE

The biggest challenge to establish Big Data in the corporate environment is how to cultivate human capital and the organizational culture that supports this effort along with the investments on
information technology that allows collecting more data and applying advanced analytical models. People with solid understanding of the impact information has on business, those who produce, consume and make information-based decisions, working together and wielding all the firepower provided by data science, through data, algorithms and machines, are the ones changing the way companies are managed. This topic has been gaining special attention over the years, but still there is not a lot of literature or business practices studying how companies optimize the value created through data governance (Kooper, Maes & Lindgreen, 2011; Otto, 2011).

It is through data governance, a term that is becoming popular to define a set of activities aimed to establishing a normative foundation to facilitate interaction between the data producers and consumers, who process information and try to give it meaning, that business will obtain economic value with Big Data. The relationship between producers and consumers depends on the quality, relevance and aggregation capability of the information by those in charge of the curatorship and of the modeling that allows supporting the decision-making process. Data governance is a management framework that optimizes the value of information for the enterprise, establishing processes, structures and teams with complementary abilities that manage data availability, usability, integrity and security (Grover, Chiang, Liang & Zhang, 2018).

Tackling the challenges that are in the foundation of the obstacles hindering companies from adopting Big Data is a complex task and should receive great attention from senior management. The allocation of responsibility for data governance to the IT areas, as it historically has already been responsible for technological applications that handle information, neglects the complexities involved in using information by the business areas consuming it. The data governance framework should allocate responsibilities that integrate the business areas with existing technologies and with future ones. There is no universal formulation for data governance, as the contingencies to which the organization is exposed, whether in relation to the external environment, whether in the connection with the existing internal organizational structure, affect the configuration of this new data organization (Weber, Otto & Österle, 2009). However, independently of the organizational format, the data governance practice, once formally set up, should define the company's strategy for the application of Big Data. The data governance organization should also be responsible for establishing the technological environment, implementing data standards and working the use cases for applying advanced analytics, as presented in Chart 2.

[Chart 2] see at the end of this paper

The application of the data governance practice also requires the understanding of the limitations that exist to achieve the expected results and the actions to overcome these difficulties. Data should be prepared to eliminate the issues of aggregating the different systems and business lines, allowing the generation of consistent cross analyses. Lack of data quality especially considering external and unstructured data used to build and train unsupervised machine learning algorithms can lead to worse decision-making by managers. The explosion of data also brings the curse of dimensionality in which complexity increases exponentially for each piece of data incorporated, making good algorithms with few variables become inefficient. The diversity of highly-specialized algorithms running within the business environment also creates difficulty for the integration between analytical models and those with the existing business processes, causing impacts that are yet unknown by the managers (Domingos, 2015).

This data governance construct focuses on facilitating consumption of information and promoting the use of data across the entire corporation, setting up a unique semantics for the company and allowing
data based decision-making. When we think about consumption, the governance construct should meet the needs of the several types of information consumers, from executives who want business intelligence dashboards with high level of aggregation to professionals who need highly granular information to crunch the data for extracting the insights that allow for different thinking. Data will also feed computers running AI algorithms, used for training the thousands of connections of a machine learning algorithm that eliminates human biases and allows the expansion of their statistical reality, helping managers in situations when traditional explanations are not adequate (Brynsolfsson & McAfee, 2017).

In a business world that adopts the strategy of information inclusion across all business functions to achieve a better result (Sanz Saiz, 2017), each consumer wants information formatted to their needs, in order to increase revenue, reduce costs, decrease processing times, expand client satisfaction, make fewer mistakes, negotiate better deals with suppliers, i.e., make increasingly better and increasingly faster decisions. It is in this context, in which data feed distinct consumers, that a data governance practice capable of collaborating with the organization and aware of the nuances of the current business, is responsible for helping Big Data fulfill its full value creation potential (McShea, Oakley, & Mazzei, 2016).

CONCLUSION

Value creation through Big Data is not a result only of the implementation of new technologies, which allow for the creation of increasingly more information, but it is dependent of the adoption of a new governance practice that facilitates the consumption of information and the decision-making process based on data. Historically, the functionalist approach seems to be the main paradigm for understanding information in organizational theory. In this context, information is an object that requires active management in line with other organizational variables, such as culture, leadership and structure, to achieve superior corporate performance and, as a result, create economic value with the adoption of Big Data practices.

Information is an additional entity in the business model and should be treated independently from what is conventionally called Information Systems, which deals with the technological aspects of the organization (Burke & Litwin, 1992). The modern functionalist lines starts to give importance to the humanistic aspects of information when they discuss content, learning and knowledge, among other issues, to solve the semantic and effectiveness issues proposed by Shannon and Weaver (1948) with the expectation of creating value through the informed influence of the agents in their decision-making. In this organizational context, the data governance structure should be concerned with the meaning, in addition to the classic concern with the data structure to allow the creation of value, whether by increasing the symbolic market value, whether by increasing the company's functional value.

The impact of the data governance structure has already shown its relevance in specific cases, such as in Faria, Maçada and Kumar (2017) or in Weber, Otto and Österle (2009). We hope we have contributed to show that Big Data has above all a human imperative that requires an appropriate governance practice. It is important to continue to investigate considering this human perspective, through research that is more comprehensive in terms of industries and countries. We also suggest complementing this investigation by adopting a more interpretive view of information, evaluating through qualitative research methods the perception of different managers, producers and consumers responsible for data in the organizations of which are the significant contributions of Big Data in the corporate environment.
REFERENCES


**Picture 1 – Data governance and value creation as a human imperative**
Chart 1 - Business areas increasing their proficiency in analytical prediction

Source: Based on EY & Forbes Insight (2017).
Picture 2 – Information theoretical constructs and the social paradigms

Source: Based on Burrel and Morgan (1979).
Chart 2 – Data governance responsibilities

<table>
<thead>
<tr>
<th>Category</th>
<th>Brazil</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technology</strong></td>
<td>62%</td>
<td>57%</td>
</tr>
<tr>
<td>(Selecting,</td>
<td></td>
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<tr>
<td>implementing,</td>
<td></td>
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<tr>
<td>managing common</td>
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<tr>
<td>technology platform</td>
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<td></td>
</tr>
<tr>
<td>and tools)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Data</strong></td>
<td>39%</td>
<td>44%</td>
</tr>
<tr>
<td>(Implementing</td>
<td></td>
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<tr>
<td>data governance/</td>
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<tr>
<td>standards used</td>
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<td>across the</td>
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<tr>
<td>organization)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Advanced Analytics</strong></td>
<td>42%</td>
<td>40%</td>
</tr>
<tr>
<td>(Working on use</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cases that require</td>
<td></td>
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<tr>
<td>skills not existing</td>
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<td>in the business)</td>
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<tr>
<td><strong>Strategy</strong></td>
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<tr>
<td>(Setting up the</td>
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<tr>
<td>overall firm-level</td>
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<tr>
<td>data and analytics</td>
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<tr>
<td>strategy and plan)</td>
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</tr>
</tbody>
</table>

Source: Based on EY & Forbes Insight (2017).
What can Time-Use Surveys teach us about the “Glass Ceiling” and the Gender Wage Gap in the United States?

Sucharita Sinha Mukherjee, College of Saint Benedict/Saint John’s University

Presented by Sucharita Mukherjee on Friday March 29, 2019, in the Crystal Room at 9:30-10:45 pm

Abstract

Gender inequality reflected both in terms of the gender wage gap as well as in the low levels of female labor force participation rates is debilitating for economic development. Despite improvements in educational achievements the gender wage gap persists in the US and labor force participation rates for females is declining. Clues can be found in examining the occupational choices in the labor market and engagement in non-labor market activities by females and males which point to solutions embedded in public policy.

Keywords: Gender wage gap, occupational segregation, time-use surveys.

Gender inequality is universal in the global context. While it is a worthwhile agenda to pursue the right of individuals to participate in the economy and gain access to power from an intrinsic moral and ethical perspective alone (Jaber, 2018), persistent gender inequality is also expensive and long-term constraining for economic development locally as well as globally. The McKinsey Global Institute (2015) notes that almost $12 trillion could be added to global income by achieving gender parity and The World Bank (2018) notes that around $23,620 per person global wealth losses could be accounted for by the gender gap in earnings and much of these losses occur in OECD countries where human capital for females is high (World Bank, 2018). Continued focus on GDP growth, often bolstered by financial indicators like the stock indices serves to sway focus from developmental indicators like economic inequality in general, and, gender inequality in particular. But the mainstreaming of gender inequality is perhaps critical and especially relevant with reports suggesting the relatively superior performance of female CEOs in the Fortune 1000 relative to the S&P 500 companies led predominantly by males (Wechsler, 2015).

The annual “Glass-Ceiling Index” published by The Economist (2019) on the occasion of International Women’s Day 2019 did not come with great news for the US which dropped in rank from 19 (within a group of 29) in 2017 to a rank of 20 in 2018 (Economist 2018; Economist 2019). The Economist’s Glass Ceiling Index is based on country performances on ten indicators such as educational attainment, labor-market attachment, business school applications, pay and representation in senior jobs. Not surprisingly, at the top end of the index are northern European countries such as Sweden, Norway, Iceland and Finland, who have held their spots through the year.

Female Labor Supply in the United States

Of special concern in this paper are female labor force participation rates in the United States, which have plateaued out and have been declining much unlike the experience of any other developed industrialized country (Figure 1).
This trend seems particularly odd in contrast with the sharp increases in female education in the US especially at the tertiary level. As seen in the graph below, females have higher educational attainment at the tertiary levels including at the master’s degree level (Figure 2).
increase with each level of education there is a 10 percent gap in the labor force participation rates of females and males with college degrees at the associate as well as the bachelor’s level. Even at the level of advanced degrees above the bachelor’s level including masters, professional and doctoral degrees there is a close to 5 percent gap in labor force participation rates between males and females. All of this suggests a substantial wastage of acquired skills in terms of labor market utilization.

**Figure 3: Labor Force Participation Rates by Educational Level and Sex, 2018**

![Graph showing labor force participation rates by educational level and sex, 2018](image)


### The Gender Wage Gap

According the Economist (2019) women earn 18.2% less than men in the US. This average wage gap serves as an obvious disincentive for increasing labor market participation rate. Further, as seen in Table 1, while the gender wage gap declines with educational attainment it does not disappear.

**Table 1: Median Hourly Earnings of Wage and Salary Workers by Education, 2017**

<table>
<thead>
<tr>
<th>Educational Attainment</th>
<th>Women's earnings as a percentage of men's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than a high school diploma</td>
<td>81.5</td>
</tr>
<tr>
<td>High school graduates, no college</td>
<td>78.8</td>
</tr>
<tr>
<td>Some college or associate degree</td>
<td>83.6</td>
</tr>
<tr>
<td>Bachelor's degree and higher</td>
<td>96.4</td>
</tr>
</tbody>
</table>


While the existence of the gender wage gap seems rather baffling when seen in the context of female educational attainments and part of it undoubtedly reflects unexplained gender-based discrimination explanations of the gender wage gap as posited in recent research (Blau & Kahn 2016) suggests career “choices” and roles within occupations as stronger explanations. This indicates that notwithstanding educational choices women continue to be engaged in relatively low wage and typically stereotypical roles.

**Occupational segregation in the labor market** Occupational data from the Current Population Survey 2018 (BLS 2019) shows a clear segregation of women and men in different sectors of the economy. Table 2 presents these percentages based on the CPS data from the BLS data for 2018 (2017 also presented as a reference point). Percentages of men and women engaged in different occupations have been computed based on the total numbers of men and women over the age of 16 engaged in all occupations as reported by the
Current Population Survey. Expectedly women are more concentrated in white-collar managerial and professional occupations followed by service occupations. However, what is more revealing perhaps is the vertical segregation within these broad occupational categories. In particular, within the broad category of management, professional, and related occupations category more men are engaged in management, business, and financial operations occupations while a larger percentage of women are engaged in professional and related occupations.

Table 2: Percentage of Men and Women Employed in Select Occupations

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th></th>
<th>Women</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Management, professional, and related occupations</td>
<td>36.23</td>
<td>36.62</td>
<td>43.67</td>
<td>44.00</td>
</tr>
<tr>
<td>Management, business, and financial operations occupations</td>
<td>48.18</td>
<td>47.76</td>
<td>35.56</td>
<td>35.42</td>
</tr>
<tr>
<td>Professional and related occupations</td>
<td>51.82</td>
<td>52.24</td>
<td>64.44</td>
<td>64.58</td>
</tr>
<tr>
<td>Service occupations</td>
<td>14.28</td>
<td>13.80</td>
<td>21.03</td>
<td>21.13</td>
</tr>
<tr>
<td>Sales and office occupations</td>
<td>15.94</td>
<td>15.73</td>
<td>28.63</td>
<td>27.99</td>
</tr>
<tr>
<td>Natural resources, construction, and maintenance occupations</td>
<td>16.55</td>
<td>16.60</td>
<td>1.00</td>
<td>1.02</td>
</tr>
<tr>
<td>Production, transportation, and material moving occupations</td>
<td>17.01</td>
<td>17.24</td>
<td>5.67</td>
<td>5.86</td>
</tr>
</tbody>
</table>


Table 3 and 4 illustrate the sex segregation in the labor market more clearly. Table 3 illustrates occupational segregation within each broad category by showing the gender-based vertical segregation within each occupational category i.e. of the men and women engaged in each category of occupations, Table 3 seeks to illustrate their roles. Relatively fewer women in business and financial operations occupations, even fewer in engineering occupations and more in educational ones immediately makes the sex segregation of the labor market clear. Table 4 summarizes the data further by describing the horizontal and vertical segregation of the labor market in terms of the percentage of females in different occupational categories and roles.

Table 3: Percentage of Men and Women in Occupational Roles Within Broad Occupational Categories, 2017, 2018.
<table>
<thead>
<tr>
<th>Occupation Type</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management, business, and financial operations occupations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management occupations</td>
<td>75.49</td>
<td>75.77</td>
<td>63.37</td>
<td>64.14</td>
</tr>
<tr>
<td>Business and financial operations occupations</td>
<td>24.51</td>
<td>24.23</td>
<td>36.63</td>
<td>35.86</td>
</tr>
<tr>
<td>Professional and related occupations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer and mathematical occupations</td>
<td>23.41</td>
<td>24.10</td>
<td>6.06</td>
<td>6.32</td>
</tr>
<tr>
<td>Architecture and engineering occupations</td>
<td>17.68</td>
<td>17.35</td>
<td>2.57</td>
<td>2.49</td>
</tr>
<tr>
<td>Life, physical, and social science occupations</td>
<td>4.93</td>
<td>5.15</td>
<td>3.35</td>
<td>3.44</td>
</tr>
<tr>
<td>Community and social service occupations</td>
<td>5.84</td>
<td>5.68</td>
<td>8.61</td>
<td>8.59</td>
</tr>
<tr>
<td>Legal occupations</td>
<td>5.64</td>
<td>5.78</td>
<td>4.77</td>
<td>4.70</td>
</tr>
<tr>
<td>Education, training, and library occupations</td>
<td>16.27</td>
<td>15.77</td>
<td>33.24</td>
<td>32.84</td>
</tr>
<tr>
<td>Occupation Area</td>
<td>2018</td>
<td>2017</td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Arts, design, entertainment, sports, and media occupations</td>
<td>11.28</td>
<td>11.31</td>
<td>7.52</td>
<td>7.57</td>
</tr>
<tr>
<td>Healthcare practitioners and technical occupations</td>
<td>14.95</td>
<td>14.86</td>
<td>33.88</td>
<td>34.04</td>
</tr>
<tr>
<td>Service occupations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthcare support occupations</td>
<td>3.88</td>
<td>4.11</td>
<td>20.19</td>
<td>20.47</td>
</tr>
<tr>
<td>Protective service occupations</td>
<td>20.81</td>
<td>21.75</td>
<td>4.59</td>
<td>4.66</td>
</tr>
<tr>
<td>Food preparation and serving related occupations</td>
<td>33.04</td>
<td>32.02</td>
<td>29.51</td>
<td>29.57</td>
</tr>
<tr>
<td>Building and grounds cleaning and maintenance occupations</td>
<td>30.04</td>
<td>30.08</td>
<td>15.84</td>
<td>15.68</td>
</tr>
<tr>
<td>Personal care and service occupations</td>
<td>12.23</td>
<td>12.04</td>
<td>29.86</td>
<td>29.61</td>
</tr>
<tr>
<td>Sales and office occupations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and related occupations</td>
<td>62.01</td>
<td>61.49</td>
<td>37.73</td>
<td>38.17</td>
</tr>
<tr>
<td>Office and administrative support occupations</td>
<td>37.99</td>
<td>38.51</td>
<td>62.27</td>
<td>61.83</td>
</tr>
<tr>
<td>Natural resources, construction, and maintenance occupations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farming, fishing, and forestry occupations</td>
<td>6.73</td>
<td>6.18</td>
<td>38.61</td>
<td>36.64</td>
</tr>
<tr>
<td>Construction and extraction occupations</td>
<td>57.80</td>
<td>58.67</td>
<td>33.75</td>
<td>38.26</td>
</tr>
<tr>
<td>Installation, maintenance, and repair occupations</td>
<td>35.46</td>
<td>35.15</td>
<td>27.78</td>
<td>25.10</td>
</tr>
<tr>
<td>Production, transportation, and material moving occupations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production occupations</td>
<td>43.56</td>
<td>43.05</td>
<td>60.05</td>
<td>57.97</td>
</tr>
<tr>
<td>Transportation and material moving occupations</td>
<td>56.44</td>
<td>56.95</td>
<td>39.95</td>
<td>42.01</td>
</tr>
</tbody>
</table>

Table 4: Percentage of Women in Different Occupations, 2018

<table>
<thead>
<tr>
<th>Occupation/Sub Category</th>
<th>Percentage of Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management, professional, and related occupations</td>
<td>51.5</td>
</tr>
<tr>
<td>Management, business, and financial operations occupations</td>
<td></td>
</tr>
<tr>
<td>Chief executives</td>
<td>26.9</td>
</tr>
<tr>
<td>Public relations and fundraising managers</td>
<td>72.8</td>
</tr>
<tr>
<td>Human resources managers</td>
<td>77.9</td>
</tr>
<tr>
<td>Education administrators</td>
<td>66.9</td>
</tr>
<tr>
<td>Business and financial operations occupations</td>
<td>53.8</td>
</tr>
<tr>
<td>Human resources workers</td>
<td>70.7</td>
</tr>
<tr>
<td>Meeting, convention, and event planners</td>
<td>76.3</td>
</tr>
<tr>
<td>Fundraisers</td>
<td>69.3</td>
</tr>
<tr>
<td>Financial analysts</td>
<td>40.7</td>
</tr>
<tr>
<td>Professional and related occupations</td>
<td>56.8</td>
</tr>
<tr>
<td>Computer and mathematical occupations</td>
<td>25.6</td>
</tr>
<tr>
<td>Architecture and engineering occupations</td>
<td>15.9</td>
</tr>
<tr>
<td>Community and social service occupations</td>
<td>66.5</td>
</tr>
<tr>
<td>Legal occupations</td>
<td>51.6</td>
</tr>
<tr>
<td>Lawyers</td>
<td>37.4</td>
</tr>
<tr>
<td>Paralegals and legal assistants</td>
<td>86.4</td>
</tr>
<tr>
<td>Education, training, and library occupations</td>
<td>73.2</td>
</tr>
<tr>
<td>Postsecondary teachers</td>
<td>49.0</td>
</tr>
<tr>
<td>Preschool and kindergarten teachers</td>
<td>97.6</td>
</tr>
<tr>
<td>Elementary and middle school teachers</td>
<td>79.8</td>
</tr>
<tr>
<td>Secondary school teachers</td>
<td>58.0</td>
</tr>
<tr>
<td>Special education teachers</td>
<td>87.5</td>
</tr>
<tr>
<td>Healthcare practitioners and technical occupations</td>
<td>75.0</td>
</tr>
<tr>
<td>Dietitians and nutritionists</td>
<td>93.1</td>
</tr>
<tr>
<td>Pharmacists</td>
<td>63.4</td>
</tr>
<tr>
<td>Physicians and surgeons</td>
<td>40.3</td>
</tr>
<tr>
<td>Nurse practitioners</td>
<td>87.2</td>
</tr>
<tr>
<td>Service occupations</td>
<td>57.5</td>
</tr>
<tr>
<td>Healthcare support occupations</td>
<td>87.1</td>
</tr>
<tr>
<td>Protective service occupations</td>
<td>22.5</td>
</tr>
<tr>
<td>Chefs and head cooks</td>
<td>22.0</td>
</tr>
<tr>
<td>Waiters and waitresses</td>
<td>69.9</td>
</tr>
<tr>
<td>Food servers, nonrestaurant</td>
<td>70.2</td>
</tr>
<tr>
<td>Personal care and service occupations</td>
<td>76.9</td>
</tr>
<tr>
<td>Office and administrative support occupations</td>
<td>71.6</td>
</tr>
<tr>
<td>Transportation and material moving occupations</td>
<td>18.1</td>
</tr>
</tbody>
</table>

Occupational decisions have direct ramifications in wages. According to the latest data on wages for different occupational categories from the Current Population Survey there were no more than a few occupations where women earned more than men. Almost all of those occupations were assistant type positions such as paralegals and legal assistants, clinical laboratory technologists and technicians or clerical positions such as receptionists and information clerks, reservation and transportation ticket agents, travel clerks and postal service clerks and general office clerks.

A snapshot of wage data from occupational categories (Table 5) shows sharp gender disparities in median weekly earnings in high paying occupations like CEOs where men vastly outnumber women to financial managers and educational administrators where there are more women workers. Gender wage gaps are relatively lower in computer and mathematical occupations which while high paying to either gender have fewer women are in these professions. They are much lower yet in occupations such as community and social service occupations where overall wages are lower. While occupations listed as educational have a higher than average gender wage gap, wage gaps are lower for teachers at lower levels where overall salaries are lower with the number of women falling, overall wages rising and the wage gap increasing for higher levels of education. The same trend is true for healthcare where the gender wage gap increases with salary increases from registered nurses to pharmacists to physicians and surgeons.

Table 5: Gender wage gap in median weekly earnings of full-time wage and salary workers, Selected Occupations, 2018

<table>
<thead>
<tr>
<th>Occupations</th>
<th>Gender Wage Gap (Female median weekly wages as a percentage of male wages)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief executives</td>
<td>69.77</td>
</tr>
<tr>
<td>Financial managers</td>
<td>70.74</td>
</tr>
<tr>
<td>Education administrators</td>
<td>79.65</td>
</tr>
<tr>
<td>Computer and mathematical occupations</td>
<td>83.85</td>
</tr>
<tr>
<td>Community and social service occupations</td>
<td>90.04</td>
</tr>
<tr>
<td>Education, training, and library occupations</td>
<td>75.63</td>
</tr>
<tr>
<td>Postsecondary teachers</td>
<td>78.17</td>
</tr>
<tr>
<td>Elementary and middle school teachers</td>
<td>85.54</td>
</tr>
<tr>
<td>Secondary school teachers</td>
<td>89.07</td>
</tr>
<tr>
<td>Other teachers and instructors</td>
<td>76.71</td>
</tr>
<tr>
<td>Teacher assistants</td>
<td>94.18</td>
</tr>
<tr>
<td>Healthcare practitioners and technical occupations</td>
<td>77.95</td>
</tr>
<tr>
<td>Pharmacists</td>
<td>83.22</td>
</tr>
<tr>
<td>Physicians and surgeons</td>
<td>66.73</td>
</tr>
<tr>
<td>Registered nurses</td>
<td>90.95</td>
</tr>
</tbody>
</table>

Gender roles and “choices” in the labor market

Ending the discussion at this point would lead to the rather simplistic conclusion that declining female labor force participation rates reflect occupational choices made by women. While that being true on the surface does not make it clear as to whether those choices reflect empowerment or decisions made in the space of freedom. As long as one does not believe in the essentialist rhetoric of women being better at lower level positions and men in leadership roles it is worth probing deeper.

Three further pieces of information add to the puzzle somewhat. First, Table 6 which shows the gender wage gap by age across the last two years. Between the CPS 2017 and 2018 the overall gender wage gap slightly increased with female wages being 81% of their male counterparts. But it is important to note that females start out making around 91% of their male counterparts and over time their wages decline to 80% of males on an average. This suggests that the gender wage gap is sharper for relatively older women than their younger counterparts.

Table 6: Gender Wage Gap by Age

<table>
<thead>
<tr>
<th>Age</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population 16 years and over</td>
<td>81.83</td>
<td>81.09</td>
</tr>
<tr>
<td>Population 16 to 24 years</td>
<td>91.22</td>
<td>90.78</td>
</tr>
<tr>
<td>Population 25 years and over</td>
<td>81.33</td>
<td>80.90</td>
</tr>
</tbody>
</table>


Next, a deeper probe into the age specific work participation rates of men and women from the BLS data also shows interesting patterns. While female labor force participation rates mirror the male counterparts for all ages it is important to note that even as males and females start out similarly in the labor force the gap between their participation rates expands starting from the age of 25 and reaches the highest in the middle ages. The BLS further calculates that between 2006 and 2016 the decline of the female labor force has been the sharpest in the 16-19 age group, presumably to reflect education. All of this suggests a contraction in the female labor force in the prime earning age groups reflected and influenced by the relatively lower wages. Females withdraw from the labor force, do not get the benefit of experience which both adds to wages and the possibilities for promotion to higher levels within occupations.

Accordingly (Table 7), a surprising number of women work as part time workers and continue to be represented disproportionately higher among part time workers.

Table 7: Workers 16 years and over by Duration of Work and Sex, 2018

<table>
<thead>
<tr>
<th></th>
<th>Full Time Workers</th>
<th>Part Time Workers</th>
<th>Part time workers for non-economic reasons</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overall</td>
<td>Overall</td>
<td></td>
</tr>
<tr>
<td></td>
<td>35 Hours or More</td>
<td>1 to 34 Hours</td>
<td>Part time workers for economic reasons</td>
</tr>
<tr>
<td>Men</td>
<td>Overall</td>
<td>Overall</td>
<td></td>
</tr>
<tr>
<td></td>
<td>56.73</td>
<td>57.46</td>
<td>51.02</td>
</tr>
<tr>
<td>Men</td>
<td>Part time</td>
<td>Part time workers</td>
<td>Part time workers for non-economic reasons</td>
</tr>
<tr>
<td></td>
<td>workers for</td>
<td>workers for</td>
<td></td>
</tr>
<tr>
<td></td>
<td>economic reasons</td>
<td>economic reasons</td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>35.91</td>
<td>46.30</td>
<td>34.37</td>
</tr>
<tr>
<td>Women</td>
<td>Overall</td>
<td>Overall</td>
<td></td>
</tr>
<tr>
<td></td>
<td>43.27</td>
<td>42.54</td>
<td>48.98</td>
</tr>
<tr>
<td>Women</td>
<td>Part time</td>
<td>Part time workers</td>
<td>Part time workers for non-economic reasons</td>
</tr>
<tr>
<td></td>
<td>workers for</td>
<td>workers for</td>
<td></td>
</tr>
<tr>
<td></td>
<td>economic reasons</td>
<td>economic reasons</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>64.09</td>
<td>53.70</td>
<td>65.63</td>
</tr>
</tbody>
</table>


Of all full time and part time workers reported by the BLS, women workers are form a larger percentage of those engaged in part time work and especially those who report themselves as part time workers for non-economic reasons. It is also important to note that around 45% of women workers who report...
themselves as working part time for non-economic reasons are in the prime working age group of 25 to 54 years. The corresponding percentage of men is 28%.

All of this suggests that labor market choices made by women largely reflect non-labor market time. This is also reflected in the occupational choices and not surprisingly in the occupational roles. Participation in relatively low paying jobs and roles results in a lifetime trajectory of low wages.

Patterns of Time Use and Labor Market Roles

The question possibly baffling much of the populace not sufficiently invested in gender is why such staggering gender gaps persist despite the plethora of progress in female education and the record number of women graduating from 4-year colleges and universities. The answer however remains deceptively simple and painfully obvious. Women as primary caregivers for households continue to be constrained by unpaid work within the household and including childcare. While the existence of the gender-based division of labor between paid and unpaid work may be quite universal (Table 8) the continued persistence of such gender roles suggests distinct policy implications.

According to the United Nations (UN Women 2018) women continue to do 2.6 times the unpaid care and domestic work that men do. While men participate slightly more in unpaid work in the US compared to OECD average and women participate slightly more in paid work, the gap is substantially inequitable compared to Sweden.

Table 8: Time Spent in Paid and Unpaid Work by Sex, Latest Year

<table>
<thead>
<tr>
<th></th>
<th>Time Spent in Unpaid Work (Minutes per day)</th>
<th>Time Spent in Paid Work (Minutes per day)</th>
<th>Time Spent Total (Minutes per day)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
</tr>
<tr>
<td>Sweden</td>
<td>145.9</td>
<td>289.1</td>
<td>236.2</td>
</tr>
<tr>
<td>United States</td>
<td>145.8</td>
<td>244.0</td>
<td>336.9</td>
</tr>
<tr>
<td>OECD Average</td>
<td>136.0</td>
<td>264.4</td>
<td>318.3</td>
</tr>
<tr>
<td>India</td>
<td>51.8</td>
<td>351.9</td>
<td>390.6</td>
</tr>
</tbody>
</table>

Source: OECD Stats

Table 9: Time Spent in primary activities by married mothers and fathers in fulltime work with own household children under 18, United States, Various Years

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mothers</td>
<td>Fathers</td>
<td>Mothers</td>
<td>Fathers</td>
<td>Mothers</td>
</tr>
<tr>
<td>Sleeping</td>
<td>8.2</td>
<td>8.04</td>
<td>8.12</td>
<td>7.98</td>
<td>8.14</td>
</tr>
<tr>
<td>Household activities</td>
<td>2</td>
<td>1.35</td>
<td>1.95</td>
<td>1.34</td>
<td>1.91</td>
</tr>
<tr>
<td>Housework</td>
<td>0.87</td>
<td>0.27</td>
<td>0.82</td>
<td>0.26</td>
<td>0.78</td>
</tr>
<tr>
<td>Food preparation and cleanup</td>
<td>0.78</td>
<td>0.35</td>
<td>0.79</td>
<td>0.37</td>
<td>0.81</td>
</tr>
<tr>
<td>Lawn and garden care</td>
<td>0.08</td>
<td>0.23</td>
<td>0.07</td>
<td>0.23</td>
<td>0.06</td>
</tr>
<tr>
<td>Caring for and helping household members</td>
<td>1.26</td>
<td>0.86</td>
<td>1.29</td>
<td>0.88</td>
<td>1.36</td>
</tr>
<tr>
<td>Caring for and helping household children</td>
<td>1.24</td>
<td>0.83</td>
<td>1.28</td>
<td>0.86</td>
<td>1.35</td>
</tr>
<tr>
<td>Working</td>
<td>5.18</td>
<td>5.95</td>
<td>5.24</td>
<td>6.03</td>
<td>5.18</td>
</tr>
<tr>
<td>Leisure and sports</td>
<td>2.93</td>
<td>3.73</td>
<td>2.91</td>
<td>3.68</td>
<td>2.93</td>
</tr>
<tr>
<td>Watching television</td>
<td>1.52</td>
<td>2.16</td>
<td>1.53</td>
<td>2.15</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Source: American Time Use Survey, BLS
Table 9 shows a snapshot of time use by married women and men engaged in full time work by the average hours per day spent on different activities from various years data collected by the American Time Use Survey (BLS, 2019). Looking at the most recent data from 2013-17 it is immediately apparent that even as parents are working full time, mothers’ engagement in household activities, providing care for household members is substantially higher than fathers and while mothers spend slightly more time in sleep, fathers spend more time in working in paid work (labeled as working in the table) and also in activities labeled as leisure and sports including watching television.

What is important in this data are the patterns over time. For example, while time spent by mothers in sleep has increased by .13 hour over time and time spent in household activities has decreased from 2 to 1.87 hours, this has not been accompanied by increases in time spent on these activities by fathers. Time spent in caring for and helping household members including children has increased for both fathers and mothers but so has the difference in the time use by mothers and fathers on care. The difference in average hours worked on these activities per day has increased from .40hrs (2005-09) to .43hrs (2013-17). On the other hand, paid work time by mothers seems to have remained constant or even reduced slightly whereas that for fathers has increased.

All of this suggests that gender roles remain consistently and persistently rigid and traditional for women in the United States and indicates that women continue to be primary performers of unpaid work even as their human capital attainment has increased. It is not surprising that these roles are internalized while making life choices. The rigidities of gender roles are perhaps the most evident when looking at the patterns of time use of not employed married fathers and mothers (Table 10).

Table 10: Time Spent in primary activities by not employed married mothers and fathers with own household children under 18

<table>
<thead>
<tr>
<th>Activity</th>
<th>2013-17</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mothers</td>
<td>Fathers</td>
</tr>
<tr>
<td>Sleeping</td>
<td>8.98</td>
<td>9.18</td>
</tr>
<tr>
<td>Household activities</td>
<td>3.68</td>
<td>2.21</td>
</tr>
<tr>
<td>Housework</td>
<td>1.57</td>
<td>0.58</td>
</tr>
<tr>
<td>Food preparation and cleanup</td>
<td>1.7</td>
<td>0.71</td>
</tr>
<tr>
<td>Lawn and garden care</td>
<td>0.1</td>
<td>0.31</td>
</tr>
<tr>
<td>Caring for and helping household members</td>
<td>2.63</td>
<td>1.46</td>
</tr>
<tr>
<td>Caring for and helping household children</td>
<td>2.59</td>
<td>1.4</td>
</tr>
<tr>
<td>Working</td>
<td>0.03</td>
<td>0</td>
</tr>
<tr>
<td>Leisure and sports</td>
<td>3.89</td>
<td>6.44</td>
</tr>
<tr>
<td>Watching television</td>
<td>2.03</td>
<td>4.05</td>
</tr>
</tbody>
</table>

Source: American Time Use Survey, BLS

It is not surprising that with the disproportionate burden of unpaid work most women sort themselves into occupations and careers which require relatively less time, with draw from the workforce or work part time. Not the least of concerns also have to do with employer perceptions about the ability of women, the significantly less leisure time and intensive physical burdens taken on by women who continue to participate in paid work. The resultant “motherhood wage penalty” contrasts quite sharply with the raises many mid-career fathers are able to take advantage of (Krause & Reeves, 2018). Compared with single women without children the motherhood penalty is estimated to be about 5 percent of wages per child (Budig & England, 2001).

**Strategies to Have More Women in the Labor Force:**

Ideas to bump up female labor force participation rates especially for highly skilled workers is
an inevitable component for corporate and economic success. In the short term it requires support for childcare but more importantly needs legislative support and cultural change towards greater gender equality which would ensure economic participation commensurate with skills rather than gender.

**Childcare** - It is important to note that here the lack of public policy in the US stands in contrast to Asian countries like Japan and South Korea which fare poorly in terms of persistent glass ceilings for women. The US is the only country in the list of 30 industrialized countries ranked by The Economist (2019) in terms of the glass ceiling index where there is no paid leave for mothers. The next lowest country in the list, Australia guarantees 7.6 weeks of paid maternity leave. While there are several rich industrialized countries including the US where paid leave for fathers is absent, in Japan men are eligible to get the equivalent of 30.4 weeks paid paternity leave.

The Family and Medical Leave Act (1993) entitling workers to up to 12 weeks of unpaid leave is only applicable to 58% of US workers. The law leaves out for example employees of small firms or workers who started their jobs less than a year before the birth of the child (IWPR, 2013). According to The Economist (2019) in the US net child-care costs are 33.2% of the average wage. Among the 30 industrialized countries ranked by The Economist according to this metric the US ranks 24th in comparison to South Korea which ranks lowest in the overall ranking of the glass ceiling index but where childcare costs are only 3% of the average wage. The IWPR (2013) points out the sharp increase in childcare costs in recent years in the US as being critical in reducing female participation in the workforce.

**Will leadership make A difference?** It seems that the persistence of the glass ceiling is perpetuated by the existing glass ceiling. Lack of women in leadership condones and perpetuates the traditional gender stereotypes and roles persisting in the United States. As leadership continues to be a male dominated area, gender inequality in the workplace also continues to be classified as a female problem. The importance of gender equality is continually dismissed by a mostly male group of leaders at the political as well as corporate levels.

A brief overview of the percentage of females in leadership positions in the corporate and political sphere points to both sticky progress and possibly indicates the causes of stalled progress. In terms of corporate leadership only 4.8% of CEOs of Fortune 500 companies were female in 2018 and as recently as 1995 there were no females on this list. The percentage of females on corporate boards has crawled from 9.6% in 1995 to 22.2% in 2017. Even in the academic sector where women are the majority only around 30% of University and College presidents were female (Pew Research Center 2019).

Political leadership by female leaders is growing in the US but is way behind parity by any metric. The share of women in the US Senate has increased from 2% in 1965 to 25% in 2019 and that in the House of Representatives from 2.3% in 1965 to 23.4% in 2019 and while females comprised 4.5% of state legislatures in 1971 that number grew to 28.6% in 2019 (Pew Research Center 2019). The US has never had a female head of government and only 18% of governors were female in 2019 increased from 2% in 1975 (Pew Research Center 2019). These numbers seem paltry given that adult women represent a slightly larger share of the population than adult men.

Countries with more women on corporate boards typically have mandated quotas. Examples are France and Italy, both of which had larger percentage of women directors of company boards (40.8% and 35.8% respectively) compared to the US (21.7%). 100% of companies in France and Italy also had three or more women on boards compared to 39.2% in the US. Countries with more female legislators also have formal or informal quotas in place. An efficiency argument is typically advanced against gender-based quotas in the US. To the extent that gender roles, gender expectations and the disproportionate share of unpaid housework and childcare on one gender are all inefficient norms
continuing to restrict the individual advancement of females in the private and public sectors of the economy, arguments against public policy to advance gender equality fall flat on their face.

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Making Industry Self-Regulation Workable

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ABSTRACT
The writer advocates the need for customers’ protection and well-being in the digital networked medical devices industry through global industry self-regulation of cybersecurity. Small and medium-sized enterprises in Hong Kong need support from the local government and international organizations to adopt self-regulation. She describes the characteristics of medical devices industry, explains why there is no global medical devices industry self-regulation, advocates the need for strong regulation to support self-regulation in the area of cybersecurity, and recommends ten self-regulation strategies.

Keywords: self-regulation, U.S. medical device industry, cybersecurity, Hong Kong small and medium-sized enterprises.

INTRODUCTION
Digital networked medical devices can improve the quality of health care at a much lower cost but also can create cybersecurity and privacy risks (Dwoskin & Adam, 2017; Kalorama Information, 2017; The Economist, 2017). Medical device manufactures and stakeholders are called to take up shared responsibility to balance availability and security management in the medical device industry. The government can never regulate all unexpected behaviors and must rely on self-regulations among members in the global supply chain (Healey et al. 2015; Schwartz, 2016). The development of digital networked medical devices is faster than the introduction of regulations. Given the rapid development of technology in the medical devices industry and the pressing needs of cybersecurity management, the Food and Drug Administration (FDA) in the U.S.A always encourages manufacturers and stakeholders to treat cybersecurity as a shared responsibility. The FDA keeps on persuading the manufacturers of medical devices to identify, detect, and prevent the cybersecurity risk for the entire product life cycle (FDA Guidance 2016). Sadly, many big U.S. corporations will not initiate to pay for the cost of managing cybersecurity risk and can easily shift the cost to small and medium distributors outside USA (Lam & Wong, 2018).

Currently, there is no global industry self-regulation in the area of cybersecurity in the medical devices industry. Industry self-regulation is effective under four conditions: strong regulatory culture, good incentives for legal enforcement, sufficient state resources to influence the outcome of resources, and clear legal bases for task sharing (Schultz, 2017). Gunnigham and Rees (1997, p. 364) defined industry self-regulation as “a regulatory process whereby an industry-level (as opposed to a governmental or firm-level) organization sets rules and standards (codes of practices) relating to the conduct of firms in the industry.”

Industry self-regulation also includes different degrees of government involvement. It can be a kind of regulation that combines polices and state regulations when it is fully or partially mandated by the government. One example is codes of conduct in various industries. Industry
self-regulation allows experts to run their own business in innovative ways at much lower legal costs. The risks of voluntary self-regulation may undermine the legal legitimacy and circumvent the legal mechanism to protect basic health of human beings. Short and Toffel (2010, p. 361) suggest that “self-regulation can be a useful tool for leveraging the normative motivations of regulated organizations but that it cannot replace traditional deterrence-based enforcement.”

After the recent “Wannacry” cyberattack, many medical devices manufacturers and distributors coming from countries with good rules of law may be committed to voluntary or mandated industry self-regulations in the area of cybersecurity (Doehmann, 2016; Dwoskin & Adam, 2017; Higgins, 2015). This study about self-regulation practices in Hong Kong can be applicable to other countries that have good rules of law. As the author sees it, there are two essential research questions: (1) What factors led these medical devices manufactures not to invest in global industry self-regulation in the area of cybersecurity? (2) Under what conditions will these manufacturers and small and medium-sized enterprises from Hong Kong develop their industry self-regulation in the area of cybersecurity? This paper proceeds with four sections. The first section describes the complexity of the medical device ecology and the second section describes the methodology. The third section answers the research questions and the fourth section describes the implications to manufactures and distributors in the era of digitized network medical devices.

THE COMPLEXITY OF THE MEDICAL DEVICES ECOLOGY

The medical device industry is highly regulated, concentrated, and diversified in terms of channel members’ relationships. Thirty percent of multinational medical device firms control 70% of the global market share. The U.S. medical device market accounts for half the global market. There are more than 6500 medical device manufacturers in the U.S. and many are small and medium-sized enterprises (Trade Department, 2016). There are more than 500,000 medical devices in the industry. They are intrinsically diverse in their design, usage, implementation, and application. The product life cycle of each device can be significantly different from others. The industry is diversified and ranges from simple cotton to complicated implantable cardioverter defibrillators. FDA keeps on encouraging companies to be self-regulated for the greater common good. The entire medical device ecology is described by a key representative of FDA (Food and Drug Administration) as very complex, complicated, uncertain, intensive, diverse, and evolving rapidly (Schwartz, 2016).

According to the FDA guidelines, managing cybersecurity risks must start from the design process of medical devices and be implemented throughout the entire product life cycle. FDA Guidance (2014) defines cybersecurity as “the process of preventing unauthorized access, modification, misuse or denial of use, or the unauthorized use of information that is stored, accessed, or transferred from a medical device to an external recipient” (p. 3). When the FDA requested the U.S. manufactures to have pre-review processes in 2014 and then issued the post-review guidelines on Dec. 28, 2016 (FDA Guidance, 2016), it showed that the government could only persuade the manufacturers of medical devices to identify, detect, and prevent the cybersecurity risk for the entire product life cycle. FDA Guidance (2016) states, “Cybersecurity risk management is a shared responsibility among stakeholders including the medical device manufacturer, the user, the Information Technology (IT) system integrator, Health IT developers, and an array of IT vendors that provide products that are not regulated by the FDA” (p. 6). Manufacturers are requested to initiate the design and collaborative process with many
stakeholders. They must build security and balance the need for access control and credential management control in the equipment, systems, and networks even beginning with the first step of the design process. It means that the devices cannot be easily used by unauthorized users and can be accessed by health care providers at different locations.

Healey et al. (2015) recommended, “Manufacturers need to work with the security industry and regulators to develop a comprehensive risk model to follow during product innovation, design, and delivery” (p.13). They encouraged manufacturers to collaborate with FDA and many stakeholders such that the device will be a robust secure platform for additional technologies and services. According to an informative speech of Suzanne Schwartz, a key representative of FDA, she requested the need to develop a trusted environment for information sharing with a “whole of community” approach. Manufacturers need to treat cyber hygiene as paramount and adopt a vulnerability disclosure and coordinated policy to improve the security culture of the entire medical device ecology (Schwartz, 2016). She endeavors to persuade the manufacturers to be self-regulated for the greater common good. Unfortunately, the existing American legal system is not sufficiently prepared to prevent those cyberattacks on medical devices and hospital networks (Wellington, 2013).

However, many stakeholders are not capable of following the FDA’s cybersecurity advice. Many lack confidence in the security of medical devices, even though they are designed and manufactured by them according to a recent survey done by Ponemon Institute (2017). The FDA cannot command the medical device manufacturers to follow the published Secure Development Life Cycle. Kobes (2014) finds that the accountability of the security of medical device manufactured or used is harmful to the public health. For example, manufacturers of medical devices know the design of the devices and are capable of upgrading the design. Unfortunately, they do not treat security as their first priority and also do not possess adequate knowledge concerning the users’ software systems. On the other side, health care providers know the context in which the devices operate and the relationships of devices with patients. However, hospitals do not keep track a record of security, have limited knowledge of the cybersecurity threat, and even do not have much knowledge of proprietary technology. Software developers know the technology but do not understand health care systems and mainly focus on the speed of introducing a new technology.

The distributors and original equipment manufacturers [OEM] outside the U.S. just comply with the FDA requirements although these regulations are not the best mechanisms to prevent cyberattacks. The value of education and the actual impact of the medical devices on the health care settings can easily be ignored, in particular in those countries outside the U.S. (International Society for Pharmacoeconomics and Outcomes Research [ISPOR], 2016). World Health Organization [WHO] (2010) has persuaded the local government outside the U.S. to implement innovative public health policies to enable her people to access appropriate and safe medical devices. These devices work only if they are used properly by health care providers and users in particular health care delivery settings. The safety, efficacy, and effectiveness of the medical devices highly depend on the skills and expertise of the users. Thus, the global standards also need to include the voices of users and the government outside the U.S.
METHODOLOGY

The author used induction methods to summarize the decades of their professional experience in the medical device industry and reviewed the literature related to the U.S. medical device industry, FDA cybersecurity guidelines, input from medical device manufacturers, industry associations and relevant consultant companies. During 2011 to 2018, she analyzed the reports of several U.S. medical device innovators and their activities in cybersecurity conferences. She also interviewed many manufacturers of medical devices and representatives in the medical trade shows and tours in China, Germany, Israel, Japan, Taiwan and U.S. She also interviewed the business executives and experts in the medical device industry in Hong Kong about their responses toward the 2017 European Union and FDA regulations on medical devices. She discussed her concerns with experts in the information technology conference in the U.S. in 2018.

During medical exhibitions, she asked different companies’ representatives to explain the functions of many medical devices including medical beds, incubators, air mattresses, refrigerators, wheelchairs, recliners, and other medical devices. She asked how the electronic control panels and mobile apps provided safety to patients and health-care providers. She also asked whether these companies’ products earned certificates from Europe and FDA approvals. No one mentioned how the design of these products was resilient to cybersecurity attacks. She also asked manufacturers whether they knew the progressive FDA pre-review and post-review guidelines. All manufacturers seemed not to know the stringent FDA requirements and did not intend to prepare to be proactive. The author also asked manufacturers and representatives in numerous medical exhibitions whether their organizations took steps to prevent cyberattacks. She also interviewed distributors and asked whether the manufacturers requested them to take up the responsibility of cybersecurity risk management. The answer was “no.” Thus, the buyers, the suppliers, and distributors in the global supply chain were not well-prepared for the cybersecurity risk management and for long-term commitment on industrial self-regulation.

FINDINGS

Why is there no global medical devices industry self-regulation in the area of cybersecurity?

The key global manufacturers do not want to invest in weaker institutions such as small and medium enterprises in Hong Kong to function full-capacity and to be responsive to global industry self-regulations. Developing industry self-regulations in the area of cybersecurity is not their first priority or norms. Members in this medical devices’ global supply chain are used to be short-term oriented. The norms of doing business in the medical devices industry is to pursue lower cost and shorter product life cycles. Many manufacturers do not treat cybersecurity as a sense of shared responsibility.

These are the comments from some manufacturers:

*At this moment, we do not think about how to solve the problem of cyberattack because our team only focuses on the invention of new medical products. (case 1)*

*The manufacturers of medical devices products only need to learn how to fulfill the FDA and CE standards and to sell the product. We don’t need to be concerned about cybersecurity. (case 2)*
The responsibility of medical cybersecurity is not in the hands of the manufacturer of medical products. The software company or IT should be responsible. The IT company can improve the security in the cloud and firewall. (case 3)

Many American manufacturers of medical devices do not have the culture of cyber-hygiene and knowledge about cybersecurity (Cooper, 2016; Fu, 2014). One distributor in the authors’ study said, “doctors always ask us to provide new products.” New products can increase the prestige of health-care providers and pride of users. However, these new products with updated software may be downgraded to adapt to a non-updated network system of a particular health care provider. The effectiveness of medical devices is bounded by the contextual environment in which the devices are used. The demand of new products from users and the supply of many new products from many start-up companies also lead many manufacturers to be more short-term focused and determine the product to be obsolete earlier.

One company in Hong Kong told the author that the medical devices industry was very price competitive and many small companies struggled to survive even without self-regulation. She said, “Any regulation or self-regulation only increases her company’s cost.” She could only see free-riders and unfair distribution of costs in the industry self-regulation when there is asymmetric distribution of power in this fragmented industry. The trust level in the U.S. and Hong Kong medical devices industry is very low. Any changing in the norms of doing business will only increase the cost of weaker parties in the global supply chain. For example, many small and medium distributors in Hong Kong have collected some evidence about cyber risks from their existing hospital users and will not lead the U.S. manufacturers to become aware of the problems of cyber vulnerability. Once they disclose this risk, they are asked to bear the cost of cyber-risk managements for these powerful U.S. organizations (Lam & Wong, 2018).

Gupta and Lad (1983) have proposed an economic, organizational, and political analysis of industry self-regulation. They proposed that the greater asymmetry in the distribution of power in the industry, the less the likelihood of industry self-regulation. They also proposed that the more fragmented an industry, the less the likelihood of industry self-regulation. These two propositions can be used to explain why there is no industry self-regulation in the area of cybersecurity requirements in the field of medical devices industry. Many companies are used to short-term focus and strengthen their own internal operations to be more efficient and responsive to rapid changes in the health market. They can use their own power to accomplish the tasks without the need of allocating their precious organization resources in the development of industry self-regulations.

Under what conditions will these manufacturers and small and medium-sized enterprises from Hong Kong develop their industry self-regulation?

When customers perceive higher risk or vulnerability in their digitized medical devices, they will demand more transparency and accountability from manufacturers, health care providers, government, and other distributors. Many educated customers will demand more stringent government regulations and assurance from the relevant industry. The self-regulated behavior at firm’s level will reduce customers’ perceived risk and improve customers’ relationships with these firms. The author proposes self-regulation at firm levels among leaders in the global supply chain and small and medium enterprises in Hong Kong will enhance the use of digitized technology in
the medical devices industry due to the existence of rules of laws and norms that govern the self-regulated behavior among firms and high cost of violating the industrial norms. The self-regulation practices among firms will foster cooperative learning and mutual adaptations in a field with many emerging technologies that are not bounded by existing regulations. When there are transparency and accountability about the self-regulation practices, the self-regulation behavior at firm’s level can strengthen the participants’ competitiveness in the digitized network medical devices industry. Self-regulation as a competitive strategy is essential for companies which work in the regulatory culture that has early norms of respecting laws and has faith in legal certainty, state resources to influence outcome of resources, and clear legal basis and task sharing. Furthermore, good industry self-regulation will also “incorporate transparency, meaningful objectives and benchmarks, accountability and objective evaluation, and oversight” (Sharma et al. 2010: 240).

These are the ten recommended practices which ensure fairly distribution of costs and benefits among collaborators and make industry self-regulations workable:

1. The U.S. government, Hong Kong government, and international health organizations require the global manufacturers to monitor the performance of their smart products in the hands of health care providers and be willing to take predictive maintenance and the assessment of the vulnerability of the devices when they are installed in the system of health care providers (Kobes, 2014; Schwartz, 2016).

2. The key players such as key U.S. global manufacturers must be invited to take part in the process of developing industry standards in the area of cybersecurity for better customer welfare. These standards must be supported by scientific research data and credible sources. The standards will not allow harmful practices, have objective evaluation criteria and clear benchmarks, and can be applied in the global markets and supply chain. These global manufacturers should develop a positive attitude toward vulnerability disclosure by the third party. The exploitation of vulnerabilities of medical devices in a particular system and the impact on a patient’s health are initiated to be addressed by self-regulated agreements among manufactures, designers, distributors, and health-care providers. Participants will maintain transparency, accountability, and learn how to develop norms of coordinated vulnerabilities. They are open to any vulnerability report from the community (Food and Drug Administration [FDA], 2016; Fu, 2014; Grimes, 2016; Krumholz and Waldstreicher, 2016; National Institute of Standards and Technology [NIST], 2017; Schwartz, 2016). The community scrutiny on the vulnerability of medical devices will achieve the accountability and objective evaluation objectives.

3. The global leaders in the medical devices industry should provide certifications and contracts for small and medium distributors in Hong Kong that fulfill the cyber-hygiene requirements that are attainable, affordable, and accreditable. These certificates will also increase these global leaders’ brand equity and customers’ protection. The certifications provide predefined benchmarks to ensure the success of self-regulations. These benchmarks are specific codes of acceptable behavior based on scientifically justified criteria.

4. The international health organizations such as World Health Organization (WHO) should advocate cybersecurity risk management as a shared responsibility among stakeholders,
including manufacturers, users, information technology vendors, distributors and health care delivery organizations. WHO should be invited to provide oversight for these industry self-regulations.

5. The Hong Kong government should help Hong Kong hospitals to understand how one medical device can still function but can be used to break down the users’ operating system. For example, Class 1 products which are exempted from the FDA approval, can be the entry point of cyberattack (Wellington, 2014).

6. The Hong Kong government should co-regulate with the FDA, GDPR (General Data Protection Regulation and change their regulations in the medical devices industry to provide better public health.

7. The Hong Kong government will implement innovative public health policies to enable her people to access appropriate and safe medical devices (World Health Organization [WHO], 2010). Hong Kong government should set up policies to empower these small and medium-sized distributors to be aware of cybersecurity and privacy risks in the design process of the products and may learn from the best practices of other governments. For example, U.K. government has mandated that all public-sector contracts must be granted to enterprises with cyber security certifications and has driven some small and medium enterprises to be equipped with cyber security practices (European Union Agency For Network and Information Security [ENISA], 2016). The local government also needs to harmonize the regulations and addresses the inequality issue.

8. The Hong Kong government and Hong Kong medical devices industry should examine the codes of conduct of manufacturers from Europe and U.S. and ensure that the new self-regulations among collaborators are better than the prevailing codes of conduct in the industry. The new standards will embrace the cybersecurity of the entire smart product lifecycle process (FDA, 2016) and follow the GDPR (General Data Protection Regulation).

9. The Hong Kong medical devices distributors should document the effectiveness of these digitized medical devices and give feedback to the global manufacturers whether these devices are properly used by health care providers and users in particular health care delivery settings. The safety, efficacy, and effectiveness of the medical devices highly depend on the skills and expertise of the users. As the value of education and the actual impact of the medical devices on the health care settings can easily be ignored (International Society for Pharmacoeconomics and Outcomes Research [ISPOR], 2016), the assessment will create opportunities for Hong Kong health care providers and the Hospital authority.

10. The Hong Kong medical devices distributors should demonstrate sufficient knowledge of operating environments of local hospitals in Hong Kong and develop security compliance agreements with global manufacturers and users which are beyond the requirements by the Hospital Authority in Hong Kong.

**IMPLICATIONS**

Although the U.S. and European Union governments have regulatory authority, they cannot foresee the consequences of emerging technology. FDA requests American manufacturers to treat cyber hygiene as paramount and adopt a vulnerability disclosure and coordinated policy to
improve the security culture of the entire medical device ecology. The proposed industry self-regulation as a kind of risk management and competitive strategy in a market with strong government regulations and international supports may mobilize a few large manufacturers and selected distributors in Hong Kong or other counties with good rules of law to experiment different types of industry self-regulation in the area of cybersecurity with different degrees of government involvement. The early successors will use industry self-regulation to enhance their brand equity and improve their relationships with customers. The industry self-regulation will aim at transparency, meaningful objectives and benchmarks, accountability and objective evaluation, and oversight. The new industry standard will embrace the cybersecurity of the entire product life-cycle process and improve the health of all stakeholders.

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REFERENCES


Attributes that Influence the Inclination to Become an Entrepreneur: A Case Study on Mexican Male Students

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Abstract

In this study, we surveyed Mexican male university students to examine their likelihood of becoming entrepreneurs. The Theory of Planned Behavior (TPB) provided the framework for understanding their entrepreneurial intentions/inclinations. We found that three factors could potentially influence future entrepreneurial intent: (1) students’ confidence levels; (2) students’ interests; and (3) exposure to peers with entrepreneurial background.

Key words: Entrepreneurship, Intentions, Determinants of entrepreneurship, Mexico

Introduction

Entrepreneurs deal with risk and uncertainty everyday with the intention of creating new opportunities in order to achieving the goal of generating profits. Entrepreneurs recognize and assemble resources needed to take advantage of these opportunities (Sandhu et al., 2010). In many cases, these new opportunities have led to the development of new businesses and/or enterprises (Low & MacMillian, 1988). As a result, entrepreneurship is widely recognized as a driver of social and economic development (Shapero, 1985) as well as employment and innovation growth (Rai, Prasad & Murthy, 2017).

Stemming from the growing popularity of entrepreneurship, there has been significant interest in understanding what factors cause an individual to lean towards becoming an entrepreneur. Learning what drives individuals to think about starting their own business has been of great interest to both academic researchers and entrepreneurs (Carey, Flanagan & Palmer, 2010).

Despite the fact that independent business owners without degrees outnumber those with higher education degrees, universities have become a prime source of entrepreneurs (CNBC, 2017). Universities provide students with the education, training, mentoring, incubator and connections for possible funding (Tice, 2011; Gasse & Tremblay, 2011).

Education in entrepreneurship provides knowledge, skills and motivation for [self] employment (Onu, 2013). Moreover, students have kept an open mind about future entrepreneurial possibilities of excitement, newness and never ending challenges (Bhat & Singh, 2018). Therefore, understanding students’ motivations and/or inclinations toward starting their own business has become an important topic among researchers.

Entrepreneurship in Mexico

The significance of entrepreneurship in developing countries cannot be overestimated. Small businesses have a significant impact on the early stages of development, as countries...
transition away from factory-driven to efficiency-driven and eventually, to innovation-driven economies (Global Entrepreneurship Monitor (GEM), 2012). This is because entrepreneurs possess critical employment skill sets such as risk-taking, communication, human relation and opportunity recognition that help stimulate growth and development of the private sector (Ojeaga & Okolocha, 2017).

Mexico is considered one of the most entrepreneurial countries in the world with roughly 25% of the Mexican workforce being self-employed compared to 11% in the USA (Van Auken et al., 2006). In fact, the Global Entrepreneurship Monitor ranks Mexico among the most entrepreneurial countries in a list of 41 countries (GEM, 2012). Family-owned businesses have a significant role in the private sector in Mexico and children of Mexican entrepreneurs show a preference for entrepreneurship as a career option (Van Auken et al., 2006).

However, despite the role that entrepreneurship plays in the Mexican economy, studies on the topic of entrepreneurship in Mexico are sporadic. Research that specifically addressed factors that influenced university students’ inclinations to pursue entrepreneurship as a career path in Mexico were not found. As a result of this deficiency, we focused our research on Mexican university students.

Objectives of the Study

The purpose of our study is twofold. First, we provide a framework for analyzing Mexican students’ intent to become entrepreneurs. In this study, we adapted Ajzen’s (1991) Theory of Planned Behavior model. Second, based on our findings, we provide insights on the critical success factors (CSFs) relating to entrepreneurship that affect students’ interest, desires and ambitions to pursue new ventures. Therefore, the aim of this study is to investigate Mexican male students’ intentions of pursuing entrepreneurship as a career path.

The remainder of this paper consists of four sections. We begin with a discussion of the relevant literature regarding students’ entrepreneurial intentions as well as internal factors associated with their predilections towards entrepreneurship. Next, we discuss the research methodology and then present our findings. Finally, we conclude with a discussion of our findings, managerial implications and research limitations.

Literature Review & Hypotheses Development

Entrepreneurship is an attitude that expresses an individual’s inspiration and ability to detect opportunity and progress forward with it (Pretheba, 2014). Entrepreneurs fuel economic growth and development (Bhat & Singh, 2018).

Entrepreneurship, Economic Development and Intentions

Bakotic and Kruzic (2010) suggest that entrepreneurship is the engine for economic growth because it is the facilitating agent for the expansion and promotion of productive activities (Faria et al., 2010). According to Hamod (2010), entrepreneurship is one of the key factors that has contributed to the balanced and rapid growth in country’s economy. As a result, it is abundantly clear that entrepreneurs [and/or entrepreneurship] are critical to a country’s economy by creating employment, increasing the quality of life and decreasing the incidents of poverty (Ojeaga & Okolocha, 2017). Entrepreneurship leads to the generation of income thereby raising the socio-economic levels of society (Uddin & Bose, 2012). Therefore, to help foster economic
development, many governments today are mindful of the need to encourage entrepreneurship (Ojeada & Okolocha, 2017; Braunerhjelm et al., 2010).

To help understand an individual’s decision to become an entrepreneur or an independent business owner, emphasis has been placed on intentions (Carey, Flanagan & Palmer, 2010). This is consistent with Bagozzi and Yi’s (1989) research where they established that intentions are the single best predictor of actual behaviors. Indeed, intentions have been proven to be the best predictor of entrepreneurial behavior in numerous research studies conducted over the past decade (Krueger, Reilly & Carsrud 2000). These authors stressed that intentions are a better predictor than personality tests when it comes to entrepreneurship. Zellweger et al. (2008) noted that intentions are particularly important when dealing with succession in family-owned businesses.

Within the context of entrepreneurship, intention is a way of thinking that points a person’s interest and action in the direction of self-employment as opposed to organizational employment (Rai, Prasad & Murthy, 2017). Entrepreneurship intention can be defined as the emerging conscious attitude(s) that a person has regarding the wish to start a new enterprise or create new core values in existing organizations (Krueger, Reilly & Carsrud, 2000).

Alternatively, entrepreneurial intentions can also denote action(s) that are produced based on an individual’s attitudes that eventually produce results (Raguz & Matic, 2011). Entrepreneurial intentions are decided by certain traits such as high achievement, tolerance for ambiguity, willingness to take financial risk or internal locus of control (Rai, Prasad & Murthy, 2017). These ideas refer to a belief that the future is determined by one’s own actions and pro-activeness (Krueger, Reilly & Carsrud, 1993). In effect, intentions are at the essence of entrepreneurship.

Almost anything an entrepreneur does is directly or indirectly linked to his/her intentions (Bhat & Singh, 2018). The manner in which an entrepreneur expresses or implements his/her intentions will determine success (Bhat & Singh, 2018). Most of all of the entrepreneurial motivating aspects relate to intentions. Intentions can be summed up as specific inclinations to perform an action or series of actions. It results from deliberate thinking that directs behavior (Rai, Prasad & Murthy, 2017).

Three intention models have been commonly used by researchers as the basis for explaining entrepreneurial attitudes and behaviors. The initial model was proposed by Shapero and Sokol (1982). According to Shapero and Sokol (1982), individuals experience some type of displacement event that directs his/her intentions toward becoming an entrepreneur. The second model was suggested by Bird (1988). Bird (1988) presented that rational/analytic thinking as well as intuitive holistic thinking drive the intent to become an entrepreneur. Third, Ajzen’s (1991) Theory of Planned Behavior is perhaps one of the most popular frameworks used to investigate entrepreneurial intentions (Bhat & Singh, 2018).

Applying Azjen’s (1991) model in the context of entrepreneurship, attitude towards entrepreneurship, subjective norms [stemming mostly from family and friends] and perceived ability to control entrepreneurship behavior are variables that influence intentions and subsequently, entrepreneurship behaviors (Bhat & Singh, 2018).
Cultural Context of Entrepreneurship

Research indicates that entrepreneurial intentions are diverse in nature across cultures and different ethnicities (Uddin & Bose, 2012). The social and cultural contexts are important for understanding when, how, and why entrepreneurship happens and who becomes involved (Welter, 2011; Baughn & Neupert, 2003). For example, local traditions and norms, particularly in developing countries, determine gender roles within families that help explain why female entrepreneurs are prevalent in certain low-growth and low-income industries (Welter, 2011; Baughn & Neupert, 2003).

Entrepreneurship in Mexico. Sloka et al. (2014) conducted a study exploring the motivations to start a business in Latvia, Canada, USA and Mexico. Their findings suggest that in Mexico, there are four complex factors that influence entrepreneurship: income, independence, personal motivation, and family security. Moreover, Sloka et al. (2014) determined that the most important factors influencing entrepreneurial business success were the following: good client service, honesty reputation, charisma as well as friendliness with clients and good management abilities. Of lesser importance were previous entrepreneurship experience, geographical location, political support and interest (Sloka et al., 2014).

In another study, Radojevich-Kelly (2014) cited the North American Free Trade Agreement (NAFTA) as a driver for entrepreneurship in Mexico. However, due to the lack of entrepreneurship skills and education, many Mexican entrepreneurs have found themselves in a position of disadvantage compared to US and Canadian counterparts (Radojevich-Kelley, 2014). Kelesidou (2013) suggested that Mexicans must study entrepreneurship and become familiar with the different methods to fund start-ups in order to gain confidence and take advantage of the opportunities associated with NAFTA.

Radojevich-Kelley’s (2014) study noted that the main motivations to start a business were financial independence, personal independence and realization of a dream. According to the participants of the study, financial independence (i.e., having discretionary income, supporting the family and achieving financial freedom) is the greatest benefit of being an entrepreneur. Personal independence (i.e., flexibility in working hours/days and not having a superior) is the second most important advantage of being an entrepreneur. The findings of Radojevich-Kelly’s study (2014) also indicate that among the greatest challenges that entrepreneurs face when starting a business in Mexico are corruption, significant red-tape, government inefficiency, bureaucracy, bribery, poor capabilities to secure funding and poor government administration. These findings are consistent with the World Bank Mexico Country Profile Report (2010) which states that the top six constraints to starting a business in Mexico are access to funding, corruption/bribery, crime/theft/disorder, government regulation burdens/red tape, and problems or delays getting licenses and permits.

In addition to the challenges cited above, other obstacles that entrepreneurs face when starting a venture in Mexico are difficulty finding customers, competition, and finding a good location. However, despite the challenges associated with starting a business, 94% of the participants of the Radojevich-Kelly (2014) study indicated that owning a business is still highly rewarding.
Role of Education in Entrepreneurship

In situations where local cultures may not necessarily be conducive to entrepreneurial conduct, the teaching of entrepreneurship as well as entrepreneurial values and attitudes may be particularly important. When local entrepreneurial talent, aptitudes and attitudes may be lacking, university training and education in entrepreneurship ought to be further examined (Steyaert, Hjorth & Gartner, 2011) with colleges and universities playing a major role. And, specifically for Mexico, the impact of university entrepreneurship programs on students cannot be underestimated (Canton, 2014). Canton (2014) indicates that Mexican dynamic entrepreneurs particularly value the role that university entrepreneurship programs play on the development of skills such as risk management, working in teams, negotiation, and creativity.

“Students’ motivation to open their own business” has been a natural object of academic interest in entrepreneurship research and education (Carey, Flanagan & Palmer, 2010). A more profound awareness for entrepreneurial attitudes and characteristics of university students will assist in estimating future entrepreneurial activity (Shock, Priew & McGee, 2003). It is within this premise that our current study was conceptualized. Our research goal was to explore the attributes and characteristics of Mexican male students’ inclination to pursue entrepreneurship as a career.

Conceptual Framework

Knowing how entrepreneurial intentions shape a student’s rationale to become an entrepreneur is fundamentally important for Mexico. Being aware of how an individual’s intentions emerge and are acted upon can provide significant understanding into what set in motion a person’s desire to become an entrepreneur (Rai, Prasad & Murthy, 2017). Knowing entrepreneurial intentions will help establish policies in the area of entrepreneurship development and restructuring education so that opportunities for students to actualize their intentions can be realized (Delmar & Davidson, 2000).

Intentions: The Theory of Planned Behavior offers a viable framework for understanding and predicting the entrepreneurial intentions is not only based on personal factors but also on social factors (Rai, Prasad & Murthy, 2017; Krueger, Reilly & Carsrud, 2000).

The behavioral intentions are determined by attitudes towards behavior, subjective beliefs and perceived behavioral control (Ajzen, 1991). Scholars have studied entrepreneurial intentions among university students in several countries, such as the United States, Australia, Austria and Germany, among others (Szerb & Inkeh, 2007). The results of these studies have indicated that situational variables such as one’s environment, education, network, and subjective norms all determine the intentions of entrepreneurs (Uddin & Bose, 2012). Ajzen’s (1991) research states that the social expectation and pressure from one’s family, friends, peers and society, at large, are also major factors that have an impact on the intentions to perform or not perform a behavior. As such, the more intense the social expectation or pressure, the greater is the attraction towards establishing the new venture (Krueger & Carsrud, 1993; Zhao, Hills & Seibert, 2005). These findings have been reinforced by Usman, Rehman and Ahmed’s (2010) study on entrepreneurial intentions, which found that innovative and family business experiences are related to entrepreneurial intentions.

Business Education. Entrepreneurship education has been recognized as one of the vital determinants that could influence students’ career decisions (Kolvereid & Moen, 1997). In fact,
Noel (2001) noted that when students study entrepreneurship, their intent to start a business compared to non-entrepreneurship students is significantly enhanced.

Entrepreneurship education has typically been concentrated in business (i.e., management field of study) and to a lesser extent, engineering (Costa, Soares & Bonfim, 2009). Business and economics majors have been suggested as two of the best majors to prepare students for becoming an entrepreneur (www.Brazencareerist.com, 2015). Students who have some basic understanding of entrepreneurship are better at identifying business opportunities. Their knowledge gives them the confidence and motivation to pursue new and existing paths towards entrepreneurship (Krueger & Brazeal, 1994). Based on this, we propose:

**H1:** Students who are business majors have a higher likelihood of becoming an entrepreneur.

**Self Confidence.** Inadequacy, lack of skills and fear of failure can negatively impact entrepreneurial attitudes (Szerb & Szabolcs, 2007). On the other hand, maturity and self-confidence have a positive impact on entrepreneurial attitudes (Nabi, Holden & Walmsley, 2010). An individual who desires to become an entrepreneur must have the self-confidence that it is possible to reach certain goals. There is a direct relationship between a potential entrepreneur’s self-confidence and variables such as risk taking, and tolerance of ambiguity (Koh, 1996). As a result, we propose that:

**H2:** Self-confident students have a higher likelihood of becoming an entrepreneur.

**Entrepreneurial Exposure in the Family.** Earlier studies have revealed that family involvement in business development can have a positive influence on entrepreneurship. Research reveals that entrepreneurs are often brought up in families where their parents have been self-employed (Crant, 1996; Dyer, 1992, Roberts & Wainer, 1968). Kennedy (2003) indicates that family involvement in business has had a major influence on students in Hong Kong, Norway, Catalan and Singapore. Students who, at a young age, were associated to family business development were more inclined to have these experiences influence their entrepreneurial intentions. A family atmosphere in which the parents are the owners/operators offers a specific context in which career and entrepreneurship intentions are formed (Chua, Chrisman & Sharma, 1999).

Van Auken et al. (2006) conducted a study in which they compared the influence that role models have on entrepreneurial intentions on Mexican and US students. For both sample groups of students, they indicated that the most significant role model that influenced their decision to become entrepreneurs is the father. Therefore, family role models influence entrepreneurial attitudes.

**H3:** Exposure to family members who are entrepreneurs enhances the likelihood of becoming an entrepreneur.

**Interest.** Interest is a strong motivating factor to engage in specific behaviors (Hidi & Renninger, 2004). Within the context of entrepreneurial intent, students are interested in becoming entrepreneurs because they value control and the potential financial gain (Caird, 1991). Wright, Robbie and Ennew (1997) argue that a desire for wealth, autonomy and independence drives entrepreneurship. Opportunities to create and develop are desirable to students (Costa, Soares & Bonfim, 2009). The prospect of financial gain is also appealing (Carter et al., 2002). Based on this, we suggest:
H4: Students with entrepreneurial interests have a higher likelihood of becoming an entrepreneur.

**Exposure to Entrepreneuring Friends.** Friends or peers can also shape a student’s entrepreneurial intention. Their support and reassurance are crucial (Baughn et al., 2006; Davidson & Honig, 2003). Along with family, friends’ participation to a student’s thinking about entrepreneurship is important in determining and influencing the desirability for developing a particular business venture (Ismail et al., 2009). In other words, friends’ involvement makes an entrepreneurial career both desirable and worthwhile. Because of this, we propose:

H5: Exposure to friends who are entrepreneurs enhances the likelihood of becoming an entrepreneur.

**Methodology**

**Data Collection & Sample**

This study uses the survey data conducted at The Universidad Autónoma de Yucatán (UADY). UADY is an autonomous public university in the Mexican state of Yucatán and its central campus is located in the state capital of Mérida. It is the largest tertiary educational institution in the state offering 41 different courses at the undergraduate or Bachelor's degrees and 26 postgraduate Master's degrees.

A Spanish language questionnaire was given to the students with proper instruction. The students were from different academic programs. A total of 110 completed surveys were obtained. Of the total respondents, 81 students were business majors and 29 were not. Fifty nine (59) had entrepreneurs in the family and 68 had entrepreneurs in their peer group. All the respondents were males.

**Variable Definitions**

For the purposes of this study “Intent to become a future entrepreneur” (FENTP) was a dichotomous variable. If the respondent answered that he/she intended to become an entrepreneur, we assigned a value of 1. Other responses were assigned a value of 0.

The first independent variable was business major (BMAJOR) – students with business major. If the respondent was a business major, we assigned a value of 1. Otherwise, we assigned a value of 0. The second variable was related to confidence (CONFIDENCE).

Confidence was measured using a six-item 5-point Likert scale with “not confident” and “completely confident” as anchors. The third independent variable was on students whose family was involved in any entrepreneurial activity (ENTPFAM). This was also a dichotomous ‘yes’ or ‘no’ variable. The fourth independent variable was dichotomous variable that pertained to students whose friends were engaged in entrepreneurial activities (ENTPFRND). The fifth variable used was interest (INTEREST). Interest was a 6-item 5-point Likert scale “very low interest” and “very high interest” as anchors.

**Results**

We applied logit estimation to analyze and measure the entrepreneurial intention of students. Logit estimation is the odds of some event happening, which is defined as ratio of the probability that the event will not occur. of probability that the event will not occur.
That is the odds of being FENTP, \( E[Y_i] = \Pr(Y_i = 1) \) is given by

\[
Pr(Y_i = 1) = \frac{\exp(\beta'X_i)}{1+\exp(\beta'X_i)} \quad (1)
\]

In the equation (1) \( X_i \) represents a Vector of attributes and \( K \) stands for Choices. \( \beta_i \) and \( \beta_k \) are vectors of interested parameters (Greene, 2003)

Of the 5 independent variables, likelihood of becoming a future entrepreneur was increased by CONFIDENCE (H2), ENTPFRND (H3) and INTEREST (H4). The likelihood of becoming an entrepreneur is increased by 71% if the student is confident; 63% is a friend is engaged in entrepreneurial activities and 53% is the student is interested.

**Discussion and Conclusions**

Ajzen’s (1991) Theory of Planned Behavior (TPB) has provided a framework for understanding Mexican male students’ intentions/inclinations to become entrepreneurs. The findings in our study present some interesting and contrary indications as they relate to students’ probable entry into an entrepreneurship career.

The extant literature on “who becomes an entrepreneur” is somewhat vague. In very few instances does the literature specifically state that a person has to have specific backgrounds and/or skill sets to become an entrepreneur. In this study, our results indicate that majoring in business and having family members who are entrepreneurs did not have any bearing on a student’s intent to become an entrepreneur in the future. These findings were surprising and counterintuitive especially when previous research has shown that children of Mexican entrepreneurs show a preference for entrepreneurship as a career option (Van Auken et al., 2006).

Factors pertaining to confidence, interest and friendship contributed to a student’s intent to become an entrepreneur in the future. These findings are significant and provide a more insightful perspective on what factors might be more dominant in determining a student’s inclination to become an entrepreneur.

From an education point of view, the findings underscore the importance of entrepreneurial training and programs provided by universities. Universities can serve as centers for delivering entrepreneurship education, offering practical as well as experiential learning that will prepare students for business development projects (GBSN, 2013).

Confidence is enhanced when universities equip their students with the know-how and skill set to tackle the challenges faced by entrepreneurs (Costa Soares & Bonfim, 2009). Likewise, the entrepreneurial orientation adopted by many universities can help foster student interest which in turn influences their attention, goals and levels of learning (Ojeaga & Okolocha, 2017).

When universities offer entrepreneurship-related courses, the chances of like-minded students to congregate and collaborate is high. When students are exposed to a peer group that shares their entrepreneurial mindset, it could greatly influence their intention (Ojeaga & Okolocha, 2017).

**Limitations of the study**

This study has two major limitations. First, the sample size is small and specific to one university. Second, and perhaps most important, the biggest limitation we encountered was that all
the respondents were male. These limitations are critical to the generalizability of the study. In future, research on students’ entrepreneurial intention needs to focus on a larger cross section of students from different geographic location and gender.

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Students' Perception of the Competitiveness of International Businesses Programs—Case Study of Mexico

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ABSTRACT
Business Education plays a key role in the economic development of nations. A skilled work force increases business opportunities, allows societies to generate more jobs, and provides stable communities that are able to stand global challenges. With the change of international business climate, it is important for academicians and practitioners to understand the methods, techniques and activities that are being used to train the future business labor force. This study examines the environment, content, and delivery of business education in Mexico. Data was collected in Mexico and reflects the students’ perspective on its international business curriculum.

Key Words: Mexico, economic development, business education, international business curriculum, economic and social benefits, developing nation

INTRODUCTION
Technological advances as they relate to lower trade barriers, human migration due to labor, and other factors have accelerated the internationalization of world markets. These circumstances have created an environment where an internationally proficient populace is acknowledged as essential to a nation’s affluence and competitiveness (Gonzalez, et al, 2011). In the global economy, the basis of a country’s future growth and development will depend on how well informed and trained its workforce really is. Because of the remarkable advances in innovative ways of doing business using robotics, artificial intelligence and the Internet, businesses now require different skills and training than what was necessary a few years back. The rapid change in business environments worldwide is affecting trade and international business transactions critical to business success. As business environments change because of political and technological innovations, some jobs become obsolete. This requires change on two levels: businesses must change in order to remain competitive and ensure the readiness skills needed; and institutions of higher education must offer the education and training necessary for the transformations occurring in the international business world environments (Omura, 2018).

As knowledge becomes more important, so does higher education. Countries need to educate more of their young people. Essentially a college degree is now a key prerequisite for many skilled jobs since the quality of knowledge produced within higher education institutions and its availability to the wider economy is becoming increasingly critical to national competitiveness (Bacchus 1990). As such, the international business (IB) discipline has been presented a very complex world to train potential international managers and analysts. The IB curriculums have developed generally due to the fact that other disciplines have not been able to provide the knowledge necessary to prepare students for a complex world. Administrators and faculty members seek to review, analyze, and
determine whether an IB curriculum provides students the readiness skills necessary to compete in the world markets (Eisenberg et al. 2013). One of the major requirements of all international business students is the need for cross-cultural competence. There is a critical need in IB curriculum for students to know and understand the role of a country’s national culture in management and organizational dynamics (Eisenberg 2013).

As the external business environments continue to shift and present powerful forces for change, universities have acknowledged the need to produce globally competent students. University faculty have embraced the importance and value of an international curriculum (Gonzalez, 2011). Besides the economic and political needs for reforming business curriculum, the need to meet accreditation agency requirements have motivated curriculum changes. Many university business schools achieve their international business school goals by integrating content and specialized international business courses. Thus, curriculum reform is evolving to reflect the effects of globalization on higher education institutions, requiring the integration of international themes across business curriculums (Gonzalez, 2011).

University and business collaboration have become a top priority among higher education institutions. Cooperation in curriculum design takes into consideration the aim, programs and courses related to business and international content. Curriculum delivery incorporates a wide choice of teaching methodologies and approaches that produce competent human resources necessary for the goal attainment of businesses. Examples of such approaches are lectures, live projects, case studies, and group work among others (Plewa, et al, 2014).

Various approaches have been suggested for business engagement in curriculum design and delivery in order to meet the needs of surrounding businesses. Businesses can assume various roles in curriculum design and delivery. For example, they can assist in not only the development of formal instruments that are implanted in institutional priorities, but also in the measurement systems, internships, and training programs (Plewa, et al, 2014).

As a result of such a rapidly changing business environment, workers have to acquire many more sophisticated skills than before, be flexible, and adapt fast to change. With the appropriate technology and higher education business curriculum that produces a more skillful workforce, emerging markets can experience rapid growth.

The main point is that there is a need to periodically redesign the international business curriculum in order to consider the needs of emerging markets. Students have to fully comprehend how social, ethical, ideological, economic, political and moral values interconnect to affect a nation’s developmental and growth progress. Regrettably, according to Jin, Swinney, Cao, Muske, Nam, and Kang (2011), and Cant (2004), many universities invest little time in assessing and reconfiguring their curriculums to meet the changing needs of the global business environment.

The purpose of this paper is to shed a light on students’ perception of the methods and techniques used in teaching international business to allow universities and professionals to align their strategies to gear students to become effective leaders in Mexico. The study addresses the following two research questions:

**Research Question 1:** What are the major factors that drive the Mexican students’ perception about international business curriculum?
Research Question 2: Does gender play a significant role in shaping Mexican students’ perception about international business curriculum?

As such, this paper seeks to find out which subjects are considered more important for international business/marketing majors and their preferred learning methods in these areas. An overview of the internationalization of business curriculums on one hand and Mexico’s needs on the other hand is followed by general views on how well schools of business in Mexico align their strategies to incorporate international business in their curriculums. Student responses to survey questions are used to assess their perceptions of the international marketing and business curriculums employed at their respective universities. Furthermore, the types of courses, course delivery, gender, and level of study are analyzed. Finally, findings are presented with an emphasis on their implications on business schools to allow these schools to improve and develop sustained strategies.

LITERATURE REVIEW

The 1980s began the introduction of management education into Latin American universities. Over time, this effort in training its population in business and economics has contributed significantly to fostering the region’s economic, commercial and industrial development (Theodore, 2010).

Latin America illustrates a region where the importance of international trade and globalization is growing strongly and steadily. Trade agreements are pervasive among Latin American countries. The North American Free Trade Agreement (NAFTA) now referred to as (USMCA) along with the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA) and the Association Agreement reached between the European Union (EU) and Central America on May 18, 2010 (Mendoza 2014) all demonstrate the desire of countries to exchange goods and services over a broad spectrum. There is also the long-awaited Free Trade Area of the Americas (FTAA) that aims in the future to incorporate all of the Americas into a regional bloc organized along the lines of free trade. Latin American businesses are full-fledged participants in the globalization process. Companies competing in the region are responding to new technological trends.

Mexico is one of Latin America’s more progressive countries politically and economically. Over the last decade, significant improvements have been made across the Mexican landscape. It has positioned itself as one of the promising leaders in national economic development. This has drawn attention from many around the world and has helped its foreign direct investment portfolio.

Mexico’s Population and Economy:

Mexico is a country of contrasts located in North America with a North Pacific Ocean, Gulf of Mexico, and Caribbean Sea coastline. Along the coast and around the country’s major cities, there is a thriving and growing economy. It has a population of approximately 124,574,000 (Tissot, 2018) composed of 50.26% females and 49.74% males. Mexico's urban area with Mexico City’s population of 8.9 million inhabitants and the metropolitan area of Mexico City with over 21 million people provide ample opportunities to transact all kinds of business activity. The metropolitan Mexico City business activity along with the trade between Mexico and the U.S. provide the major benefits for much more of the recent economic growth (World Bank, 2018). The poverty rate has dropped substantially during the last decade but remains stubbornly high (World Bank, 2018).
Bank, 2018). Over 92% of the population speak Spanish as the primary language with other indigenous languages representing 7.3% of languages spoken.

The Mexican economy grew by an average of 2.03% in 2017 with a stable exchange rate and rising inflation to 6% in 2017. This growth was due partly to Mexico's international exports, which increased 5.7% in 2019 (Trading Economics, 2019). All of this economic success just reinforces the notion that implementing a curriculum based on material that trains students to be globally competent is the only way to maintain and sustain economic growth and development.

Mexico and Higher Education:

The 1980s began the introduction of management education into Latin American universities. Over time this effort in training its population in business and economics has contributed significantly to fostering the region’s economic, commercial, and industrial development (Theodore, 2010).

Latin American universities adopt American style of business education (Elahee and Norbis 2009). Eighty-six percent of the universities in Latin America, excluding the Caribbean, have a study abroad program, and 90 percent of the faculty use cases in their teaching. Because Mexico has changed rapidly from a purely manufacturing type economy to incorporating services and from public to privately owned businesses, the international business curriculum at Mexico Europe International Business School has been revamped (Price, 2011). The new curriculum offers a greater focus on Mexico itself, improves the soft skills segment, encourages experiential learning, reinforces ethics and leadership skills and permits flexibility through elective courses.

Mexico is building an educational system that offers four million Mexican students and nine thousand international students a chance to obtain a bachelor’s degree and knowledge that will contribute to the future of Mexico. Mexico’s higher education sector is made-up of a wide array of institutions. There are nine public federal universities which are responsible for teaching and doing research along with their extension programs. In addition, Mexico has public state universities with solidary support. These universities are required to provide higher education via teaching, innovation of knowledge and extension programs. Also, there are technical institutions and technological universities throughout the country. Finally, a group of polytechnic universities offer engineering degrees and undergraduate and post graduate studies at specialty, masters, and doctoral levels (Tissot, 2018).

OBJECTIVE AND HYPOTHESES

As an exploratory study, the purpose of this study is to investigate the international business curriculum of a Mexican university in order to understand the content and delivery of its undergraduate and graduate programs to students. Data for the study were collected in Mexico and reflect students’ perspective on its international business curriculum. The aforementioned literature review outlines the key importance of international business subject in Mexico and the need to explore the way Mexican students perceive it.

Mexico’s Need for Trained Marketers and Managers

Current data strongly suggests that Mexico is maintaining its growth rate at least in the short term. The Mexican people have large demands for goods and services. As their incomes have risen, their desire to shop and purchase items has also intensified. This set of circumstances offers great
opportunities for marketing, management, supply chain management and other business professions. Therefore, marketing and management careers including the sales profession have become a major area of interest not only for the employers but also for the graduating students who could make a good living selling Mexican made goods both internationally and domestically. These careers also offer the chance to manage companies that offer foreign imported goods to the large Mexican population (Ortiz-Ospina et al, 2018).

Considering that Mexico continues to grow, the need for more business professionals will also grow. Fundamental to any business transaction in Mexico is culture. Mexican business people operate from very old traditions. For example, sales people visiting Mexico to sell products and services must attend banquets while they are trying to negotiate business transactions. Exposing students to international marketing and management training that emphasizes skills in culture and negotiation is critical to continued success in business development in Mexico (Ortiz-Ospina et al, 2018).

Constructing a curriculum that meets the students’ and employers’ needs requires a number of integral components. The curriculum needs to consider reality (Stenhouse 1975), encourage critical thinking by including critical thinking into all syllabi (Bisoux 2011; UNESCO report Towards knowledge societies 2005), prepare students to cope with risk and an unpredictable futures (Looney and Klenowski 2008), supply students with learning skills crucial for them to match business environment change (Hargreaves 2002; Broadfoot and Black 2004; Claxton 2005), offer students the knowledge needed to cope with economic growth (Storm and Feiock 1999; Thanki 1999), and consider the effects of social media, and the Internet (Collins 1996).

Including cultural diversity as a major component of the curriculum can help the students’ and employers’ needs (Borsheim, Merritt, & Reed 2008). Accordingly, the curriculum ought to allow for specific skill development to be encouraged. These skills include cultural self-awareness, cultural consciousness, and ability to lead multicultural teams, negotiate across cultures, and develop a global mindset (Cant 2004). Hult International Business School, for example, depends on cultural diversity to attract students. Its academic centers in Shanghai, Dubai, London and San Francisco, require students from different countries to work in teams in a cross-cultural environment (Mangan 2011).

Approaches for including cultural diversity vary. Deck, Luthy and Schrader (2012) underscore the importance of incorporating travel into its international business program. As such, students acquire understanding about how employees in other cultures interact with each other and with their clients. Students who enroll in various interdisciplinary studies get exposed to an emerging economy, choose to study a problem, design a solution and travel to the country to execute their plan and present the solution to the representative of the organization (Phan 2011). A shift towards preparing students to meet employees’ needs is required (Kaynak and Kucukemiroglu 1997). Turley and Shannon (1999) show that only 2.9 percent of a national sample of 832 marketing majors strongly agree that their school has prepared them for a potential career in international marketing. Consequently, the courses that focus on specialized fields, such as international accounting, global human resources and international economics should be offered (Cunningham 1995; Lundstrom, White and Schuster 1996; Radebaugh 1992/1993; Green and Scott 1996; Krivonos 1993; Sondak and Sondak 1992; Handley 1994; Stiglitz 1993).
The higher education internationalization literature focuses principally on the process and the results. It concentrates on the preparation of students to comprehend and be aware of cultures in an increasingly interdependent world. Some of the literature maintains that fewer than half of the students believe their curriculum is preparing them to work effectively overseas and that the content in the courses is demonstrated with examples from different cultures or countries (Zimitat 2005). Freshman students are considerably more positive than other students in their international orientation. Nevertheless, there is no significant difference between second- and third-year students. Freshman students, unlike second- and third-year students, reveal that they prefer more international content in courses. Approximately one third of the students throughout the entire continuum are undecided regarding the degree of variety in international courses and programs (Zimitat 2005). With these ideas in mind, we can posit that:

H1: There is a significant difference among business students’ perceptions of international business curriculum.

Does Gender Matter in Curriculum Development?

A university business curriculum, which enhances creativity and development, together with advanced knowledge leads to economic growth. Present day university business curriculums are considered essential factors in the process of economic development (Fotea 2011). Business education at university level has both a short and a long-term effect on a country’s economy (Fotea 2011). Formally educated workers affect both the supply and demand side of the economic development. Without a doubt, a multiplier effect energizes and sustains economic growth (Fotea 2011). The creation of human knowledge capital is the vehicle driving positive economic activity, which is directly dependent on education rather than gender activity and requires that both genders participate for success to emerge.

Consequently, when preparing students for work in the international business sector, it is important to know what a male and female view is regarding the international business curriculum. This information will assist in designing a curriculum and can provide better alignment between the business environment needs and the students’ desires and needs. It focuses on a win/win strategy for human capital and management talent development.

Because sex discrimination has been apparent in business management majors, it is sensible to question whether the basic factors just identified would vary by gender. Does a student’s perception of a course material or discipline choice and ability to succeed in the discipline vary by gender (Hunt and Song 2013)?

A comprehensive curriculum that includes women is one which has been consciously designed to recognize and acknowledge the evidence that males and females are likely to bring different cultural attributes to their learning experience. Their individual attributes will be their interests, approaches to learning, and strengths in terms of assessment tasks. Learning theory indicates that all new knowledge must be connected to the old. It is very important that teaching and learning involve different elements of students’ attributes that they bring to the class. If not, the results will not effectively train the students for success in their career. Students seem to gain from a flexible approach to teaching and learning. Both male and female students appear to be more motivated to learn and strive for successful outcomes (Mills, Ayre and Gill 2015). Based on the above information we can state that
H2: Gender plays a significant role in shaping Mexican students’ perception about international business curriculums.

The following research methodology is used to analyze data and present the findings.

RESEARCH METHODOLOGY

Data Collection

This section highlights the data collection and research model used in the study. The data is a primary type collected by distributing a survey to 122 university students in Mexico. The survey highlights students’ perception of international business in the following three areas: 1- international business profession (26 questions), 2- international business curriculum (14 questions), and 3- learning methodology (7 questions). In addition, the survey includes a section about demographic information of students.

The questions are set in a Likert scale format; 1 stands for strongly disagree; 2 stands for disagree; 3 stands for neutral/no opinion; 4 stands for agree, and 5 stands for strongly agree. In order to capture students’ strong arguments, three was subtracted from all values to mitigate the effect of neutral responses.

Research Model

The research model consists of two parts: in the first part, one sample t tests and confidence intervals are used to test the significance of the statements. In order to capture students’ strong arguments, a level of significance of 0.1% is used. Students’ perception is tested in three areas: 1- international business profession; 2- international business curriculum; and 3- learning methodology.

In the second part, Binary Logistic Regression Model (BLRM) is used to test if the gender plays a significant role in influencing students’ perception. Logistic regression is superior to the linear regression model where normality assumptions of the independent variables are not met. It is simpler to read and to interpret because its values are bound to range between zero and one.

The procedure requires the identification of two groups (dependent variable). The first group is made of female students (Y = 0). The second group is made of male students (Y = 1). The independent variables are the three-perception statements, i.e. 1- international business profession, 2- international business curriculum, and 3- learning methodology. $R^2_{Logit}$ is used to test the reliability of the logistic regression model.

$$R^2_{Logit} = 1 - \frac{(2LL_0 / 2LL_1)^{1/2}}$$

$R^2_{Logit}$ is similar to the coefficient of determination $R^2$ in the multiple regressions. It has a value that ranges between 0 and 1. When $R^2_{Logit}$ approaches 0, the model is poor. When $R^2_{Logit}$ approaches 1, the model is a perfect predictor.

Data Analysis

In the first part of the study, students’ perception is tested in the three areas. The first one is the international business profession area. Sixteen questions show extremely significant results (i.e. 0.1% level of significance) of which nine are strongly agree and seven are strongly disagree. Table
1 reflects the test statistics and confidence level results of the strongly agree statements. Statements that students strongly agreed to are:

1. As the world is our major trading partner, we should learn how to market products/services globally (P117).
2. The use of indigenous cases, which deal with local company situations, will be an ideal method (P124).
3. Mexican companies, with their superior technological marketing, tend to dominate markets particularly in Central America (P110).
4. International marketing should be taught in the undergraduate level (P122).
5. In an international marketing course, a strong emphasis needs to be made on finance and banking issues (P123).
6. Given the opportunity, I would be interested in pursuing a career in international marketing (P114).
7. Based on my interest in international topics, I’d like to learn more about international marketing subjects (P112).
8. Most Mexican firms will be affected directly or indirectly by socio-economic, cultural and political developments in the international market scene; as a result, most managers will need an ability to understand and anticipate those effects (P108).
9. Mexico being a trading nation, every business student should know something about international marketing (P113).
On the other hand, table 2 reflects strongly disagree statements results, which are 1- A firm located in an affluent market like Mexico can easily survive without any modifications (P109). 2- One does not need the knowledge of principles of marketing to lean international marketing (P121). 3- The concept of market segmentation does not apply in foreign markets (P101). 4- Normally, products proven successful in Mexico market can be marketed in foreign countries without any modification (P107). 5- In learning international marketing, cases on operations of multinational firms in overseas markets are sufficient (P120). 6- The only difference is in the application of concepts and techniques of domestic marketing (P119). 7- Consumers in developing countries have less sophisticated tastes and needs. Products, which do not sell well in Mexico, should be marketed in these countries (P118).

Table 2: International Business Profession - Strongly Disagree

<table>
<thead>
<tr>
<th></th>
<th>Alpha = 0.1%; Test Value = 3</th>
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<tbody>
<tr>
<td></td>
<td>t</td>
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</tr>
<tr>
<td>P109</td>
<td>-12.568</td>
</tr>
<tr>
<td>P121</td>
<td>-10.395</td>
</tr>
</tbody>
</table>
The results show that students are able to highlight correctly some of the key issues that are related to international business when they strongly agree with the following statements: 1- As the world is our major trading partner, we should learn how to market products/services globally. 2- Most Mexican businesses will be affected directly or indirectly by socio-economic, cultural and political developments in the international market scene. 3- Mexico being a trading nation, every business student should know the concepts of international marketing. 3- In addition, they correctly disagree on all key false international business issues. 1- A firm located in an affluent market like Mexico can easily survive without any modifications. 2- One does not need the knowledge of principles of marketing to learn international marketing. 3- The concept of market segmentation does not apply in foreign markets. 4- Normally, products proven successful in Mexico market can be marketed in foreign countries without any modification. 5- Domestic and international marketing are the same. The only difference is in the application of concepts and techniques of domestic marketing. 6- Consumers in developing countries have less sophisticated tastes and needs. Products, which do not sell well in Mexico, should be marketed in these countries).

Table 3 highlights the results of the second area, which is students’ perception of the international business curriculum and its related subjects. One more time, students are able to highlight the key subjects where international business curriculum should be incorporated. Students strongly highlight the importance of the international business field of studies and the need to include it in the curriculum of the following subjects: 1- Consumer/Buyer Behavior (P201), 2- Market/Marketing Research (P202), 3- Advertising/Marketing Communication (P203), 4- Marketing Models and Quantitative Methods (P204), 5- Industrial Marketing (P205), 6- Marketing Planning (P206), 7- Pricing (P207), 8- Marketing Organization (P208), 9- Physical Distribution/Logistics/and Channels (P209), 10- Sales Management (P210), 11- Retailing (P211), 12- Comparative Marketing (P212), 13- Social/ Legal Aspects of Marketing (P213), and 14- Marketing Decision Making (P214).

Table 3: International Business Curriculum - Strongly Agree

<table>
<thead>
<tr>
<th></th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>99.9% Confidence Interval of the Difference</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Lower</td>
</tr>
<tr>
<td>P201</td>
<td>18.402</td>
<td>121</td>
<td>.000</td>
<td>1.221</td>
<td>1.00</td>
</tr>
<tr>
<td>P202</td>
<td>21.893</td>
<td>121</td>
<td>.000</td>
<td>1.443</td>
<td>1.22</td>
</tr>
</tbody>
</table>
Table 4 highlights the results of the third area, which is students’ recommendation when asked about the ideal tools for learning international business. It shows that students are aware of the wide spectrum of educational tools that are used in developed countries when they strongly agree on the following learning tools and methods: 1- regular lectures (P301), 2- case methods (P302), 3- guest lectures (P303), 4- audio-visual presentations (P304), 5- role playing exercises (P305), 6- field work on a topic of interest (P306), and 7- group discussions (P307).

Table 4: Teaching Tools - Strongly Agree

<table>
<thead>
<tr>
<th></th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>99.9% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>P301</td>
<td>4.971</td>
<td>121</td>
<td>.000</td>
<td>.492</td>
<td>[.16, .83]</td>
</tr>
<tr>
<td>P302</td>
<td>16.758</td>
<td>121</td>
<td>.000</td>
<td>1.197</td>
<td>[.96, 1.44]</td>
</tr>
<tr>
<td>P303</td>
<td>22.721</td>
<td>120</td>
<td>.000</td>
<td>1.554</td>
<td>[1.32, 1.78]</td>
</tr>
<tr>
<td>P304</td>
<td>13.231</td>
<td>121</td>
<td>.000</td>
<td>1.131</td>
<td>[.84, 1.42]</td>
</tr>
<tr>
<td>P305</td>
<td>18.971</td>
<td>121</td>
<td>.000</td>
<td>1.533</td>
<td>[1.26, 1.81]</td>
</tr>
<tr>
<td>P306</td>
<td>18.868</td>
<td>121</td>
<td>.000</td>
<td>1.352</td>
<td>[1.11, 1.59]</td>
</tr>
</tbody>
</table>
In the second part of the study, the effect of gender is highlighted. Table 5 shows that a significant difference among gender exists in the following arguments: 1- The concept of market segmentation does not apply in foreign markets, and 2- the use of case methods as an international marketing learning tool.

**Table 5: Factors Influenced by Gender**

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>S.E.</th>
<th>Wald</th>
<th>df</th>
<th>Sig.</th>
<th>Exp(B)</th>
<th>95% C.I. for EXP(B)</th>
<th>Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>P101</td>
<td>.473</td>
<td>.193</td>
<td>6.000</td>
<td>1</td>
<td>.014</td>
<td>1.605</td>
<td>1.099</td>
<td>2.343</td>
<td></td>
</tr>
<tr>
<td>P302</td>
<td>.668</td>
<td>.265</td>
<td>6.374</td>
<td>1</td>
<td>.012</td>
<td>1.950</td>
<td>1.161</td>
<td>3.275</td>
<td></td>
</tr>
</tbody>
</table>

Table 6 shows that gender explains 13.70% (coefficient of determination) of the total variations of students’ perception identified factors.

**Table 6: Gender Coefficient of Determination**

<table>
<thead>
<tr>
<th>Step</th>
<th>-2 Log likelihood</th>
<th>Cox &amp; Snell R Square</th>
<th>Nagelkerke R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>152.849</td>
<td>.048</td>
<td>.065</td>
</tr>
<tr>
<td>2</td>
<td>146.030</td>
<td>.102</td>
<td>.137</td>
</tr>
</tbody>
</table>

Table 7 shows that the gender’s predictive power is 72%; i.e. it can classify correctly 72% of students’ perception identified factors.

**Table 7: Effect of the Gender – Relevant Factors**

<table>
<thead>
<tr>
<th></th>
<th>Observed</th>
<th>Predicted</th>
<th></th>
<th>Percentage Correct</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 1</td>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>9</td>
<td>38</td>
<td>19.1</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>8</td>
<td>63</td>
<td>88.7</td>
</tr>
<tr>
<td></td>
<td>Overall Percentage</td>
<td>61.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>29</td>
<td>18</td>
<td>61.7</td>
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<tr>
<td></td>
<td>2</td>
<td>15</td>
<td>56</td>
<td>78.9</td>
</tr>
<tr>
<td></td>
<td>Overall Percentage</td>
<td>72.0</td>
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</tbody>
</table>
RESULTS AND DISCUSSION OF THE STUDY

The results confirm both research hypotheses. Mexican students have significantly expressed vivid opinions across the three broad survey categories. They have a clear idea about international business and its implications among global markets. Most of the respondents indicated an awareness of the fact that Mexican businesses will be directly or indirectly affected by socio-economic, cultural and political developments in international markets. As such, managers will have to have knowledge and training in order to understand and anticipate the consequences of their decisions. Based on the results, respondents are interested in studying international business and are well aware of the career opportunities that await those familiar with international business and trade.

With regard to an ideal international marketing and management curriculum, students indicate an interest in learning a wide variety of subjects that are related to international business. Special interest is also shown in marketing decision making as a useful subject when developing a curriculum.

Lastly, students show an interest in learning international business through the use of indigenous case analysis with local companies as learning techniques. Additionally, understanding of technological marketing is an important dimension in the curriculum development. Respondents from Mexico show a stronger preference for learning through group discussion and case methods (which has the highest scores), as opposed to traditional lectures (which has the lowest score). Interest in learning more through role-play exercises and field trips further strengthens the case for non-traditional learning methods.

CONCLUSIONS

Economic development depends on a variety of factors being in place. One of these factors is properly trained workforce or well-developed human capital skills. Enterprising and skilled workers are the engine that drives economic development. When there is wide availability of an educated and trained labor force, new business development will follow. Attention to workforce education is a key element in Mexico’s economic strategy that can produce positive outcomes. As such, it is of no doubt that international business studies are in greater demand since the world economies are changing significantly. This study has provided an opportunity to pinpoint the need for Mexican schools of business to develop sustained strategies that allow them to adapt to the market needs; the development of international business curriculum deserves much more attention. Since Mexico is a developed but politically unstable country that is increasingly embracing globalization, much talent is needed by way of new graduates who are familiar with international business and related areas. This presents both a challenge and an opportunity for universities to develop courses and programs that equip graduates with these vital skills.

The students have made their views clear in this study. They are interested in learning more about international business in their curriculum. They are well aware of the trends in these areas and how they affect the relationship of their own nation with other developed countries. They are also aware of how important this subject matter is to their job prospects and future growth. In addition, the study provides input about the specific subjects that should be included in the different levels of interest within various areas. Furthermore, students have also indicated their preference to learn these subjects by way of non-traditional methods, which are spreading wide across all disciplines.

The study suggests a number of key steps for university faculty members and decision makers to follow. It sheds a light on these key issues from a macro perspective, which might be of great benefit for the higher education system as a whole. It would be worthwhile for business schools to rethink and perhaps
to pay more attention to build sustained strategies i.e. to adapt to the market challenges and revise their curricula at an early stage in the education cycle. This will allow them to stay current with the knowledge they provide to students and provide the market with the necessary talents and skills.

**RECOMMENDATION FOR FUTURE RESEARCH**

Since there are universities and schools of business around the world delivering international business curricula, it would be beneficial to explore their developed strategies in terms of content and delivery. Additionally, it would be of great interest to conduct comparative analyses between schools of business around the world to highlight the differences between their strategies. This would provide an opportunity for sharing information and strengthening international curricula across the globe.

**LIMITATIONS**

There are three practical problems associated with this study. These limitations are presented below:

1- The data is a primary type, taken from a survey, i.e., it is subject to sample collection and related errors.

2- The cost and time are the primary factors for using a sample of 330 only.

3- The external validity needs to be tested by using the model in other countries.

These limitations need to be kept in mind while reading this study.

**REFERENCES**


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Addressing Corruption Risk in Collectivist Cultures: Toward an Identity-Based Model of Multi-National Corporate Compliance

Duncan McCampbell, Metropolitan State University

Abstract

Western multi-national corporations (MNC’s) are subject to laws prohibiting the bribing of foreign government officials. Recent prosecutorial trends and rising penalties confirm that the risks of a foreign corruption prosecution have never been higher. Given that many MNC’s now center their growth strategies on emerging markets--where corruption risk is often high--the anti-bribery and corruption (ABC) methods employed by these companies come into greater focus. Mounting evidence suggests that the universalist, individualist themes underpinning many Western ABC compliance programs are of dubious value in majority collectivist settings, and can actually limit their ability to influence employee behavior. This paper conducts a review of literature and integration of theory across several relevant disciplines--law, management, business ethics, compliance and cultural psychology—to arrive at a proposal for finding a more effective approach to preventing corruption. The paper concludes by suggesting further research into the development of a new, identity-based approach to ABC compliance in collectivist settings.

Key Words
Multi-National Corporations, Corruption, Culture, Anti-Bribery, Compliance

Background

Corruption is broadly defined as “the misuse of public power for private gain.” (Rose-Ackerman 1999). Corruption is a two-sided coin: the demand side is occupied by someone who solicits or receives a bribe—usually a government employee--while on the supply side, also known as the “active” side of corruption, there is someone who offers, authorizes or pays a bribe. (Low, Lamoree & Landon, 2015). Klitgaard’s widely-cited formula explains the demand side of corruption: corruption equals monopoly plus discretion minus accountability (Klitgaard, 1988). According to this formula, corruption flourishes when (1) government officials hold a monopoly over a good or service, (2) have discretion over how that good or service can be allocated, and (3) oversight and accountabilities are absent (Klitgaard, 1988; Graycar & Sidebottom, 2012). This paper focuses on the supply side of corruption: the companies and individuals who pay bribes to foreign government officials.

Corruption has been found to be both the cause and the consequence of the erosion of trust in both other people and in government institutions. (Rose-Ackerman 1999). More than $1 trillion, or about 3% of the world gross domestic product (GDP) goes to paying bribes (Mazur and Aggarwal, 2015; World Bank, 2017). There is a virtual consensus among economists that corruption is economically inefficient and associated with negative over-all economic activity (Bose, 2010). Interestingly, corruption is both most common and least inefficient in autocracies, the point being that an autocrat is usually in the best position to deliver on the object of a corrupt payment (Alon, 2016). And while corruption stunts economic growth in all societies, it is most harmful in societies with weak governments transitioning from autocracy toward democracy, sometimes called anocracies (Alon, 2016).
While it is impossible to determine the precise level of corruption, a 1997 World Bank estimate placed the total corruption involved in international trade at $80 billion per year (Walsh, 1998). A World Bank survey of 3600 firms in sixty-nine countries found that 40% of those businesses pay bribes. In industrial countries, 15% of businesses were found to pay bribes, but in the former Soviet Union, this figure jumped to over 60% (Omestad, 1998).

In 1999, Transparency International and Gallup International began looking deeper at the supply side of corruption. They asked 800 business executives in fourteen emerging market economies to rank the bribe-paying behavior or companies from the nineteen largest exporting countries. What resulted is the now famous Bribe Payers Index (BPI). Nowadays such countries as the Netherlands, Switzerland and Belgium are perceived to be home to the "cleanest" corporations, while Russian, Chinese, and Mexican companies come in on the opposite side of the bribe-paying spectrum. United States corporations usually rank in the middle of the pack of perceived bribe payers (Transparency International, 2011).

Wherever they are based, MNCs have been positively associated with an increase in corruption in developing economies. Because they often wield outsized market power, MNC’s can create monopolies or oligopolies to drive the supply side of corruption, increasing opportunities for government officials to charge rents (i.e. collect bribes) for resources under their exclusive control (Zhu, 2017). When anti-competitive market concentration by a foreign MNC is combined with a high entry-cost market, such as auto manufacturing or pharmaceuticals, the field of competition is often distorted and opportunities for corruption increase. In China, for example, purely domestic auto marques struggle to compete with the likes of Volkswagen, Audi, GM and other foreign makers that can wield their superior brand equity, technology and marketing expertise in joint ventures with Chinese companies. In 2014, for example, over 12 million passenger cars were sold in China, with the top five makers (all joint ventures with foreign MNC’s) accounting for 49% of market share. (China Association of Automobile Manufacturers, 2014). The enormous market leverage of the foreign MNC’s has led to accusations of pricing misconduct and corrupt acts with government officials. The FAW/Volkswagen joint venture, for example, has been the subject of a Chinese government corruption investigation (Yu, 2014).

**Anti-corruption enforcement—at an all-time high**

Anti-corruption laws primarily target the supply side of corruption, the rationale being that corruption will be reduced if payers of bribes are constrained from paying bribes. (Beets, 2005, Berenbeim, 1999). The UK Bribery Act came into force in 2011 and only a handful of cases have been brought by the UK’s Serious Fraud Office. The Bribery Act, like its American counterpart, the Foreign Corrupt Practices Act (FCPA), prohibits (i) “active bribery” i.e. giving or offering a bribe; (ii) “passive bribery” i.e. receiving or asking for a bribe; and (iii) bribing a foreign public official. But unlike the FCPA, it is not necessary to prove an intent to bribe under the Bribery Act. It also creates the “corporate offense” of failure of an organization to put in place “adequate procedures” to prevent a person associated with it from engaging in bribery (Norton Rose, 2017).

Like the UK Bribery Act, the FCPA, enacted in 1977, provides criminal penalties for bribing foreign government officials. The law’s origins traced to foreign bribery scandals in the 1970s. The first involved Lockheed Corporation, which disclosed to regulators in 1971 that it paid multi-million dollar bribes to officials in several countries in order to secure government contracts. Lockheed's conduct embarrassed the U.S. as well as the countries whose officials received bribes, including Japan, Italy, and the Netherlands (Yockey, 2011).
There are two main provisions of the FCPA: anti-bribery and record-keeping. The anti-bribery prohibition makes it illegal to give something of value to a foreign government official with the intent to receive a business advantage. The record-keeping clause requires companies which trade securities on U.S. equity markets to keep and disclose their payments and disbursements. Violation of the FCPA carries both civil and criminal penalties. Criminal violations are investigated and enforced by the U.S. Department of Justice (DOJ); the civil side by the Securities and Exchange Commission (SEC) (Hinchey, 2011). The evidence needed to advance an investigation is usually found in a company’s financial records and filings (Yockey, 2011).

Prosecutors would have difficulty obtaining an FCPA conviction before a jury for a number of reasons, not the least of which being that the illegal conduct almost always occurs overseas and implicated foreign nationals or witnesses are unobtainable. But since most FCPA cases settle before trial, there is scant prior jurisprudence to guide and constrain what has become very expansive statutory interpretation by government investigators and prosecutors.

The FCPA got off to a sleepy start. In its first thirty years in force, federal authorities typically initiated just two or three FCPA cases a year, with fines or settlements seldom exceeding $1 m. (Westbrook, 2010). But prosecutions, fines and settlements have been rising steadily over the last decade, as government regulators focus on corporate accounting and governance practices post-Enron (Burr, 2016). The DOJ has confirmed that enforcing the FCPA is now its top priority—"second only to fighting terrorism" (Yockey, 2011).

The high-water mark for prosecutions and settlements occurred in 2016. According to the FCPA Blog, “27 companies paid about $2.48 billion to resolve FCPA cases, making 2016 the biggest enforcement year in FCPA history. Both the number of enforcement actions and the overall amounts paid to resolve them were records.” (FCPA Blog, 2017) With over 200 open FCPA investigations, FCPA enforcement is "at an all-time high and likely to remain there" (Yockey, 2011).

The FCPA’s provisions do not apply merely to U.S. domiciled companies. Since the essence of an FCPA violation is the falsification of financial filings, any company which trades its shares on a U.S. securities market regulated by the SEC is potentially liable. Indeed, seven out of the ten largest FCPA settlements noted above involved companies not headquartered in the U.S. In 2010, 90% of FCPA fines and penalties were paid by non-U.S. companies (Koehler, 2011).

The FCPA is not the only anti-corruption law bearing on the foreign conduct of Western MNC’s. Prosecutions under local anti-corruption laws, often disproportionately enforced against foreign companies, are a major consideration for MNC’s (Kaiman, 2013; Chow, 2014). Consider the record $489 million fine that the Chinese government imposed on British pharmaceutical giant GlaxoSmithKline (GSK) in 2014. The Chinese court found GSK and five of its executives guilty of engaging in the relatively widespread practice of bribing Chinese doctors and hospitals to purchase its products (Parry, 2014).

Why isn’t cross-border corruption decreasing?

The FCPA is grounded in a criminal justice theory of deterrence which assumes that increasing the penalties associated with getting caught will act as a sufficient mechanism to deter individuals from acting corruptly. Typical examples include the introduction of stiffer sanctions, the establishment of new, firmer laws and initiating institutional reforms (Graycar and Sidebottom 2012). Studies have concluded,
however, that the FCPA, as a tool of deterrence, has not produced a demonstrable reduction in global bribery (Cragg and Woof, 2002).

So, despite record enforcement activity, there is no evidence that either actual or perceived levels of foreign corruption are decreasing among Western MNC’s. Some commentators lay the blame squarely on the doorstep of the FCPA itself:

“The Foreign Corrupt Practices Act (FCPA) is a failed regulatory initiative in combating global commercial bribery. Hailed as a seminal event at its inception, the international organization now responsible for monitoring its effectiveness, the Organization for Economic Cooperation and Development (OECD), has repeatedly questioned its impact on the global business community” (Weismann, 2009).

Against a backdrop of failed deterrence, Western MNC’s are wading deeper into the waters of corruption risk by shifting their growth focus away from regions characterized by relatively low economic growth and low corruption, such as Europe, to Asia, where business opportunities are more attractive and corruption is a much larger issue. In a poll conducted in 2015 by the U.S. Chamber of Commerce, 74 percent of 588 senior executives representing U.S. companies working in the Pacific Rim region said their company's level of trade and investment in the region has increased over the past two years, and 89 percent of respondents said they expect it to increase over the next five years. (U.S. Chamber of Commerce, 2015) The Asia Pacific region, while boasting the highest rate of economic growth in the world, remains mired in the bottom half of the Corruption Perceptions Index for 2016. Nineteen out of 30 countries in the region score 40 or less out of 100 (Transparency International, 2016). Accordingly, Asia is, and always has been, the top FCPA enforcement region. Over 100 FCPA investigations are underway in Asia--significantly more than any other region of the world (Sidley Austin, 2017).

Another reason for the stubborn persistence of corruption is that many Western MNC’s operate overseas in heavily regulated industries--or in industries with predominantly government buyers--where corrupt business practices are almost cooked into their business models. For example, most global pharmaceutical companies, including Pfizer and GSK, have been heavily penalized for foreign corruption. These companies espouse high ethical standards and make solemn commitments to prevent bribery and corruption. Yet they and other companies in the pharmaceutical sector continue to experience violations and costly prosecutions (David-Barrett et al. 2017). Other Western-dominated industries with outsized FCPA risk and enforcement histories include power generation, defense, oil/gas services and construction equipment.

**Current ABC approaches don’t seem to be working**

Social scientists have struggled to provide an adequate explanations for the stubborn persistence of corruption, despite the implementation of global anti-corruption compliance programs, or to explain why corporations “on the supply side of corruption invest significant resources to comply with anticorruption norms, yet constantly fail to achieve this goal” (Klinkhammer 2013). One study concluded that (1) in many places there is moral ambiguity about the prohibited conduct; (2) U.S. MNC’s compete with non-U.S. companies which are not under similar strictures; and (3) companies have difficulty controlling employee behavior over geographically decentralized operations (Darrough, 2010).

ABC compliance has become a very lucrative line of business for lawyers, accountants, compliance professionals--and prosecutors, after they leave government (Yockey, 2011). Law firms
housing former government prosecutors monitor enforcements closely and trumpet risks to their corporate clients. One can see why. Avon Products, for example, reported spending some $100 million in professional services associated with an FCPA prosecution (Koehler, 2011). An FCPA investigation of Wal-Mart’s Mexico operation led the company to undertake a $30 million internal audit. Enormous sums are spent on internal investigations and anti-corruption programs in the mistaken belief that they will soften the blow of future settlements and penalties. There is no evidence, however, that such expenditures pay off in the event of an enforcement. Indeed, firms which self-disclose FCPA violations in the hope that it will reduce penalties have been disappointed with the results. One study showed firms which voluntarily disclosed their foreign bribes received on average almost double the penalties of firms that made no disclosure (Hinchey, 2011).

Distance and language both diminish and complicate foreign compliance initiatives. The effectiveness of corporate governance decreases in proportion to both organizational distances and external and internal regulatory presence. (Weissmann, 2009). The OECD found a palpable disconnect between anti-corruption plans conceived in the U.S. and the actual implementation of those plans in foreign venues where bribery is most likely to occur (OECD, 2002). Citing a survey conducted by Transparency International, the OECD study showed that companies generally performed less, not more, monitoring of their overseas operations than at home. It also found that a mere 52% of the respondents had multilingual versions of compliance plans available, and that only 19% rated their codes as “extremely effective” (OECD, 2002, p. 18).

Current approaches: rules-based and values-based ABC compliance

Fortune 1000 firms have adopted two predominant approaches to ethics and ABC compliance: a rules-based orientation, sometimes called a compliance orientation, and values-based orientation, sometimes known as integrity-based (Ferrell and Fraedrich 2011; Weaver, Treviño and Cochran, 1999). The former approach has been characterized as explicit; the latter as implicit (Brenner 1992). Most corporate ABC approaches in use today incorporate both explicit and implicit components.

A rules-based approach represents the first generation of ABC compliance. Typically conceived by lawyers, this approach focuses on law and legalities, appealing primarily to an employee’s rational desire to know what is and isn’t legal, and to use that knowledge to avoid sanction (Weaver & Treviño, 1999). The assumption underpinning the rules based approach is that employees, when weighing the potential costs and benefits of engaging in corruption, will make a rational choice to steer clear of corrupt business practices. Values-based compliance, on the other hand, seeks to manage employee behavior through appeals to the employee’s individual value system. Arising out of the values based leadership movement of the 1990’s, values-based compliance is built upon a foundation of shared moral principles and values.

Used effectively in the U.S., the values-based approach has one profound limitation when deployed globally by an MNC. The approach is created by people from the developed world and is often deployed across the enterprise on the false assumption that overseas employees and home office personnel share the same culture and values. The cultural disconnect comprises the essence of the issue discussed in this paper.

Despite recent—and very Western--impulses to discover a universal set of shared ethical beliefs across nations and cultures (see, Javidan et al. 2006), comparative ethicists are fairly unified in their view that ethical standards and behavior vary greatly across cultures (Schlegelmich and Robertson, 1995;
Corruption provides a perfect illustration of the cultural disconnect. Many overseas employees
don’t know any other way of doing business, and thus don’t necessarily personally see anything wrong
with corrupt business practices. Thus, at least as regards corruption, there often no congruity between an
MNC’s global ABC policy and the business values of local employees. The disconnect highlights the
most important reason for the persistence of foreign corruption in Western MNC’s—and the theory put
forth by this paper: efforts undertaken by companies to influence employee behavior in the places where
corruption risk is highest aren’t working because they do not take into account local culture.

Culture: the key to effective corruption prevention

Triandis defines culture as a shared pattern of categorizations, attitudes, beliefs, definitions,
norms, values, and other elements of subjective culture (Triandis et al., 2001). Social psychologists have
long understood that considerable differences exist among cultures which affect not only their beliefs
about specific aspects of the world but also the nature of the ways by which they know the world (Nisbett,
Peng, Choi & Norenzayan, 2001). The so-called Western and largely American view of the individual
are understood to have profound shortcomings when applied in cross-cultural, primarily collectivist,
settings (Weaver, 200, Husted & Allen, 2008).

Dutch social psychologist Geert Hofstede surveyed work-related values between 1967 and 1973
from some 117,000 IBM employees who worked in 40 different countries (Hofstede, 1980). His analysis
yielded four statistically-independent dimensions which separated the cultures of the countries he studied.
He labeled these “power distance’, ‘uncertainty avoidance’, individualism’, and ‘masculinity’. Countries
were ranked in a 0-100 scale on each of the four dimensions (Hofstede, 1980).

Power distance refers to the extent to which less powerful people are comfortable with or
accepting of unequal status and power distribution in their respective organizations or societies.
Uncertainty avoidance measures the extent to which the people of a given culture are sensitive to, or
threatened by, uncertainty, ambiguity, or the lack of structure. Individualism, and its analogue
collectivism, refer to the extent to which a society values individual identity, action and achievement, as
opposed to that of the group or collective. The masculinity dimension, and its counterpart femininity,
measure the extent to which a society values such “traditional” male characteristics as achievement,
competitiveness, assertiveness, contrasted with such traditionally female characteristics as nurturing and
placing relationships before material achievement (Hofstede, 1980).

In subsequent studies Hofstede offered up two additional cultural dimensions: long-term
orientation (Hofstede, 1991) and indulgence (Hofstede et al. 2010). Long term-orientation, as contrasted
with short-term orientation, refers to the relative patience with which members of a society are prepared
to await achievement of certain desired ends. Indulgence, and its counterpart restraint, measure a society’s
tolerance for the gratification of natural human desires related to the enjoyment of life, as contrasted with
controls on gratification, regulation of behavior with strictly policed norms (Hofstede, 2011).

Hofstede’s individualism/collectivism dimension has been characterized as the most significant
determinant of cultural difference across societies (Singelis, Triandis, Bhawuk, & Gelfand, 1995; Markus
& Kitayama, 1991; Zheng et al. 2013). Hofstede found that the U.S. was the world’s most individualist
culture, with several other northern and Western cultures not far behind. Collectivist eastern and Asian
societies, such as Japan, Singapore and the Philippines, occupy the opposite end of the
individualism/collectivism spectrum—as do many African and South American cultures (Hofstede, 1980).

The individualism/collectivism dimension has been found to be the primary reason for national differences in ethical practices. (Carroll and Gannon, 1997). Several studies have positively connected a society’s collectivist cultural values with the existence of corruption (Hooper, 1995; Husted 1999, 2000; Seleim and Bontis, 2009; Réthi, 2012). For example, evidence has been found that companies in more collectivist societies perceive a higher degree of corruption in bank lending (Zheng et al., 2013). The results of one study suggest that collectivism promotes bribery by mitigating individuals’ perceived personal responsibility for their actions (Mazar & Agarwal, 2011).

The main elements of individualism are independence and personal uniqueness, whereas the core elements of collectivism are duty to the in-group and the maintenance of harmony (Oyserman, Coon & Kemmelmeier, 2002). Trompenaars and Hampden-Turner devised a different set of dimensions during their extensive cross-cultural studies. These dimensions are universalism vs. particularism, individualism vs. communitarianism, achievement vs. ascription, neutral vs. affective, specific vs. diffuse, human nature relationship, human-time relationship (Trompenaars & Hampden-Turner, 1997).

The first two dimensions are particularly relevant to a study of cross-cultural ABC approaches because they highlight stark differences between Western and Eastern thought. Universalism/particularism defines how people judge the behaviors of their colleagues. People from universalistic cultures (primarily the developed West) focus more on rules, are more precise when defining contracts and tend to define global standards for company policies and human resources practices. Within more particularistic national cultures (primarily Eastern cultures), the focus is more on the relationships; contracts can be adapted to satisfy new requirements in specific situations and local variations of company and human resources policies are created to adapt to different requirements (Trompenaars & Hampden-Turner, 1997 Réthi, 2012).

The Individualism/Communitarianism dimension is similar to Hofstede’s Individualism/Collectivism dimension and classifies countries according to the balance between individual and group interests. Generally, team members with individualist mind-sets are motivated by personal interests. Improvements to their groups are a means to achieve their own objectives. By contrast, the team members from communitarian cultures see improvements to individual capacities as benefiting group objectives and over-all group prosperity. (Trompenaars & Hampden-Turner; 1997 Réthi, 2012).

**Individualism/collectivism, universalism and ABC compliance**

Most corporate codes of ethics adopted by Western MNC’s are steeped in the universalist ethical constructs of the individualist West—the notion that all people are unique, equal and that certain legal standards apply to all (Akbar and Vujic 2014). Employees are expected to adopt two vital—and for the those employees, often strange—streams of Western thought: that people, above all (1) are “independent, self-contained, autonomous entities who comprise a unique configuration of internal attributes (e.g., traits, abilities, motives, and values); and who (2) behave primarily as a consequence of these internal attributes” (Markus & Kitayama, 1991; Geertz, 1975; Sampson, 1988,1989; Shweder & LeVine, 1984). Many employees—especially in Asia and many parts of Africa and Central and South America—will listen respectfully and wait for the Western lawyers to go home. Soon they’ll be back to the cultural reality of corruption as a daily fact of life—simply another way to get something done.
It should come as no surprise, therefore, that the literature is replete with examples of Western MNC’s failing to get local traction on their “global” codes of ethics. In one study the uniquely American penchant for legalism and universalism was a point of resistance when a company’s codes of ethics was implemented in a Swedish subsidiary (Helin & Sandström, 2008). Even the relatively staid and structured field of accounting found serious problems arising in the application of international codes of ethics in foreign settings (Cohen, Pant, & Sharp, 1992). Among the foreign employees of a Western pharmaceutical company, codes of conduct were often seen as unrealistic policies issuing out of the head office, lacking buy-in with teams in the field (David-Barrett et al. 2017). The problem, according to these researchers, was not the resourcing, sophistication or corporate commitment to preventing corruption. What mattered, they concluded, was that “individuals operating in high-corruption contexts often fail to internalize the values set out in the codes of conduct and anti-bribery policies” (David-Barrett et al. at 338).

Crucially, when thinking in terms of ABC compliance programs which aspire to influence the beliefs and behavior of employees, individualists and collectivists arrive at their values, and even form their identities in very different ways. In collectivist cultures, values are formed (and, thus, presumably, ethical compliance is to be achieved) largely through the employee’s interpersonal relationships, rather than through formal structures or universally applicable codes of conduct (Weaver, 2001).

“To the Westerner, it makes sense to speak of a person as having attributes that are independent of circumstances or particular personal relations. This self—this bounded, impermeable free agent—can move from group to group and setting to setting without significant alteration. But for the Easterner (and for many other peoples to one degree or another), the person is connected, fluid and conditional.”

“[To the collectivist] the person always exists within settings—in particular situations where there are particular people with whom one has a relationship of a particular kind—and the notion that there can be attributes or actions that are not conditioned on social circumstances is foreign . . .” (Nisbett, 2010 at 50).

In the Western, individualist cultures in which most MNC compliance programs are firmly rooted, explicit ethics policies effectuate a cultural desire to have clearly defined rules (Scholtens and Dam, 2007). The policies assume the inherent separateness of people because the Western individualist aspires to become independent from others and to discover and express unique, personal attributes (Johnson, 1985; Marsella et al., 1985; J. G. Miller, 1988; Shweder & Bourne, 1984). “Achieving the cultural goal of independence requires construing oneself as an individual whose behavior is organized and made meaningful primarily by reference to one’s own internal repertoire of thoughts, feelings, and action, rather than by reference to the thoughts, feelings, and actions of others” (Markus & Kitayama, 1991).

The object of corporate compliance is to move people to action around a set of values, and prevent actions that are inconsistent with those values. It has been said that ethics programs, as a component of a company’s over-all compliance effort “attempt to bring some degree of order and predictability to employee behavior” (Weaver, Trevino & 1999). The employee with an individualistic view of self is attracted to those values which allow expression of the actor’s all-important self-defining, inner attributes (e.g., hardworking, caring, ethical). This is why values-based compliance programs are most effective in Western, individualistic cultures. The independent, individualistic self, unlike the
collectivist self, is able to withstand social pressure and relies more on personal beliefs and values (Torelli, 2006). The values-based approach to compliance appeals to the employee’s own values, but is, of course, limited by the degree to which the employee’s values synch with the company’s compliance values (Markus & Kitayama).

Collectivist cultures, on the other hand, value the maintenance of solidarity with in-groups: family, friends, work colleagues (Husted, 2000). The collectivist experiences self by and through interdependence, actually achieving identity as part of an encompassing social relationship. The collectivist’s behavior is “determined, contingent on, and, to a large extent organized by what the actor perceives to be the thoughts, feelings, and actions of others in the relationship (Markus & Kitayama, 1991).

**Proposition: could an identity-based approach to combating corruption in collectivist cultures be more effective?**

Are current ABC compliance programs, rooted as they mainly are in Western, universalist, *individualist* notions of ethics and integrity, optimally effective at influencing employee behavior in majority collectivist cultures? Perhaps there is a better way to manage corruption risk in the very places where corruption is a common, accepted—if not strictly legal--business practice.

This paper proposes that an appeal based upon an employee’s identity as a member of a collective will be more influential—and potentially more effective at moderating corrupt business practices—than either the rules-based or values-based approaches.

<table>
<thead>
<tr>
<th>Compliance Approach</th>
<th>Appeals to:</th>
<th>Sounds like:</th>
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<tbody>
<tr>
<td><em>Proposed</em> Identity-Based</td>
<td>The collective’s values</td>
<td>“Behave this way because you are defined by your membership in this collective and these behaviors reflect the collective’s values.”</td>
</tr>
<tr>
<td>Values-Based</td>
<td>The employee’s values</td>
<td>“Behave this way because it is consistent with your values.”</td>
</tr>
<tr>
<td>Rules-Based</td>
<td>Rule of law and the employee’s rational choice</td>
<td>“Behave this way because if you get caught breaking the rules you may lose your job and/or go to jail.”</td>
</tr>
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Figure 1. Proposal: relative degrees of influence of rules-based, values-based and identity-based compliance messaging to collectivist employees.

Misangyi et al were the first to hint at an identity-based approach to influencing the behavior of collectivists (Misangyi et al. 2008). According to these researchers, the primary means by which the organization can change is by articulating new, anti-corrupt collective identities (Misangyi, et al; 2008; Friedland & Alford, 1991).
In collectivist cultures, people define themselves—achieve their identities—in and through their membership in a group or collective, and their relationships with members of that group. They place great value on the welfare of the group and the maintenance of solidarity within that group (Oysermann et al., 2002; Triandis, 1995). Business practices, such as corruption, which are characterized as inconsistent with the welfare of the collective, are perceived negatively (Erez and Early, 1993).

Since a collectivist is dependent upon, and deeply influenced by, their in-group, communicating the anti-corruption values within the employee’s “family” yields transformative results which might surprise a stubbornly self-contained Western individualist. By turning the ABC compliance messaging away from the narrow interests of the individual, and toward the employee’s identity as a member of a collective, it is proposed that a more impactful result will obtain.

**Further research**

Further research may inquire into whether a company’s compliance messaging is likely to produce the desired behaviors among collectivists. The process resulting in ethical or unethical behavior begins in what business ethicists describe as the moral domain—the subject’s recognition that a particular issue implicates a moral choice (Husted & Allen, 2008; Brady and Hatch, 1992; Jones, 1991; Rest, 1986; Trevino, 1986). The moral domain is the place where the subject perceives a proposed set of choices as being subject to judgments of right and wrong, not merely a matter of preference or casual personal liking (Colby and Kohlberg, 1987).

Situations which people see as raising an ethical question vary widely across cultures (Haidt, Koller & Dias 1993). In more individualist cultures, organizational issues falling within the moral domain are those which are likely to affect the individual, such as company policies or practices impacting individual interests, rights or entitlements (Husted & Allen, 2008). As previously discussed, most Western ABC compliance programs display this individualist bias in their focus on an individual—in the individual rational choice they make to avoid sanction, or act in conformance with their own individual values.

In collectivist cultures, on the other hand, duty, hierarchy, and interdependency lie at the center of what is moral (Shweder, 1990). Issues directly affecting an employee’s in-group or possibly disrupting harmonious relationships within the company are said to fall within the ethical domain (Nyaw & Ng, 1994).

Further research into the effectiveness of ABC compliance messaging to collectivist employees may apply Husted and Allen’s modification to Trevino’s model of ethical decision-making to determine whether desired compliance outcomes will likely result.
Husted and Allen chose to modify Trevino’s ethical model with the individualism/collectivism dimension because, more than any other cultural dimension, “it affects ethical decision making, which concerns the way people resolve conflicts in human interests and optimize mutual benefits.” (Husted & Allen at 294).

According to this model individualism/collectivism is a situational moderator impacting the Trevino model at two stages: where (1) a particular situation prompts the subject to perceive a moral dilemma—i.e. cross the ethical threshold into place where a moral value comes into play; and where (2) the subject attempts to resolve the dilemma by either (a) applying justice-based reasoning (the predominant construct for individualists) or (b) applying relationship-based reasoning (the predominant construct for collectivists).

The model suggests that a culturally effective ABC compliance approach for collectivists will (1) lead the employee into perceiving an ethical dilemma when confronted with an issue of corruption; and then; (2) prompt the employee to apply relationship-based reasoning (the stated values of the collective) to make the desired behavioral choice.

Conclusion

Western multi-national corporations seeking to mitigate their foreign corruption risk are well advised to investigate compliance approaches for their foreign employees which take into account local culture. The universalist, individualist themes underpinning many Western compliance programs likely limit their ability to influence employee behavior in majority collectivist cultural settings—the very places where corruption risk is highest. The fact that corruption prosecutions continue to grow in number and severity suggests that an opportunity exists to research the efficacy of existing ABC compliance approaches, and to contemplate new approaches—particularly for employees in majority collectivist cultures.

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Business Diplomacy Gone Rogue? Transnational Tobacco Companies and Illicit Trade in Tobacco Products

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ABSTRACT

This article purports to analyze the business diplomacy efforts of a powerful group of Transnational Tobacco Companies (TTCs) to secure their industry interests in the contested policy area of global tobacco control. Specifically, we study TTC efforts to influence World Health Organization (WHO) initiatives to establish the Illicit Trade Protocol (ITP) regime of the Framework Convention on Tobacco Control (FCTC). We compare and contrast TTC business diplomacy efforts on this issue with the Codes of Conduct publicly embraced by the industry. We conclude that TTCs have systematically violated their professed Codes of Conduct, thereby conducting rogue business diplomacy. The implications of these violations are briefly discussed.

Keywords
FCTC, Illicit Trade Protocol, tobacco control, business diplomacy, Transnational Tobacco Companies

INTRODUCTION

The determinants of international success or failure of businesses at the firm, industry, or nation-state level constitutes a fundamental research inquiry in international business strategy (Verbeke and Asmussen, 2016; Rugman, 2012). One of the key determinants of success for large transnational companies (TNCs) with worldwide presence is astute use of business diplomacy. Establishing and sustaining global legitimacy by strategically participating in national and international political decision-making processes are the key objectives of such business diplomacy.

As TNCs become key actors in international relations, their pursuit of corporate interests increasingly become targets of international criticism expressed through national and sub-national governments, multilateral institutions and non-governmental organizations. As such, strategic engagement on diverse issues with multiple market and non-market stakeholders each pursuing their own interests has become the sine qua non for TNC success.

In this research, we study the business diplomacy efforts of a well-known, influential group of TTCs to secure their industry interests in the controversial policy area of global tobacco control. In particular, we analyze TTC approach to the issue of illicit trade in tobacco products as well as TTC initiatives to influence WHO deliberations to institutionalize the ITP regime of the FCTC. We compare TTC business diplomacy efforts on ITP with the Codes of Business Conduct publicly and voluntarily embraced by the industry. We conclude that TTCs have systematically violated their professed Codes of Conduct with regards to illicit trade in tobacco, thereby conducting rogue business diplomacy.
UNDERSTANDING “BUSINESS DIPLOMACY”

According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2013, 80% of world trade takes place in value chains administered by TNCs (UNCTAD, 2013). Trade liberalization and the progressive lowering of trade barriers under the WTO regime are facilitating expansion, entrenchment and prosperity of TNCs. But this enlargement in scope and importance also means that to survive in today’s global environment, TNCs requires skills and resources for managing complex interactions with national and local governments, international institutions, and global and local social movements; being efficient and competitive is no longer enough (Muldoon, 2005). Furthermore, TNCs are not only economic actors. They often, willingly or unwillingly, play an important role in politics through business diplomacy, e.g regarding sustainability issues, human rights and health care. (Saner, 2000).

Saner and Yiu (n.d.) define business diplomacy as:

Business Diplomacy is a strategic response to the increasing complexity of the operational environment of global companies. It involves skillful negotiation of international treaties and agreements, proactive participation in governmental policies, collaborative influencing of international standard setting at multilateral bodies, constructive engagement with non-business stakeholders, effective mediation of conflicting interests between business and environmental/social groups and long-term strategic accumulation of social and reputational capitals.

THE ARENA OF CONFLICT- FRAMEWORK CONVENTION ON TOBACCO CONTROL

The foundation of the global regime on tobacco control is the FCTC. Adopted by the WHO in 2003, FCTC entered into force in 2005 and by May 2019, comprises of 181 parties to the Treaty (out of 193 member-states of the United Nations) representing 91% of the world population.

The Foreword to the treaty declares:

The WHO FCTC was developed in response to the globalization of the tobacco epidemic. The spread of the tobacco epidemic is facilitated through a variety of complex factors with cross-border effects, including trade liberalization and direct foreign investment. Other factors such as global marketing, transnational tobacco advertising, promotion and sponsorship, and the international movement of contraband and counterfeit cigarettes have also contributed to the explosive increase in tobacco use. (WHO, 2003: v)

The objective of the convention is to:

protect present and future generations from the devastating health, social, environmental and economic consequences of tobacco consumption and exposure to tobacco smoke by providing a framework for tobacco control measures to be implemented by the Parties at the national, regional and international levels in order to reduce continually and substantially the prevalence of tobacco use and exposure to tobacco smoke. (WHO, 2003: 5)

The FCTC contains both demand reduction and supply reduction provisions. Key obligations in the treaty are to:

a) enact comprehensive bans on tobacco advertising, promotion and sponsorship;
b) increase tobacco taxes;
c) adopt and implement large, clear, visible, legible and rotating health warnings on tobacco products and their packaging;
d) protect people from exposure to tobacco smoke from indoor work and public places;  
e) ban the use of terms such as ‘light’ and ‘mild’; and  
f) implement measures to combat smuggling of tobacco products. (WHO, 2003)

The treaty also contains numerous other measures designed to promote and protect public health, such as mandating the disclosure of ingredients in tobacco products, providing treatment for tobacco addiction, encouraging legal action against the tobacco industry, and promoting research and the exchange of information among countries (WHO, 2003).

**FCTC- MAJOR SETBACK FOR THE TRANSNATIONAL TOBACCO COMPANIES**

In the relational dynamics between business, government and society, both business and civil society try to exert influence on public policy. In this case, business and civil society wrestled in the WHO arena over FCTC (Mukherjee, 2017; Lee, 2010). Undoubtedly, FCTC is a major blow to the worldwide expansion strategies and marketing practices of TTCs. At the strategic level, segmenting the market by age, targeting new users (overwhelmingly adolescents in most societies) and positioning the product to appeal to this segment are banned. At the tactical level, there are stringent restrictions on product ingredients, packaging, advertising and distribution channels as well as pricing to end customers. It is noteworthy, however, that much of the restrictive rules contained in FCTC are not new in the setting of the developed countries in North America and Western Europe. From TTC perspective, however, the treaty is a substantial obstacle to its global growth strategy to less developed nations with considerably less restrictions on the tobacco industry. As is to be expected, TTCs fervently opposed the treaty (WHO, nd) lobbying instead for voluntary agreements and regulation by the free market. However, despite hostile and tenacious opposition by the TTCs, the FCTC was adopted by WHO with a strong push at implementation of the various provisions (Mukherjee and Ekanayake, 2009).

**PROTOCOL TO ELIMINATE ILLICIT TRADE IN TOBACCO PRODUCTS**

Article 15 of the FCTC (WHO, 2003) does provide a treaty basis for Parties to act against illicit trade in tobacco products. However, the complexity of the issue and the multiple national, regional and global organizations involved in combating different aspects of this illicit trade led Parties to the convention to specifically address this problem through ITP. ITP provides more specific guidance and solutions, as well as new obligations for parties to deal with the global illicit tobacco trade problem (WHO, 2014).

The objective of the Protocol is the elimination of all forms of illicit trade in tobacco products. “Illicit trade” in tobacco products in the context of the Protocol means any practice or conduct related to producing, shipping, receiving, being in possession of, distributing, selling or buying tobacco products and that is prohibited by law. This illicit trade poses a serious threat to public health because it increases access to – often cheaper – tobacco products, thus fueling the tobacco epidemic and undermining tobacco control policies. It also causes substantial losses in government revenues, and at the same time contributes to the funding of international criminal activities (US Dept. of State, 2015). The Protocol was negotiated by the Parties to the FCTC over several years, adopted in November 2012 (WHO, 2013) and entered into force in September 2018 with 41 Parties and 54 Signatories. To prevent illicit trade, the Protocol aims to make the supply chain of tobacco products secure through a series of measures by governments. It requires the establishment of a global tracking and tracing regime within five years of entry into force of the Protocol, comprising national and regional tracking and tracing systems and a global information sharing point located in the Secretariat of the FCTC. Other provisions to ensure control of the supply chain include licensing, record keeping requirements, and regulation of Internet-sales, duty-free sales and international transit. (WHO, 2013)
LIMITATIONS OF THE PROTOCOL

WHO undoubtedly has policy mandate in combating the consequences of tobacco use as a non-communicable disease as well as has expertise in strategies to reduce its consumption and adverse health impact. Hence, demand reduction provisions of the FCTC are well within its purview. The Protocol, however, deals with supply reduction issues, essentially as a custom, trade and law enforcement instrument specifically for tobacco products. WHO does not have a clear policy mandate, and certainly no expertise on these issues. (Liberman, 2012) The Protocol’s text makes implicit reference to these limitations and the need for inter-agency cooperation for the ITP to be successful. The preamble recalls and emphasizes “the importance of other relevant international agreements such as the United Nations Convention against Transnational Organized Crime, the United Nation Convention against Corruption and the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances” (WHO, 2013, p.5). The preamble also recognizes the need to build enhanced cooperation between the Convention Secretariat of the FCTC and the United Nations Office on Drugs and Crime, the World Customs Organization (WCO) and other bodies (WHO, 2013).

Supply reduction of illicit tobacco products fall primarily within the mandate and expertise of customs and law enforcement agencies. International bodies such as the United Nations Office on Drugs and Crime, the WCO and The International Criminal Police Organization (INTERPOL) with such mandate, expertise and resources, however, have their own standard operating procedures that often include working in collaboration with industry partners. From this perspective, TTCs are industry partners with access to technological, financial and human resources who should be collaborated with in confronting the common enemy-illicit traders of tobacco products. (WHO FCTC COP, n.d.)

WHO AND THE PROTOCOL: REJECTION OF TOBACCO INDUSTRY INVOLVEMENT

WHO delegitimizes TTCs seemingly as a matter of principle. Dr. Gro Brundtland, Director General of WHO remarked, “the tobacco companies will inevitably tell you they are selling a simple agricultural product-chopped-up tobacco leaves rolled into a paper tube. This is categorically untrue. Cigarettes are one of the most highly engineered consumer products available,” because “a cigarette is a euphemism for a cleverly crafted product that delivers just the right amount of nicotine to keep its user addicted for life before killing the person.” (WHO, 1999a) WHO Executive Director of Noncommunicable Diseases, Dr. Derek Yach, also captures the essence of this stand in this remark-“Malaria experts cannot make progress without understanding how the primary vector, the mosquito, functions, behaves, breeds and thrives. For tobacco-control experts, the vectors are tobacco companies.” (Yach, 2001).

The FCTC and the Protocol recognize that the interests of the tobacco industry and the interests of tobacco control are irreconcilable. Therefore, governments should avoid collaborating with TTCs. Article 5.3 of the FCTC state: “In setting and implementing their public health policies with respect to tobacco control, Parties shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law.” (WHO, 2003, p.7)

The text of the Protocol warns against tobacco industry involvement and obligates parties to distance themselves from TTC interests as follows:
In the Preamble: “Emphasizing the need to be alert to any efforts by the tobacco industry to undermine or subvert strategies to combat illicit trade in tobacco products and the need to be informed of activities of the tobacco industry that have a negative impact on strategies to combat illicit trade in tobacco products” (WHO, 2013, p.4)

in Article 4 §2: “In implementing their obligations under this Protocol, Parties shall ensure the maximum possible transparency with respect to any interactions they may have with the tobacco industry.” (WHO, 2013, p.10)

Further, Article 8 states: “§12 “Obligations assigned to a Party shall not be performed by or delegated to the tobacco industry. §13 “Each Party shall ensure that its competent authorities, in participating in the tracking and tracing regime, interact with the tobacco industry and those representing the interests of the tobacco industry only to the extent strictly necessary in the implementation of this Article. §14 “Each Party may require the tobacco industry to bear any costs associated with that Party’s obligations under this Article. (WHO, 2013, p.17)

ILLICIT TRADE: SCOPE, COSTS AND BENEFITS TO THE TOBACCO COMPANIES

Illicit trade in tobacco products is the biggest illegal trade in a legal product in terms of value and second only to illegal drugs in terms of revenue generated by smugglers. In 2017, around one in ten cigarettes lit globally, excluding in China, was illicit, compared to one in eleven in 2012 and was valued collectively at more than USD 60 billion. In 2017, the volume of duty-not-paid cigarettes consumed globally was 456 billion sticks, with an estimated tax revenue loss for governments of around USD 40 billion. Global illicit trade volumes grew by 1.4% in 2017, while the average penetration increased to 7.8%, from 7.6% in 2016. Excluding China, world illicit trade grew by 4.3% 2016 to 2017, with 10.3% penetration. (Euromonitor International, 2018). According to a different research team, estimates from 84 countries around the world illustrates that the illicit cigarette trade accounts for 11.6% of cigarette consumption being illicit, equaling 657 billion cigarettes a year (Interpol, 2014, p.9).

TTCs routinely overemphasize the issue of counterfeit tobacco products while downplaying or sidestepping the issue of smuggled tobacco products. TTCs, of course, lose revenue and reputation (damage to brand image) when counterfeit cigarettes are sold. For obvious reasons, reliable data on illicit trade in tobacco products are difficult to obtain. Available data, however, indicate that counterfeit cigarettes comprises 5% to 8% of the illicit market, while approximately 60% to 70% of the illicit cigarette market comprises of smuggled tobacco products (Gilmore et al., 2018).

Tobacco smuggling can benefit TTCs in various ways. TTCs earn revenue whether cigarettes are smuggled or not, i.e. whether it then enters the legal or illegal channel. Smuggled tobacco either has no excise taxes imposed or has excise taxes imposed from a jurisdiction that has a much lower excise tax rate. Therefore, the street price is often less than what it should be. This expands demand from price-sensitive customers, especially from the young and the less well-off. Smuggled cigarettes also undermine established tobacco control measures like packaging restrictions and prohibition against sale to minors. However, sale to minors increases demand and creates brand loyalty at an early age. Smuggling can also be a market entry technique into closed or protected markets - otherwise inaccessible to the TTCs. Finally, TTCs often argue against tobacco control measures like higher taxes, claiming higher taxes lead to tobacco smuggling. (Gilmore et al., 2015)

TOBACCO INDUSTRY, ILLICIT TRADE AND CODES OF BUSINESS CONDUCT
Most businesses profess to very high standards of business conduct. TTCs are no exception. For example, British American Tobacco (BAT), in its ‘Standards of Business Conduct’ state that, “The illicit tobacco trade has a negative impact on society. It deprives governments of revenue, encourages crime, misleads consumers into buying poor quality products, undermines the regulation of legitimate trade, and makes it more difficult to prevent underage sales. It also harms our business, devalues our brands, and our investment in local operations and distribution... (W)e fully support governments and regulators in seeking to eliminate it in all its forms.” To this end, BAT commits to the following “We must ensure that we do not knowingly engage in unlawful trade in the Group’s products; our business practices only support legitimate trade in Group products; and we collaborate pro-actively with authorities in any investigation of illicit trade. We must maintain controls to prevent our products being diverted into illicit trade channels. These controls should include: ‘know your customer’ and ‘know your supplier’ evaluation and approval procedures; measures to ensure supply to markets reflects legitimate demand; and procedures for investigating, suspending and terminating dealings with customers or suppliers suspected of involvement in illicit trade.” (BATa, n.d., p. 23)

Philip Morris International (PMI) state the following in its ‘The PMI Code of Conduct’. “PMI’s standards are clear: We will not condone, overlook, facilitate, or support contraband or money laundering. We work with governments to stop illegal sales of our products. To prevent contraband, our affiliates monitor customer sales volumes and take action if they suspect illegal diversion of our products. We screen potential new customers, vendors, and third party manufacturers. We only do business with those who share our standards of compliance and integrity.” (PMI, 2017, p. 25)

Imperial Tobacco Limited (ITL) in its Code of Conduct state: “We are opposed to illicit trade in all forms and cooperate with authorities globally to help prevent illegal tobacco products from finding their way into the legitimate market.” Furthermore, the Code of Conduct affirms that Imperial Brands:

- Only supply product in quantities commensurate with the domestic consumption in the destination market and the permissible requirements of the travelling consumer;
- Only conduct business with and supply products to customers who we are satisfied operate with honesty and integrity, are reputable and committed to honouring our Product Supply Compliance Policy
- Thoroughly investigate all incidences of product diversion and take appropriate action to mitigate the risk of further diversion
- Make our customers aware of our stand against illicit trade and their responsibility to follow the law and our standards
- Proactively work with governments and law enforcement agencies worldwide to provide training, support investigations and conduct forensic analysis of seized tobacco products as well as providing guidance on anti-illicit trade initiatives to ensure action is taken to protect our brands. (Imperial Tobacco Limited, 2019, p. 25)

The above prominently displayed quotations from TTC Codes of Conduct, as well as position papers, white papers and industry leader interviews made available on company websites, clearly indicate that TTCs take a public stand against illicit tobacco trade. While criticizing certain aspects or policy recommendations of the ITP and articulating their own viewpoints related to tracking and tracing, licensing, duty-free products etc., they also claim to be in favor of the incipient ITP regime (BATb, nd; PMI, nd).

**TOBACCO INDUSTRY CONDUCT REGARDING ILLICIT TRADE: COMPLICITY IN TOBACCO SMUGGLING**
TTCs continuously attempt to expand their markets worldwide, with legal as well as illegal products. Kenneth Clark, then Deputy Chairman of BAT, in an opinion piece for *The Guardian*, admitted that BAT supplies cigarettes to distributors knowing they are likely to end up on the illicit market. He wrote, “…we act, completely within the law, on the basis that our brands will be available alongside those of our competitors in the smuggled as well as the legitimate markets.” (Clark, 2000)

Reviewing more than 11,000 internal TTC documents made public as part of the USD 246 billion Tobacco Master Settlement Agreement between U.S. TTCs (Philip Morris Inc., R.J. Reynolds, Brown & Williamson and Lorillard) and the attorney generals of 46 U.S. states, the International Consortium of Investigative Journalists found in 2000 that the TTCs were complicit in, exploited, and encouraged tobacco smuggling worldwide throughout the 1990s. The scale and scope of the illegal operations were daunting- it was estimated that about one in every three cigarettes exported worldwide were sold on the black market. In many markets throughout the globe, TTCs had separate marketing strategy and tactics for legal products referred to in internal documents as DP (Duty Paid) and illegal products referred euphemistically in internal documents as DNP (Duty Not Paid) TTC executives in the U.K., the United States and other countries controlled the volume and brands of goods sold, marketing campaigns, timing and pricing tactics throughout the smuggling distribution networks they utilized. Company personnel worked collaboratively with local agents in providing incentives to local illicit-market distributors (ICIJ, 2000; Collin et al, 2004).

The European Union (EU) investigated TTC involvement in illicit trade in the region and in 2000, alleged in lawsuits against the TTCs, that they were involved in “an ongoing global scheme to smuggle cigarettes, launder the proceeds of narcotics trafficking, obstruct government oversight of the tobacco industry, fix prices, bribe foreign public officials and conduct illegal trade with terrorist groups and state sponsors of terrorism.” (US District Court, 2000) The TTCs (namely PMI, BAT, ITL and Japan Tobacco International or JTI) ultimately settled with the EU between 2004 and 2010 agreeing to a significant punitive measure- annual payments (USD 1.9 Billion over twenty years) and supplementary seizure payments, equivalent to 100% of the evaded taxes if TTCs fail to control their supply of cigarettes to the illicit market. In the period 2004-2012, PMI, JTI and ITL made approximately USD 100 million in seizure payments to EU member states. However, since seizure payments are only for very large consignments caught in the act and other loopholes in the enforcement regime, it is estimated that seizure payments compensate less than 1% of the actual revenue losses by EU member countries due to cigarette smuggling (Joosens et al, 2016).

In 2010, Federal, Provincial and Territorial Governments in Canada concluded landmark settlements with tobacco manufacturers JTI-Macdonald Corp. and R.J. Reynolds to resolve potential civil claims related to the movement of illicit tobacco. Because of these and previous (2008) similar settlements and convictions related to contraband trade in tobacco, TTCs paid a total of CAD 1.7 billion to federal, provincial and territorial governments and agreed to several compliance protocols to combat illicit trade in tobacco (Government of Canada, 2010).

In addition, there have been several investigations by governments and litigation in various parts of the world accusing the TTCs of knowingly supplying tobacco products to the illicit trade channels (Joosens, 2008). The conclusion is inescapable with incontrovertible evidence-TTCs have been complicit in and have actively encouraged tobacco smuggling (National Research Council, 2015).

**TOBACCO INDUSTRY CONDUCT REGARDING ILLICIT TRADE: OPPOSITION TO THE ITP REGIME**

Parties to the FCTC have clearly identified industry interference as the greatest impediment to its successful implementation (WHO, 2014b). Tobacco industry strategies to methodically undermine
tobacco control initiatives by the FCTC has been extensively documented. (Lancet NCD Action Group, 2013). In 2000, WHO commissioned a committee of experts to study this issue and to write a report based upon thousands of TTC internal documents released as a condition of Tobacco Master Settlement Agreement referenced in Section 10. above. It was revealed in the report that the TTCs staged promotional/media events to divert attention from the public health issues raised by tobacco consumption; maneuvered to reduce budgets for the scientific and policy advocacy activities carried out by the WHO; sought to convince less-developed countries that WHO’s tobacco control program was an agenda of the rich nations; and distorted the findings of WHO research on the devastating health effects of tobacco consumption. (WHO, 2000) While these attempts ultimately failed (WHO, 2008), the industry used similar tactics to oppose, weaken, and finally, delay the approval of the ITP (Savell, 2014).

TTCs have persistently attempted regulatory capture at the sub-national, national and international levels to control the rules and regulations that affect their industry (Ulucaniar, 2016). During the Protocol negotiations in the Conference of the Parties (COP) between 2008 and 2012, TTC executives and industry lobbyists were frequently present in large numbers in the vicinity of the conference venue even though they were excluded from official deliberations. They conducted seminars and exhibitions and held meetings in the public areas of the convention halls, attempting to influence government delegates participating in the negotiations inciting them to ignore their obligations under the Article 5.3 guidelines (see Section 7 above).

TTC representatives have also been part of the government delegations in COP meetings. For example, China, Japan and Vietnam all had representatives of the TTCs (or their front groups) in the Third COP, ignoring the clear conflict of interest of TTC representatives serving on government delegations in tobacco control deliberations. (Corporate Accountability International, n.d.)

By the time the Protocol was adopted by the Fifth COP in 2012, all major TTCs had developed position statements embedded in TTC sponsored websites expressing their opposition to the ITP’s legally binding measures. Instead, TTCs promoted their strategy of voluntary self-regulatory measures to address the illicit trade. According to PMI, “Stamping out the illicit trade in cigarettes won’t happen overnight and requires coordinated and committed action by the public and private sectors on a continuous basis. Local and international cooperation involving governments, enforcement agencies, manufacturers, retailers and consumers is critical.” (Stopillegal.com) This directly contravenes the ITP that explicitly states that governments should not engage in partnerships with the TTCs when implementing the ITP. Notwithstanding this stipulation, powerful TTCs have forged alliances with governments, particularly in low-income and middle-income countries, to further its interests on the issue of illicit trade in tobacco. (Gilmore et al, 2015)

As documented by the FCTC Secretariat, TTCs have fabricated support for their position on illicit trade by adroitly managing front groups like ‘Business Action to Stop Counterfeiting and Piracy’ and ‘Digital Coding and Tracking Association’ wherein TTC role and participation is certainly muted, but mostly undisclosed. TTCs have also built and nurtured an intricate support system based on common business interest among the trade guilds of its supply and distribution chains of tobacco growers, wholesalers and retailers (WHO, 2014a).

One of the key objectives of ITP is to secure the supply chain of legally manufactured tobacco products through a global track and trace (T & T) system. Faced with evidence of TTC involvement in tobacco smuggling over many years and across many countries, ITP stipulates that T & T ‘shall not be performed by or delegated to the tobacco industry’. (WHO, 2013 Article 8.12) TTC internal documents clearly show, however, that TTCs were bent on participating in the T & T regulatory mechanism and sought to develop and implement a T & T mechanism that suited their interests more
than that of a robust ITP regime. To this end, they developed their own alternative industry solution, Codentify, and promoted it to governments as a digital tax verification and T & T system that they should use instead of any system sponsored or approved by the FCTC as in line with the ITP regime. As a TTC patented technology, Codentify however, clearly does not meet the requirements of Article 8.2 of the ITP that the T & T system should be ‘controlled by the Party’. (Joossens, 2019; Gilmore et al, 2018)

TTCs often frame illicit trade as a problem to be faced in a joint struggle-legitimate industry working hand in hand with governments and international organizations against illegitimate counterfeiters, smugglers and criminal organizations. This is part of a broader, ‘corporate social responsibility’ effort to portray itself as a legitimate industry selling a risky product to adults rather than a pariah industry peddling drugs to addicts. (Collin, 2002). This partnership stance is contrary to FCTC Article 5.3. guidelines. The guidelines recommend that member-states limit interactions with TTCs to only those strictly necessary for effective regulation, ensure transparency with respect to interactions and eschew partnerships with TTCs (WHO FCTC COP, n.d.)

Since the late 1990s, in an effort to avoid stringent government regulations to combat illicit trade in tobacco, the TTCs have promoted partnerships with governments’ law and customs enforcement agencies. Over 100 of such Memoranda of Understanding (MOUs) have been signed with national governmental agencies across the globe. These MOUs, however, are non-transparent partnerships (terms of these MOUs are rarely made public) between the TTCs with vested interests in illicit trade and governmental agencies entrusted with eliminating such trade. MOUs are voluntary, and not legally binding. As such, they do not create an accountability system with penalties for transgression or failure to comply. These also clearly violate FCTC Article 5.3 and the Protocol’s insistence on ‘maximum possible transparency’ and warning ‘to be alert to any efforts by tobacco industry to undermine or subvert strategies to combat illicit trade’ (Crosbie, 2019).

BUSINESS ETHICS, DIPLOMACY AND CODES OF CONDUCT

Representatives of a state practice statecraft or diplomacy to safeguard and promote national interest in bilateral or multilateral settings. The concepts of state sovereignty and state immunity shield to a large extent unethical, duplicitous, even presumptively illegal (‘the king can do no wrong’ doctrine) behavior of practicing diplomats in the pursuit of raison d’etat, defined as “a purely political reason for action on the part of a ruler or government, especially where a departure from openness, justice, or honesty is involved” (Oxford English Dictionary, 2019). Pursuit of business interests, however, do not allow business diplomats to engage in unethical, duplicitous or illegal behavior. And the TTCs undoubtedly engaged in business diplomacy on the issue of ITP. Recall the definition according to which business diplomacy “involves skillful negotiation of international treaties and agreements, proactive participation in governmental policies, collaborative influencing of international standard setting at multilateral bodies, constructive engagement with non-business stakeholders….” (Saner and Yiu, n.d., see Section 2. above).

Business diplomats of large transnational corporations with multiple stakeholders are expected to both build up and draw upon social capital of the enterprise. And social capital accrues over the long term in an environment of exemplary conduct and fidelity to ethical norms of business transactions, including respect for the interests of environmental/public health groups. Recall that part of the definition of Business Diplomacy is ‘effective mediation of conflicting interests between business and environmental/social groups and long-term strategic accumulation of social and reputational capitals.’ (Saner and Yiu, n.d., see Section 2. above) Business diplomats are also expected to ensure legitimacy of the enterprise they represent, and moral legitimacy from the perspectives of both internal as well as
external stakeholders is one of the key components of such legitimacy (Kostova and Zaheer, 1999). Therefore, it is vitally important that business diplomats advocate for their employers in the spirit of representing responsible corporate citizens and in strict adherence to their declared Code of Business Conduct (London, 1999).

Corporate Codes of Business Conduct are means to demonstrate and manage corporations’ moral responsibility to contribute to the resolution of societal problems (Logston, 2005). At a minimum, these offer an enticing opportunity for businesses to create a highly favorable public identity for themselves that may narrow the credibility gap between societal expectations and corporate conduct. Transnational corporations routinely project these codes as means of assuring their stakeholders and the public at large that they conduct their business in an ethical and professional manner that goes beyond the prevailing legal standards (Sethi, 2002). We have seen in Section 9. above that TTCs, in their Corporate Codes of Business Conduct, have publicly proclaimed unambiguously and in detail to opposing illicit trade in tobacco. BAT commits to ensuring that they do not knowingly engage in unlawful trade; that their business practices only support legitimate trade; and that they collaborate pro-actively with authorities in any investigation of illicit trade. PMI declares that they work with governments to stop illegal sales of their products and their affiliates monitor customer sales volumes and take action if they suspect illegal diversion of their products. ITL states that they are opposed to illicit trade in all forms and cooperate with authorities globally to help prevent illegal tobacco products from finding their way into the legitimate market. However, Sections 10 and 11 above clearly indicate that TTCs have not lived up to the commitments embodied in their Corporate Codes of Business Conduct with regard to illicit trade in tobacco. They have been complicit in illicit trade in tobacco as suiting their financial interests and have fiercely opposed the ITP regime of WHO FCTC in order to protect the same narrow interests of profitability, market share and market expansion.

**CONCLUSION: BUSINESS DIPLOMACY GONE ROGUE**

TTCs have faced global legitimacy challenges since at least the 1970s when adverse health effects of tobacco use became widely accepted as scientific truth (Wynder, 1988). In this critical environment, sustained competitive advantage necessitate tackling social, political, environmental and health issues as part of a corporate strategy-pursuing business interest in the narrow sense of maximizing stockholder value is myopic and insufficient. It is undoubtedly the responsibility of TTC business diplomats to pursue their business interests. But the business interests of the industry must be strategic, long-term and holistic to include the interests of non-market stakeholders like governments, public health regulators, citizens and advocacy networks. Honest representation, communication and negotiation by the TTCs with such non-market stakeholders are key to be accepted as a responsible actor in the international diplomatic arena. (Bach, 2010).

Our research indicates that TTCs have conducted business diplomacy in the exclusive financial interest of its investor constituency and in clear contravention to their declared Codes of Business Conduct that profess to a high ethical standard of opposing illicit trade in tobacco products. We conclude, therefore, that TTCs have engaged in rogue business diplomacy on the issue of illicit trade in tobacco products. The implications of these violations are twofold. First, persistence resistance by the powerful TTCs to the ITP regime thwarts efforts to eliminate this illicit trade. Eliminating illicit trade in this industry, however, could help governments gain (by recouping revenue lost) at least USD 31.3 billion annually in addition to avoiding millions of premature deaths (Joossens, Merriman, Ross and Row, 2010). Second, being complicit in illicit trade in tobacco products, while publicly opposing the trade, delegitimizes (moral legitimacy) TTCs in the eyes of its internal stakeholder group of employees as well as external stakeholder groups of consumers, governments and non-governmental organizations.
REFERENCES


France: INTERPOL


