MGT 407

International Management Practices

American (U.S.) Management

American (U.S.) Management

Every day an American banker working in Paris gets requests from French firms looking for Frenchmen "with experience in an American corporation." The manager of a German steel mill hires only staff personnel "having been trained with an American firm." The British Marketing Council sends 50 British executives to spend a year at the Harvard Business School—and the British government foots the bill. For European firms, so conservative and jealous of their independence, there is one common denominator: American methods.

—J.-J. Servan-Schreiber (1969, p. 35)

U.S. Political and Legal Environment

American (U.S.) Management

The U.S. government and political system are grounded in democracy, pluralism, and the rule of law, striving to balance the civil, economic, political, and other liberties of diverse constituents (e.g., business, consumers, employees, investors, workers, taxpayers, and public interest groups).

An aggressive legal profession and inquisitive independent journalists keep managers alert to prevailing ethical standards, law, and the public interest.

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For business, government has been neither close partner nor adversary, offering less financial support than do other advanced industrial countries (except for the defense sector).

There are few government-owned businesses. Antitrust and investor and consumer rights rules are more forcefully protected than inmost countries, as are individual civil rights in the workplace.

There is more extensive disclosure of financial information by publicly held companies, required by the stock exchanges and securities market regulators.

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The political voice of business is expressed through company public affairs offices, sponsored research groups, paid lobbyists, sectoral trade associations (e.g., Semiconductor Industry Association, Textile Manufacturers Institute), and broader spokesgroups (e.g., National Association of Manufacturers, Business Roundtable, Conference Board, and the U.S. and local chambers of commerce).

These groups aim to inform and influence public officials, legislators, voters, the media, and others about pending legal and regulatory change.

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The political views of business are not uniform and can vary by sector, size, location, and other factors. For example, the textile industry has regularly sought protection from import competition, whereas most electronics firms haven't.

Big steel wants restrictions, whereas small steel (mini-mills), specialty steel (niche steel makers), and steel buyers (machinery makers and car companies) are less likely to do so.

Although trade protectionist pressures regularly surface in Congress (especially in the House of Representatives), proponents of freer international trade have generally prevailed over protectionists on most major trade policy initiatives.

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Trade policy initiatives (e.g., the creation of the North American Free Trade Agreement, General Agreement on Tariffs and Trade and World Trade Organization trade negotiations, and acceptance of China into the World Trade Organization).

U.S. Political and Legal Environment

- ✓Long-standing constitutional democracy that tries to balance the executive, legislative, and judicial powers of government.
- ✓Arm's-length relationship between business and government (neither preferential nor adversarial); less corporate welfare (subsidies, bailouts, preferential purchasing) than in other advanced industrial countries.
- ✓Orderly political succession; low political risk for business (legal and regulatory ground rules don't change without extensive debate and deliberation).

U.S. Political and Legal Environment

- ✓Political pluralism accommodates diverse viewpoints and interests (e.g., consumer, labor, environmentalist, business); leading business spokesgroups include the Business Roundtable, Business Council, National Association of Manufacturers, American Business Conference, Chamber of Commerce of the USA, National Federation of Independent Business, National Small Business Association, and many sectoral trade associations.

- ✓Common law legal tradition (roots in the English legal tradition).

U.S. Political and Legal Environment

- ✓Adversarial legal framework; proportionally more lawyers and lawsuits than in most countries; high incidence of class-action lawsuits; stiff negligence liability penalties (tort law).
- ✓Much business law is the domain of state and local government rather than national (federal, central) government; aggressive federal (central) government protection for individual civil rights in the workplace and for free and fair competition (antitrust rules).

U.S. Political and Legal Environment

- ✓An independent and active corps of press and television journalists keeps public officials, politicians, and business leaders alert to ethical and responsible behavior.
- ✓Fewer legal restraints on laying off employees for economic reasons; more protection for equal opportunity in the workplace.
- ✓Political clout of unions has been weaker than in most advanced industrial countries.

U.S. Political and Legal Environment

- ✓Though mainly adversarial, union-management relations are much less confrontational than in the past.
- ✓Less unionized workforce than most countries; fewer labor disputes than in most other advanced industrial countries.

The U.S. Manager

Predominantly male and from middle- and upper-middle-class background.

- A bit younger traditionally than peers in Europe and Japan.

- Well educated but more likely than counterparts abroad to have been enrolled in business studies while in higher education.

The U.S. Manager

- More inclined to view management as a profession; high mobility between employers
- Very highly paid, and much of it tied to performance
- Less international life experience

U.S. Federal Government Involvement in Employer-Employee Relations

U.S. Employer–Employee Relations

- ✓Established rules for union organizing, collective bargaining, and the resolution of labor disputes
- ✓Created a centrally administered retirement income security program funded by employee and employer payroll tax charges
- ✓Established a national minimum wage and required time-and-a-half pay for work beyond 40 hours per week

U.S. Employer-Employee Relations

- ✓Banned discrimination in employment based on race, religion, gender, ethnicity, and national origin.
- ✓Banned forced retirement until age 65 (was later raised to age 70).
- ✓Workplace health and safety rules.

U.S. Employer–Employee Relations

- ✓Guidelines for investment of employee retirement funds and government insurance for private defined-benefit pension plans (Pension Benefit Guaranty Corporation).
- ✓Guidelines for written advance notice in cases of large-scale layoffs and plant closings.
- ✓Requires up to 12 weeks of unpaid personal annual leave for medical emergencies, newborn children, or child adoption.

The U.S. Economy

Profile of the U.S. Economy

- ✓High output and income per capita.
- ✓Mature economy (2%–3% average annual gross domestic product growth in recent decades); mild business cycles.
- ✓High incidence of business start-ups, buyouts, mergers, bankruptcies; high job creation and destruction.

Profile of the U.S. Economy

- ✓Shrinking number and proportion of lower-skill manufacturing jobs; growth in knowledge-intensive service sector employment (e.g., education, health care, financial services, information technology).
- ✓High level of economic freedom and business competition; very flexible labor market.

- ✓Growth rates of U.S. trade have outpaced the overall economy. Exports have been high in monetary value but lower than in most other advanced industrial countries in proportion to output and population. No country hosts as much inward foreign investment or invests as much abroad.
- ✓Fluid financial markets; more shareholder-owned companies than in any other country.
- ✓High value of securities (stocks and bonds) in proportion to gross national product; high ratio of equity (stock) relative to debt in corporate financial structures.

Profile of the U.S. Economy

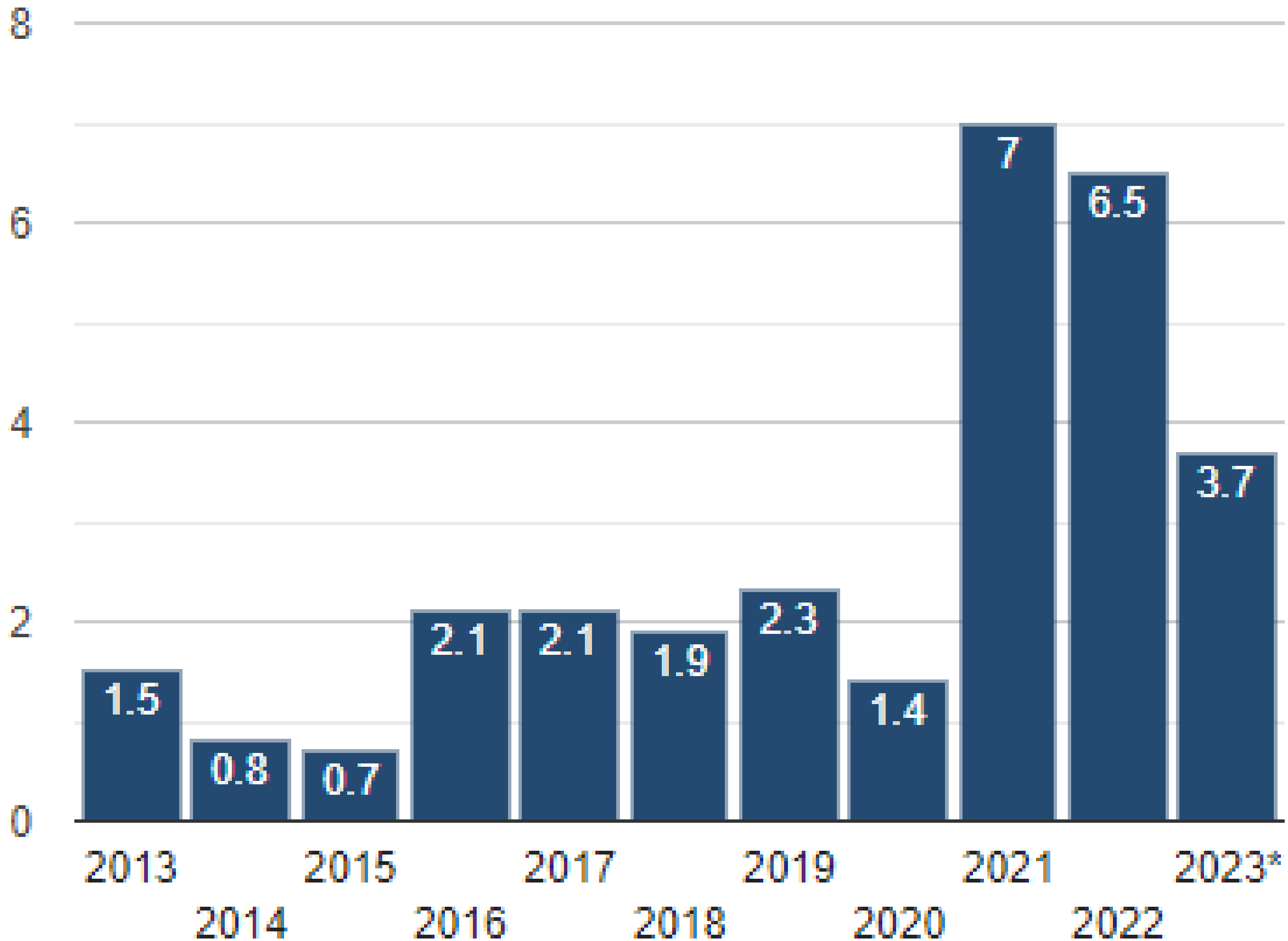
- ✓High turnover of share ownership; share purchases ever more the domain of institutional investors (mutual funds, pension funds); more than half of U.S. households directly or indirectly own corporate stock.
- ✓Predominantly stockholder-oriented capitalism; enterprise is more attuned to the interests of shareholders relative to other stakeholders (e.g., employees, lenders, bondholders, communities), although these others are by no means ignored.
- ✓Extensive public disclosure of corporate financial information.

Profile of the U.S. Economy

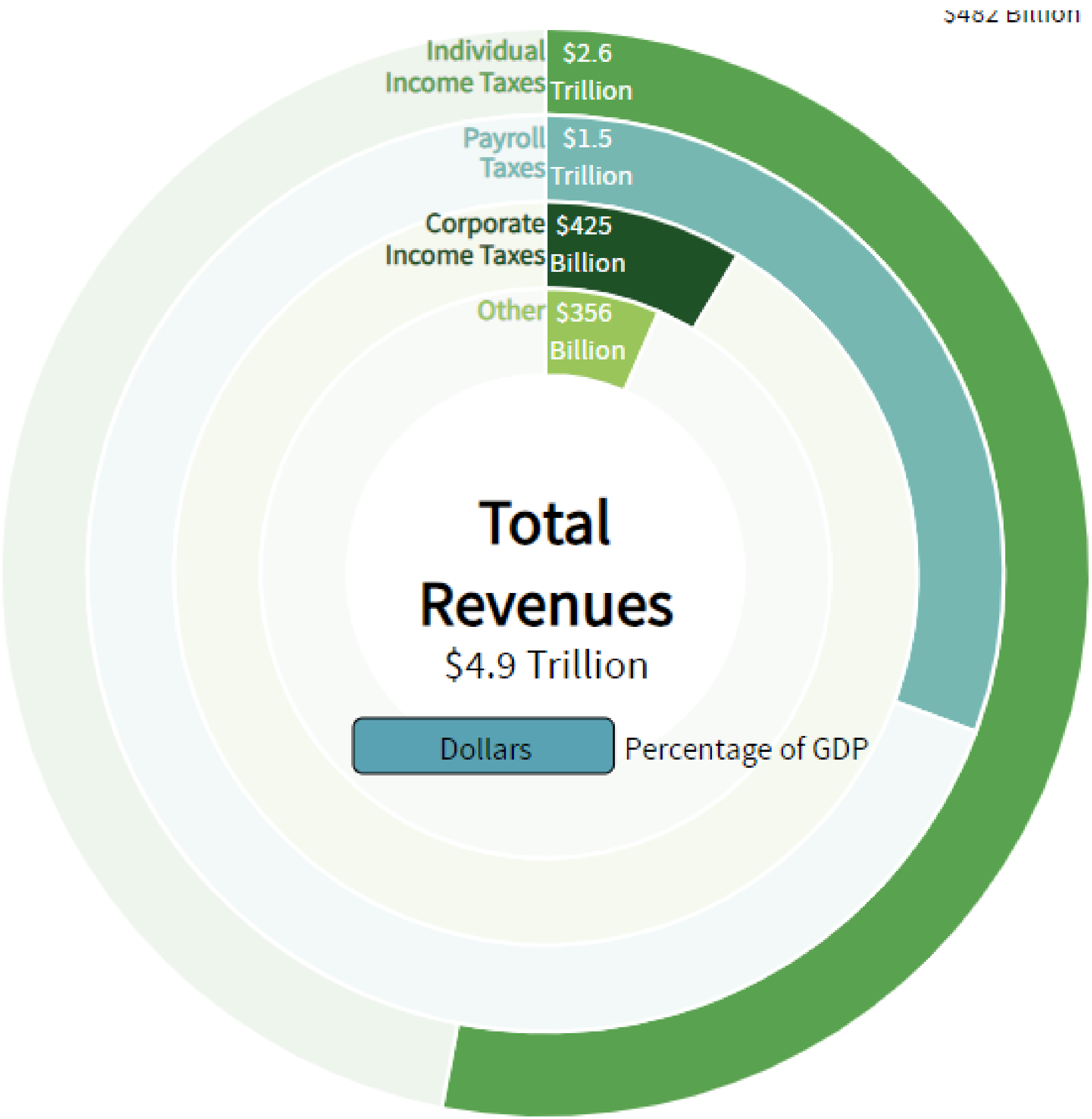
- ✓Low price inflation.
- ✓Public (government) spending and taxes have been lower in relation to national income than in most countries; minimal government ownership of business.
- ✓Government employment (federal, state, local) has been low in proportion to overall employment.

Profile of the U.S. Economy

Chart: United States Annual Inflation Rates (2013 to 2023)

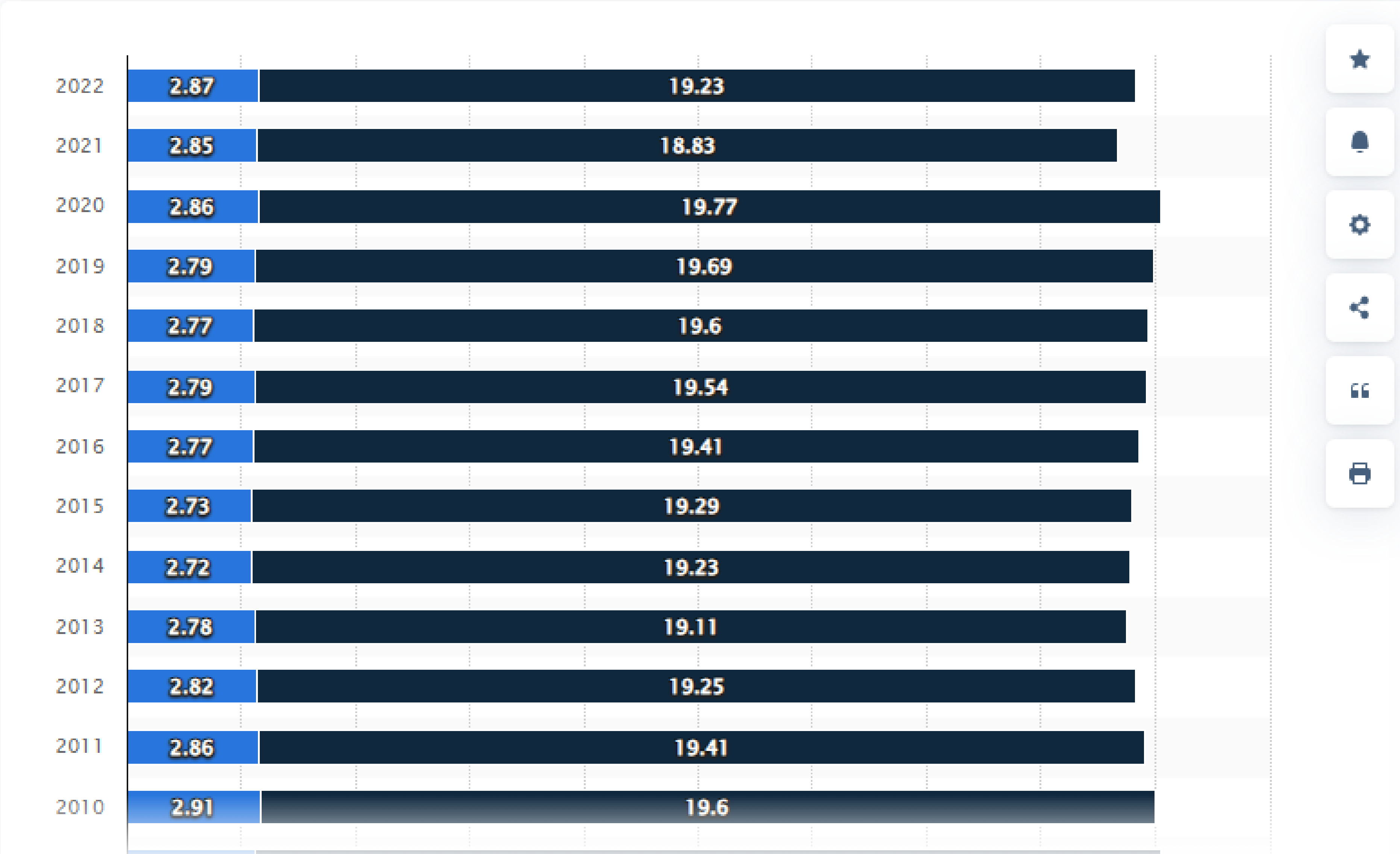


Profile of the U.S. Economy



Profile of the U.S. Economy

Total number of government employees in the United States



Profile of the U.S. Economy

- ✓Home to the world's largest and most active venture capital investment community.
- ✓Much inequality in family wealth and income.
- ✓More privately run retirement and health insurance programs than in most countries.