

SUGGESTED ANSWER TO REVIEW QUESTIONS

1. The March 2013 issue of the *Atlantic* magazine reported that companies like General Motors and Dell employ anthropologists, that is social scientists who research cultural issues. Microsoft is said to be the second-largest employer of anthropologists in the world, behind the US government.

a) What is culture?

- Culture involves common beliefs, values, customs, and behaviours shared by people in a society. These are inculcated and transferred through the generations by means of family, religion, and traditional and social media. They are characterized by sets of norms regulating behaviour, and sanctions when the norms are breached. Societies can be distinguished one from the other by their different cultures.

Students could be encouraged to look at Hofstede's cultural dimensions.

b) Why are multinationals like Microsoft so interested in culture?

- The study of different cultures is important to big MNCs because a failure to take them into account could adversely affect performance and their ability to meet their business objectives of growth of sales and profits. Culture, according to social scientists like Hofstede, can have a major influence on the operation of the workplace and the response of consumers to the MNCs offer. What works in one culture, say in North America, may not work in China. Students could illustrate here with specific examples e.g. see the Mini Case, Coca Cola, and China.
- Culture changes over time so MNCs, to be successful, must chart these changes and interpreting the implications for their strategies and policies.

2. Identify, and illustrate with evidence, the current major drivers of changes in population. Discuss the challenges of an ageing population for international business.

- The main drivers of population change are birth rates, death rates (both birth rates and death rates are relatively high in poor countries compared to rich countries) and net migration (the major movements involve emigration from poor to rich economies). Students could refer to the World Bank website for demographic data e.g. birth rates are provided at <https://data.worldbank.org/indicator/SP.DYN.CBRT.IN>

Data on death rates are available at <https://data.worldbank.org/indicator/SP.DYN.CDRT.IN?view=chart>

Data on migration can be found at <http://www.un.org/en/development/desa/population/migration/da>

<ta/estimates2/estimates17.shtml>

- Students should explore the meaning and incidence of the ageing population e.g. in terms of which countries will be most/least affected—the differences between countries has implications for business strategies and policies e.g. in terms of the potential effects on the level and pattern of demand, the quantity and quality of labour supply, the level of savings and taxation and so on. Students could then focus on how business might respond to the challenges by e.g. modifying existing goods and services, investing in products and services that appeal to older markets, seeking other geographical markets with younger populations, changing recruitment and retraining policies, looking to other geographical areas for workers.

3. Table 7.7 shows social spending as a percentage of GDP from 1990 to 2016

Table 7.7 Public social expenditure (as a percentage of GDP)

	1990	2000	2005	2010	2016
Australia	13.2	17.3	16.5	17.9	19.1
Canada	18.1	16.5	16.9	18.7	17.2*
Chile	9.9	12.8	10.1	10.8	11.2*
Czech Republic	15.3	19.1	18.7	20.8	19.4
Denmark	25.1	26.4	27.7	30.6	28.7
Finland	24.1	24.2	26.2	29.6	30.8
France	25.1	28.6	30.1	32.4	31.5
Germany	21.7	26.6	27.3	27.1	25.3
Greece	16.6	19.3	21.1	23.3	27
Hungary	–	20.0	22.5	22.9	20.6
Ireland	17.3	13.4	16.0	23.7	16.1
Italy	19.9	23.1	24.9	27.7	28.9
Japan	11.1	16.3	18.6	22.3	–
Korea	2.8	4.8	6.5	9.2	10.4
Mexico	3.3	5.3	6.9	8.1	-
Poland	14.9	20.5	21.0	21.8	20.2
Portugal	12.5	18.9	23.0	25.4	24.1
Spain	19.9	20.2	21.1	23.6	24.6
Sweden	30.2	28.4	29.1	28.3	27.1

Turkey	5.7	–	9.9	12.8	–
United Kingdom	16.7	18.6	20.5	23.8	21.5
United States	13.6	14.5	16.0	19.8	19.3
OECD average	17.6	18.9	19.7	22.1	21

– not available

*2015

Source: OECD.StatExtracts <http://stats.oecd.org/>

a. What are the main components of social spending?

b. What is the trend in social spending over the period from 1990 to 2016? To answer this, look first at the OECD average. Do any countries buck the trend?

c. Discuss some implications of the trend for suppliers to schools and hospitals.

d. Group the countries into continents, North America, South America, Europe, Asia, and Australia, and compare spending in each. Comment on your findings.

e. How would you explain Sweden's high levels of expenditures compared to those of the US?

- a) Major elements of social expenditure include welfare benefits such as pensions for older people, benefits for the unemployed and spending on health and education.
- b) Students, to get an overall picture, could usefully look at changes in the OECD average which has risen from 17.6% to 21% of GDP comparing 1990 to 2016. This trend applies to all countries barring Sweden where spending had a tendency to fall after 1990, and Canada where the decline was smaller. Students might identify countries where spending has increased significantly such as Korea (around a fivefold increase from a low base), Mexico, Japan, Portugal, and Turkey.
- c) Students could be encouraged to research changes in expenditure on education and health in several countries e.g. where the changes relative to GDP have been greatest. Where increases in spending as a % of GDP have gone on education and health, one could expect that suppliers to these sectors would benefit from expanding markets for educational materials, pharmaceuticals, etc. (this assumes GDP has been rising). Such markets may be stagnating or declining in countries where social expenditure has been falling as a % of GDP. Students may find that the analysis suggested here could be contradicted by

national government priorities regarding public expenditures e.g. some governments might prioritise health care even as the total budget on social expenditure is being squeezed.

- d) Students could be advised to look at the latest figures (2016) to carry out this task. European countries generally spend more on social welfare than countries in other continents—the range goes from 12.8% in Turkey (the question could be raised whether Turkey is a European country) and 16.1% in Poland to over 30% in France and Finland. The N. American countries, the USA and Canada, spend less than 20%. Not many countries in S. America and Asia are included so only qualified conclusions can be drawn about spending in those continents. Chile with 11.2% and Mexico with 8.1% spend much less than the OECD average. In Asia Japan spends 22.3% with S. Korea on just over 10%.

Students could look to the section in the chapter on different social models to comment on the data.

- c) The idea here is to get students to compare and contrast the social models prevailing in Sweden (the social democratic model) and in the US (the liberal model) and draw the links with social expenditure.