

# Major Global International Business Models and Their Suitability for Lithuanian Business

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## Abstract—

**T**he purpose of research is to analyze the international business management models of various world countries, to identify their similarities and differences and to determine what specific features of these models could be applied to Lithuanian international business. The research methods used are comparative analysis of scientific literature and empirical analysis. The theoretical basics of main international business management models, i.e. American, European and Japanese models are discussed in the article. American and Japanese models are usually considered as opposite poles, whereas the European business management model is a link incorporating the features of both models. However, it should be noted that the USA and Japan are unified geographical and socio-cultural units, where business traditions are perceived in a similar way in any geographical location of the countries. Europe differs significantly in this respect - over the centuries the countries developed as isolated units and became distinctive. The article analyzes of various types of European international business management models', emphasizing their regional peculiarities. Lithuanian enterprises collaborate with subjects of many countries, which differs in historical, traditions, political, socials and other aspects. Thus Lithuanian enterprises use various types of business management models, emphasizing their regional peculiarities. This paper analyzes the similarities and differences of business management models that are used by international companies in Lithuania. Using the results of this empirical research analysis, the recommendations in the international business management area are proposed for companies in Lithuania.

**Keywords:** international business, business management model, globalization, international business management, Lithuania.

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## I. INTRODUCTION

Intensifying globalization and increasing international trade stimulate the growth and expansion of international business in many regions of the world. Improving systems of logistics and order-processing as well as decreasing obstacles to international trade create increasingly favourable conditions for the expansion of various types of business in the foreign countries, which is not restricted to trading internationally, but also transfers production and service activities to the foreign markets.

International business, which has been quickly developing in recent decades, is becoming an increasingly attractive field of expansion not only for big multinational corporations, but also for small companies which, thanks to the improving means of communication, are able to attract customers more easily and thus become part of the global market rather than being closed and limited to one country.

In the conditions of intensifying international business and increasing competition between companies working in the international market, properly chosen model of international business management in becoming increasingly vital for success. This model determines numerous processes of company's activity which influence its end-result. Therefore it becomes important to investigate theoretical aspects of formulating and implementing international business models in various business enterprises and analyse practical principles of applying various models, assessing both their advantages and disadvantages.

International business is characterized by its sensitive reaction to various cultural, economic, political, social, ecological, legal and other factors related to the markets, business services and other processes necessary for international business, which determine not only its success, but to a large degree the very possibility to conduct commercial activity on the international level.

In expanding company's activities on the international level, a question arise which business model would suit best in various markets and in various types of activities, taking into account the company's experience, business philosophy, strategy and opportunities. In order for a chosen business model to be optimal and enable the company to achieve the best results, it is necessary to evaluate the environmental factors which influence the business as well as the capabilities of the company itself.

Lithuanian companies are increasingly penetrating international markets in search of expansion opportunities, because the internal market is rather limited and cannot ensure successful business. Besides, opportunities for business development in the foreign countries thanks to the unified economic space of the EU encourage to avail the existing free market opportunities expanding the scope of activity. Based on the experience of Lithuanian enterprises we seek to

highlight the major aspects determining the choice of business management models in international business. Such study is of relevance to the enterprises trying to expand to the international markets and looking for an appropriate business management model.

International business has long been regarded as a prerogative of large corporations. However, in today's world, with rapid development of various means of communication and emergence of new markets and market niches, small companies also become important members of international business.

The issues related to international business were investigated and are being investigated by a number of authors, i.e., Bernard et al. [7], Carbaugh [1], Cassilas et al. [9], Harzing [13], Hofstede [3], Jenny [10], Lazonick [11], Oliver [12], Peng [5] and others.

This article analyses theoretical aspects of three main international business management models: American, European and Japanese through describing their distinctive features and carrying out a comparative analysis. The experience of Lithuanian enterprises successfully operating in international markets is analysed by empirical research means.

## **II. COMPARATIVE ANALYSIS OF INTERNATIONAL BUSINESS MANAGEMENT MODELS.**

In this part we will overview international business management models that are widely discussed in scientific literature and practice. The selection of an international business management model depends on specific national or regional conditions, and particularly, cultural environment. A thoughtfully selected international business management model provides an enterprise with a competitive advantage in the sphere of its activity, which allows the enterprise to get higher profits than its competitors. Cultural diversity fosters to search for versatile communication techniques for business participants. In terms of a global context, there could be distinguished three major international business management spheres that cover the same basic models regarding cooperation, concluding contracts, maintaining relations and other models for major business procedures based on mutual understanding between partners with regard to the principles of business execution. The above mentioned conditions shape three different business management schools, i.e. American, European and Japanese.

The three previously mentioned management schools discerned by numerous international business researchers are usually considered as three different models regarding different understanding of business and relations between businessmen. American and Japanese business traditions are usually considered as two opposite poles with the dominance of individualism and competition in one of them (the USA) and sociality and corporation - in another (Japan). The European Business School, on the base of which management principles were shaped, was considered as an intermediate variant covering business management features existing in American and Japanese models.

As noted by Richardson Global [15], despite the fact that the American Management School, the same as the entire business culture of the region, evolved from European traditions; however, management principles emerging in a separate continent were exclusive for original interpretation of certain management processes and the attitude towards business. It was in the USA that individualism of employees oriented towards a common goal of an organization emerged, which conditioned a sheer orientation of employees of all levels towards their personal results and a strict formal control. On the contrary, in Japan cultural traditions determined collective relations, non-formal relations and the emphasis on the employee age in the context of the quality of work. Europe, being a pathfinder in the development of American culture, in the course of the human society development established its own distinctive approach to management, which includes the features existing in the USA and Japan.

When generalizing the American business model it is important to mention key features of this culture - the culture of this country is individualistic rather than collective, whereas the emphasis is laid on short-term rather than long-term plans and objectives; in business the priority is provided to customers and only later to the enterprise employees and benefits to society; i.e. the key aspiration in this business model is profit. The same situation exists inside the enterprise; the main aspect of employee communication - work, obligations and their implementation, whereas interpersonal relations are practically considered of no importance.

Top level heads are provided with managerial freedom, however there is a strict control seeking to implement the enterprise goals. Each head is responsible for his employees and their actions, their achievements and an external image of the enterprise. The labour relations system is liberal in the country, which empowers employers with the freedom to hire and fire employees due to changes in the labour market [12].

In Japan the key business form is merging of the enterprise groups, so called "*keiretsu*". In Japan business culture reflects historical and social values of the country, therefore in order to set up business on the basis of the Japanese business model and achieve significant results, it is essential to know the country's history. Japan is scarce of natural resources, therefore it to a great extent depends on the imported raw materials; therefore, in order to get a balanced foreign trade the country has to export a large number of products. Due to this particular reason in the 20th century the manufacturing sector expansion was its main objective. After World War II Japan began to build ships, produce machinery and electrical equipment, while later petrochemical and nuclear energy products, whereas around 1980 - computers and their parts. Since 1970 - the government supported researches, the production of robots began, the competition was encouraged in the textile, shipbuilding and chemical fertilizer industries when applying tax incentives. The leadership style in Japanese enterprises is based not on an individualistic approach but on a collegial one. The sole objective of an enterprise is not to generate business profit, but to focus on its further expansion and growth [2].

Japanese heed on social relations and interpersonal relationship development that are deep rooted in their culture. The formation of Japan business model was impacted by Japanese culture - traditions, ethics, family respect and

loyalty, respect for older generation, integrity, harmony seeking and attention to science and education. For Japanese the attitude that harmonious heart-to-heart relations with the environment is one of key success factors.

In publications on international entrepreneurship researches American and Japanese models are considered opposite poles, whereas the European business management model is a link incorporating the features of both models. However, it should be noted that the USA and Japan are unified geographical and socio-cultural units, where business traditions are perceived in a similar way in any geographical location of the countries [9]. Europe differs significantly in this respect - over the centuries the countries developed as isolated units and became distinctive, which should be considered when analysing business management models of different regions.

For example, business management models of the largest European countries - Great Britain, Italy, Germany and France - are links between Japanese collectivism and American individualism. When bearing in mind geopolitical context, it is evident that business management model existing in Great Britain is closer to the principles of the American Business School, whereas the models of Italy, France and Italy are closer to the Business School of Japan [15], [8]. Considering the fact that a close link between business management models of Great Britain and the USA is apparent and acknowledged by numerous management theorists, while the specifics of German business model in the global context is closer to Japanese management traditions, it should be admitted that business schools in France and Italy, which significantly differ from the ones in Germany and Great Britain, can't be unambiguously linked with the same schools existing in Japan and the USA. However, according to the opinion of most authors, business management schools in France and Italy are closer to the Japanese Management School rather than the American School.

Thus, The European Business Management School model is much more complex - it could be divided into separate models that have common and different features. Usually, the European Business Management School model is split into separate types, which are based on diverse philosophical orientations, i.e. pragmatism, which claims that knowledge is gained through experience, rationalism, which is based on deductive management models when ignoring a subjective experience, holism, which oriented towards intuition and based on a systematic approach and humanism, oriented towards human relations and close interpersonal relations. On the basis of these business cultures we can define European management principles existing in different countries or regions, however, it should be noted that contemporary Europe, which ensures a free movement of goods and people, becomes assimilated, therefore, the above discussed business management models are becoming similar to each other.

International business researchers when investigating European business management models divide Europe into four regions, in which different business management models operate, i.e. western, eastern, southern and northern regions with their distinctive business management principles that shape international business practice of each particular region. Usually, pragmatism is linked to the culture of Western Europe, while rationalism - to northern culture, holistic approach - to eastern and humanism - to southern culture. However, this division is conditional. Humanism prevailing in the countries of Latin America reflects the culture of its inhabitants. Humanism, as a form of business management, distinguishes itself for sociability, close relations, usually based on family ties and a patriarchal business organization structure. Emphasis should be laid on the Scandinavian example - this region is abundant with different business management styles (except for humanism), the combination of which determine a distinctive attitude of Scandinavian entrepreneurs towards business and their ability to adapt to different cultures. The prevailing styles in Germany are rationalism and holistic approach.

### **III. GENERALIZATION THE EXPERIENCE OF LITHUANIAN INTERNATIONAL BUSINESS ENTERPRISES**

This section of the article summarizes the experience of international business enterprises operating in Lithuania while choosing and shaping the business management model. It is based on the analysis of the theoretical aspects of international business management models which we have carried out. The empirical study was conducted using a structured interview method, which allowed us to gather more detailed information, based on the experience and competence of the experts participating in the study. They studied 20 Lithuanian companies of different sizes, successfully operating in the international business from 4 to 20 years. The survey involved competent experts from the firm's managerial staff. The main activities of the surveyed company are production (agricultural, food, wood processing and furniture), trade and logistics services, its main markets are the EU, Russia, Belarus and Ukraine. The comparison of the factors influencing the choice of international business management models used by Lithuanian companies, their characteristics and management model was performed from several perspectives:

by the type of activity - production, trade and services;

by company size - large, medium and small enterprises;

by region - Central European, Western European and Eastern European. The latter is considered as a space outside of the EU in the east of Europe.

The study used a structured interview method to collect detailed information, based on the expertise and competence of the experts participating in the study. The study assessed the following features of an international business management model:

- a) the philosophical orientation (holism, humanism, pragmatism, rationalism);
- b) the school of Management (American, European, Japanese);
- c) the organizational structure (linear, functional, matrix);
- d) the degree of centralization (centralized, decentralized, mixed);

- e) the type of decision-making process (authoritarian, democratic, liberal);
- f) the ownership and control (international, transnational, multinational, supranational).

It was found that in the case of commercial enterprises, the most commonly used was the decentralized international business management model, forming organizational structure on the functional or matrix basis. The dominant form of ownership and control is international company, which is guided by the provisions of European school of management. However, a trading company uses a range of philosophical orientations in international business and one cannot distinguish from them one or more which would be predominant. Meanwhile, the nature of the decision-making process can be clearly identified – it is dominated by the democratic or liberal approach.

Service enterprises are dominated by the mixed model of international business management, basing organizational structure on the functional relationships. According to the ownership and control the international form is prevalent. However, it is difficult to assess the prevailing school of management, because part of the models used can be attributed to the Japanese management school, while almost an equal part – to the European one. According to the philosophical orientation, here prevails holistic and humanistic management models, while the decision-making process is usually democratic. In the case of production companies, it is difficult to identify the prevailing trends in the management models. However, here clearly dominates the European school of management and democratic decision-making process.

Large companies usually prefer a mixed decentralized management model based on functional or matrix organization structure and the democratic decision-making method. Their philosophical orientation is holism or humanism. Here prevails international form of ownership and control and the European school of management. In the case of medium-sized enterprises dominates decentralized management model, which is based on the functional organizational structure, international form of ownership and control and European school of management. In assessing the philosophical orientation and the type of decision-making process, it is difficult to distinguish the prevailing direction. In the case of small businesses, it is difficult to discern dominant trends. It can only be stated that international form of ownership and control tends to dominate here and the decision-making process is based on democratic principles.

Companies operating in Central Europe follow European school of management and use liberal method of decision-making. Organizational structure is functional, form of ownership and control - international. However, we failed to discern the prevailing business models according to the degree of centralization and philosophical orientation. Companies operating in Western Europe are most frequently decentralized, based on international form of ownership and control and use democratic decision-making method. Business management models of Lithuanian companies operating here follow the European school of management. Companies operating in Eastern regions are based on the functional organizational structure and internationalist business ownership and control form. These companies are dominated by the European school of management and democratic decision-making process.

The choice of international business management models by the Lithuanian enterprises was influenced by uneven factors. Business model choice made by trading companies was mainly influenced by the company's management model for the domestic market, the company's management models in other markets, the macroeconomic environment and market structure, as well as financial capacity of the company and the management models used by customers. The choice of business management model in service businesses was mostly affected by the structure of the market, as well as management models used by customers, the company's financial capacity, macroeconomic market environment and the general business culture dominating in the country.

The choice of business management models by large companies was mainly determined by the management models used by customers, the company's financial strength, market structure, the macroeconomic environment, company management models in other markets and the company's management model for the domestic market. Meanwhile, the business model choice among the medium-sized companies was determined by the macroeconomic market environment. From the obtained data we could not reliably identify factors influencing the choice of business management models by small companies.

The business model choice by companies operating in the Central Europe was mainly influenced by a company's financial strength, market structure and the prevailing business culture. Meanwhile, in the Western Europe-based companies the greatest impact on the business model of choice was made by the macroeconomic environment of the market and the prevailing business culture. From the obtained data it is difficult to reliably estimate the factors influencing the choice of business management models by the Lithuanian companies operating in Eastern European region.

Based on the examination of Lithuanian business practice, we offer the following recommendations for the Lithuanian companies intending to expand their business in the international markets.

1. It is appropriate for commercial businesses to use a decentralized model. While forming a functional or matrix organizational structure it is advisable to focus on the management of European school and to follow democratic or liberal approach to the decision-making process. For the manufacturing companies it is appropriate to focus more on the democratic approach to decision-making process and to form linear or functional organizational structure. Meanwhile, for the service companies it is appropriate to choose a mixed centralization and functional organizational structure and to assess the potential for the implementation of the Japanese management model principles in addition to dominating European model.
2. For companies that intend to expand into the Central European region, it is appropriate to use a centralized or decentralized model. While forming functional organizational structure it is advisable to focus on the European school of management, coordinating it with rationalism and holistic philosophies and selecting the liberal

decision-making model. For the businesses oriented to Western European markets is more useful to implement an organizational structure based on the decentralized, linear or functional management, which is predominantly based on the business philosophies of pragmatism and rationalism.

3. For large companies which intend to expand internationally, it is advisable to focus on holistic and humanistic philosophies of expression and democratic decision-making. Meanwhile, for the medium-sized companies liberal decision-making process, coordinated with pragmatism and rationalism, is more relevant. Regardless of the size of the company, it is advisable to focus on the principles of the European school of management. All businesses must take into account such fundamental factors as the prevailing business culture, market structure and customer management models used in the country where they intend to do business. All companies should focus on free market principles and on the commercial approach to business.

In summarising our recommendations we want to emphasize that the recommendations are based on the experience of the international business enterprises operating in Lithuania, therefore they let us expect their suitability for the companies which are new to international business. However, it is important to always consider the fact that the current practice is not necessarily the most effective and efficient solution, because quite often a competitive advantage lies in the non-standard decisions not widespread in the market, which determine the formation and development of new international business management models.

#### IV. CONCLUSIONS

1. Properly selected company's business model gives it a competitive advantage in the industry and allows obtain higher profits than its competitors. In global terms, there are three main distinct business management schools, dominated by the same basic principles of communication, contract-making, maintaining relations etc., which are critical for business: the American, the European and the Japanese School of Management, on the basis of which international business management models develop.
2. In contrast to the American and Japanese business management models, the business management model of Europe can not be described in detail by one-dimensional types, one must take into account the different cultural regions, considering the specifics of economic development and different political and social attitudes.
3. Since Lithuanian international business enterprises have business relations with various countries in the European Union and beyond, they use a variety of international business management models, assessing the specifics of concrete countries in the cultural, economic and social spheres.
4. The experience of Lithuanian international business enterprises suggests that in the Lithuanian companies involved in international business dominates decentralized management model, which is based on the functional organization of business and the provisions of European business management school. According to the philosophical orientation Lithuanian international business enterprises are dominated by pragmatism, humanism and holism, and according to the decision-making process one can most commonly encounter democratic or liberal models.
5. Lithuanian international businesses enterprises are focused on the free market as the prevailing economic idea, their activities are commerce-based, maintaining mostly competitive relationships with other organizations.
6. In view of the results, one can distinguish the following main factors determining the choice of international business management model: the macroeconomic market environment, market structure, foreign experience of the operating units, the prevailing business culture in the country, the company's financial strength and management models used by the customers.

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