

Global Business Environment

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Lecture outline

- ❖ Business model canvas
- ❖ Globalization
- ❖ Drivers of Globalization
- ❖ Globalization of Markets and Production
- ❖ Global Institutions
- ❖ What is the future of globalization?
- ❖ Case study

Globalization - definitions

- ❖ Globalization is the **widening and deepening** of interdependent **relationships among people from different nations**.
- ❖ The **elimination of barriers** to international **movements of goods, services, capital, technology, and people** that influence the integration of world economies.

Globalization - statement

‘Globalization enables us to get **more variety, better quality, or lower prices**. Our meals contain spices that aren’t grown domestically and fresh produce that may be out of season locally. Our cars cost less than they would if all the parts were made and the labor performed in one place.’

Drivers of Globalization

❖ Declining trade and investment barriers

- International trade – occurs when a firm exports goods or services to consumers in another country.
- Foreign direct investment – when a firm invests resources in business activities outside its home country.

❖ The **barriers to trade** were in the **form of tariffs** on **imports** of manufactured goods to **protect** domestic industries from foreign competition.

Drivers of Globalization

❖ **Role of technological change**

- communications (microprocessor, satellite, optical fibre, wireless technologies),
- internet,
- transportation technology (development of commercial jet aircraft, introduction of containerization)

Drivers of Globalization

- ❖ Growth of consumer pressures
- ❖ Increase in global competition
- ❖ Changes in political situations and government policies
- ❖ Expansion of cross-national cooperation

Globalization – what does it mean for businesses?

- ❖ Globalization creates many opportunities
- ❖ Expand their revenues by selling around the world
- ❖ Reduce their costs by producing in countries where key inputs are less expensive.

Globalization of markets

- ❖ **merging** of historically distinct and separate **national markets** into one huge **global market place**.
- ❖ falling of barriers to cross-border trade and investment
- ❖ **tastes and preferences of consumers** of different nations converge on some global norm creating a global market.

Globalization of markets - examples

- ❖ CocaCola, Ikea, Starbucks coffee, McDonald's, KFC....
- ❖ these companies are benefactors and facilitators of globalization
- ❖ by offering the same product worldwide help create a global market....
- ❖ ...significant differences still exist among national markets due to **consumer tastes, preferences, culture, distribution systems, legal regulations.**

Globalization of production

- ❖ sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of production factors (labor, energy, land, capital).
- ❖ it allows companies to compete more effectively
- ❖ Result => they lower their costs or improve the quality or functionality of their product offerings

Globalization of production - examples

- ❖ Boing 787 is from 65% made by outsourcing companies, because these suppliers are the best in the world at their particular activity.
- ❖ using modern communications technology to outsource service activities such as:
 - Radiology work, Software companies test their software functions, customer call centres (Virgin media UK).

Globalization of production - example

- ❖ The quality assurance used to be recognized by the country where the products were produced e.g. 'Made in USA' 'Made in Germany'
- ❖ Now the quality assurance is the company itself => 'Made by BMW' 'Made by Apple'
- ❖ The processes of design, component parts manufacture, and assembly are located in different places around the world => **produced globally**

Global institutions

- ❖ Needed to help **manage**, **regulate**, and **police** the global marketplace
- World Trade Organization (WTO)
- International Monetary Fund (IMF)
- World Bank
- United Nations (UN)
- Group of Twenty (G20)

Globalization – what is the future?

❖ What speaks against globalization:

1. Unemployment in developed countries - On one side outsourcing of services to low-wage countries reduce costs and prices of products as well. On the other side there is loss of jobs and incomes in the developed countries.
2. Environmental degradation
3. Westernization or Americanization of local cultures
4. Lost of jobs due to foreign competition, advances in technology, lower transportation costs and rise of skilled workers in developing countries

Case study

❖ Please **open and read** case study saved as **International business Global edition Case study Lecture 7**

❖ Answer the following questions:

1. What are the factors that have contributed to the growth of the transportation and logistics industry, and how?
2. What steps has DP World taken to benefit from global economic changes?
3. What economic factors influence the success of the international transportation and logistics industry?

❖ **Research** the **terms marked in green** and explain their meaning.



References

- ❖ Hill, C. W. L. (2022). International business: Competing in the global marketplace (International student;14e.; ed.). McGraw Hill.
- ❖ Daniels, J., Radebaugh, L., & Sullivan, D. (2021). International business, global edition. Pearson Education, Limited.