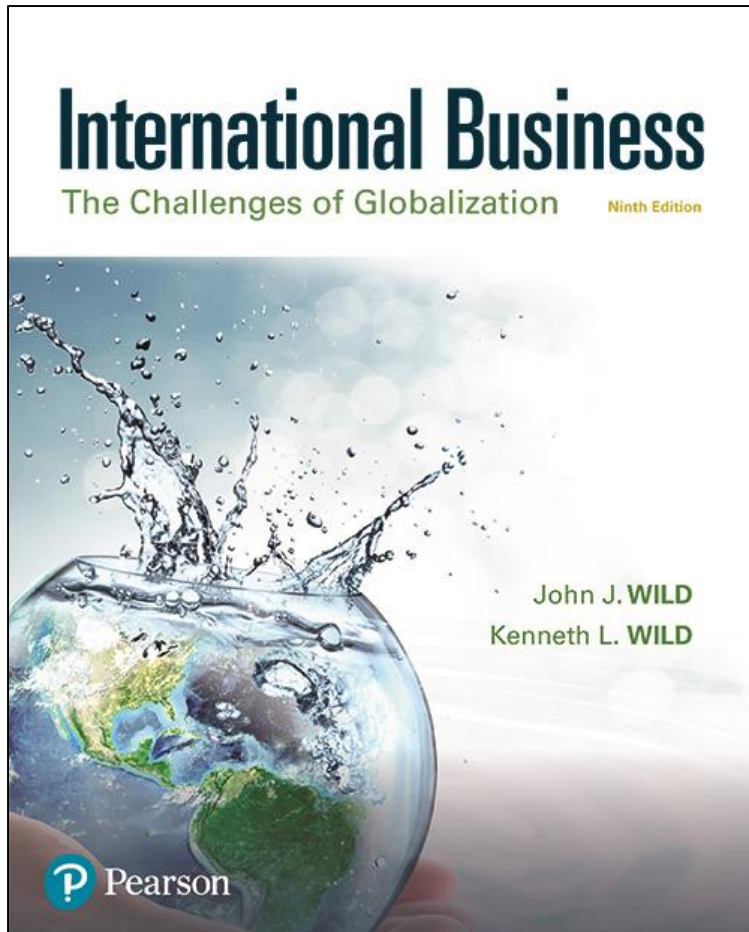


International Business: The Challenges of Globalization

Ninth Edition



Chapter 1

Globalization

Learning Objectives

- 1.1 Identify the types of companies active in international business.
- 1.2 Explain globalization and how it affects markets and production.
- 1.3 Detail the forces that drive globalization.
- 1.4 Outline the debate about globalization's impact on jobs and wages.
- 1.5 Summarize the debate about income inequality.
- 1.6 Outline the debate about culture, sovereignty, and the environment.
- 1.7 Identify how this course will help you to develop skills for your career.

Apple's Global Impact

- Millions of apps
- Globalization
 - Produce and sell worldwide with little or no modification
 - Reduces Apple's production and marketing costs
 - Supports Apple's global brand strategy
- Challenges
 - Higher price



International Business

International Business

- Commercial transaction that crosses the borders of two or more nations

Imports

- Goods and services purchased abroad and brought into a country

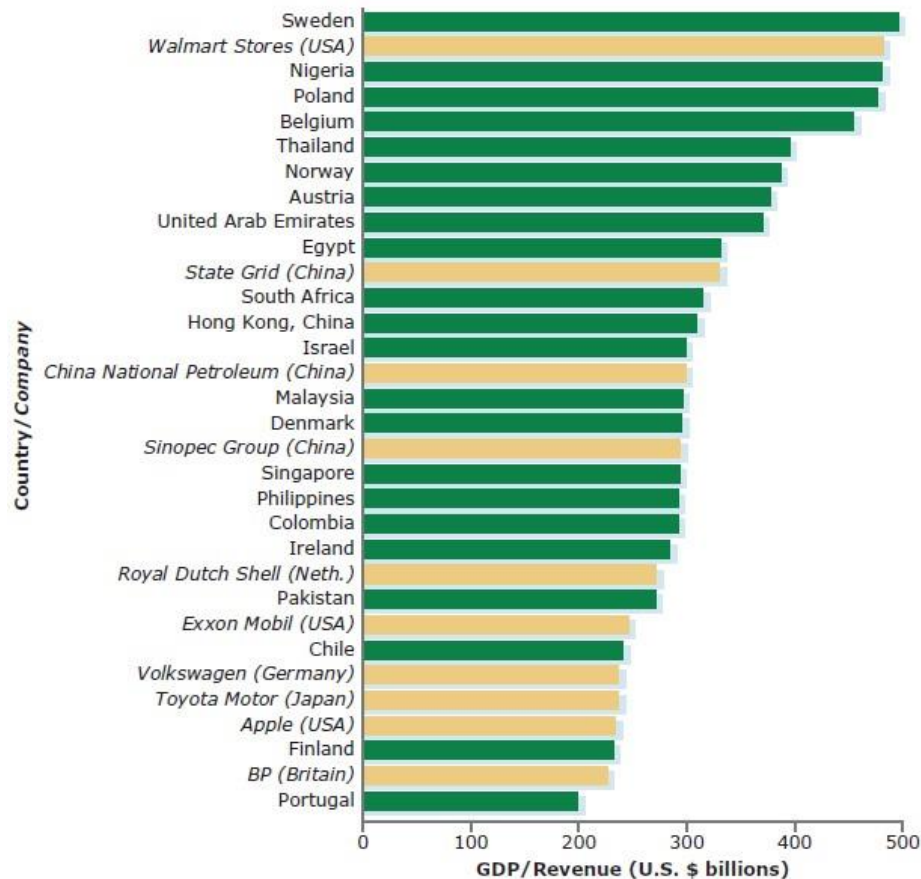
Exports

- Goods and services sold abroad and sent out of a country

Key Players in International Business

- Large companies from the wealthiest nations
- Firms from emerging markets
- Small and medium-sized companies
- Multinational corporation (MNC)
- Born global firm

Figure 1.1 Comparing the World's Largest Companies with Select Countries



Source: Based on data obtained from “Fortune Global 500: The 500 Largest Corporations in the World,” (fortune.com/global500/), July 2016; World Bank data set (data.worldbank.org).

Quick Study 1

1. What is the value of goods and services that all nations of the world export every year?
2. A business that has direct investments in marketing or manufacturing subsidiaries in multiple countries is called a what?
3. A born global firm engages in international business from or near its inception and does what else?

What is Globalization? (1 of 4)

- **Globalization:** Trend toward greater economic, cultural, political, and technological interdependence among national institutions and economies
- Globalization is characterized by **denationalization**
- Globalization is different from **internationalization**

What is Globalization? (2 of 4)

Globalization of Markets

- Convergence in buyer preferences in markets around the world

Globalization of Production

- Dispersal of production activities worldwide to minimize costs or maximize quality

What is Globalization? (3 of 4)

Globalization of Markets

- **Benefits of Globalization of Markets**
 - Reduces marketing costs
 - Creates new market opportunities
 - Levels uneven income streams
 - Local buyers' needs
 - Global sustainability

What is Globalization? (4 of 4)

Globalization of Production

- **Benefits of Globalization of Production**
 - Access lower-cost workers
 - Access technical expertise
 - Access production inputs

Quick Study 2

1. Globalization causes the institutions and economies of nations to become what?
2. What benefits might companies obtain from the globalization of markets?
3. Sustainability is development that meets present needs without compromising what?

Forces Driving Globalization (1 of 3)

Falling Barriers to Trade and Investment

- General Agreement on Tariffs and Trade (GATT)
- World Trade Organization (WTO)
- Other
- International organizations
 - The World Bank
 - The International Monetary Fund (IMF)
- Regional trade agreements
- Trade and national output



Forces Driving Globalization (2 of 3)

Technological innovation

- E-business (E-commerce)
- Email and Videoconferencing.
- Internet
- Company Intranets and Extranets
- Advancements in Transportation Technologies

Forces Driving Globalization (3 of 3)

Measuring Globalization Table 1.1 Globalization's Top 10

Country	Overall Rank	Economic Rank	Social Rank	Political Rank
Netherlands	1	4	4	5
Ireland	2	2	3	25
Belgium	3	6	6	3
Austria	4	16	5	7
Switzerland	5	22	2	10
Denmark	6	15	9	11
Sweden	7	17	16	4
United Kingdom	8	20	13	6
France	9	30	11	1
Hungary	10	7	23	23

Source: Based on the 2017 KOF Index of Globalization, (www.globalization.kof.ethz.ch). April 20, 2017.

Quick Study 3

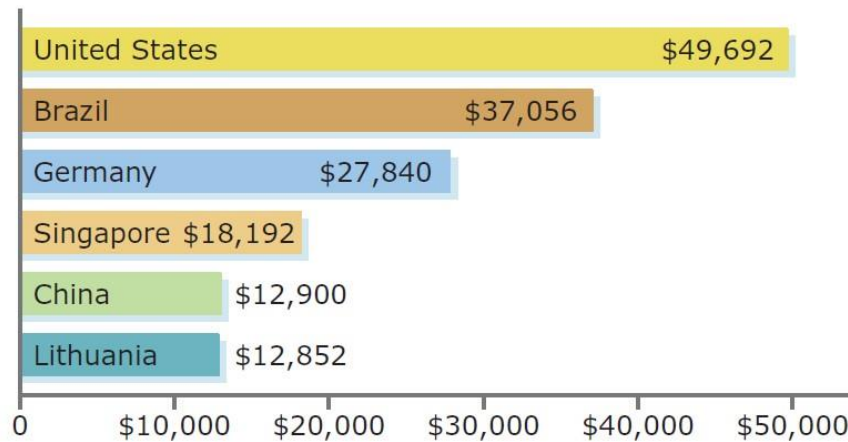
1. What global organizations have helped expand globalization?
2. What technological innovations are helping to propel globalization?
3. What nations rank high in terms of globalization?

Debate About Jobs and Wages (1 of 2)

Against Globalization

- Eliminates jobs in developed nations
- Lowers wages in developed nations
- Exploits workers in developing nations

Average annual net income of an Information Technology worker living in:



Comparing Salaries of Information Technology Workers

Debate About Jobs and Wages (2 of 2)

For Globalization

- Increases wealth and efficiency in all nations
- Generates labor market flexibility in developed nations
- Advances the economies of developing nations

Quick Study 4

1. In the debate over jobs and wages, opponents of globalization say that it does what?
2. In the debate over jobs and wages, supporters of globalization say that it does what?

Debate About Income Inequality

Inequality Within Nations

- Wage gap between white-collar and blue-collar occupations in rich nations

Inequality Between Nations

- Widening the gap in average incomes between rich and poor nations

Global Inequality

- Widening income inequality between all people of the world

Quick Study 5

1. Evidence suggests that globalization can help developing nations boost incomes for their poorest citizens in what part of the debate over inequality?
2. In the debate over inequality between nations, evidence suggests that developing nations that are open to trade and investment do what?
3. Regarding the debate over global inequality, experts tend to agree on what?

Debate About Culture, Sovereignty, and the Environment (1 of 3)

Globalization and Culture

Advantages

- Allows us to profit from our differing circumstances and skills

Disadvantages

- Homogenizes our world and destroys our rich diversity of cultures

Debate About Culture, Sovereignty, and the Environment (2 of 3)

Globalization and National Sovereignty

Disadvantages

- **Menace to democracy?** Empowers supranational institutions at the expense of national governments

Advantages

- **Guardian of democracy?** Globalization spreads democracy worldwide

Debate About Culture, Sovereignty, and the Environment (3 of 3)

Globalization and Environment

Advantages

- Most international firms today support reasonable environmental laws

Disadvantages

- “Race to the Bottom”

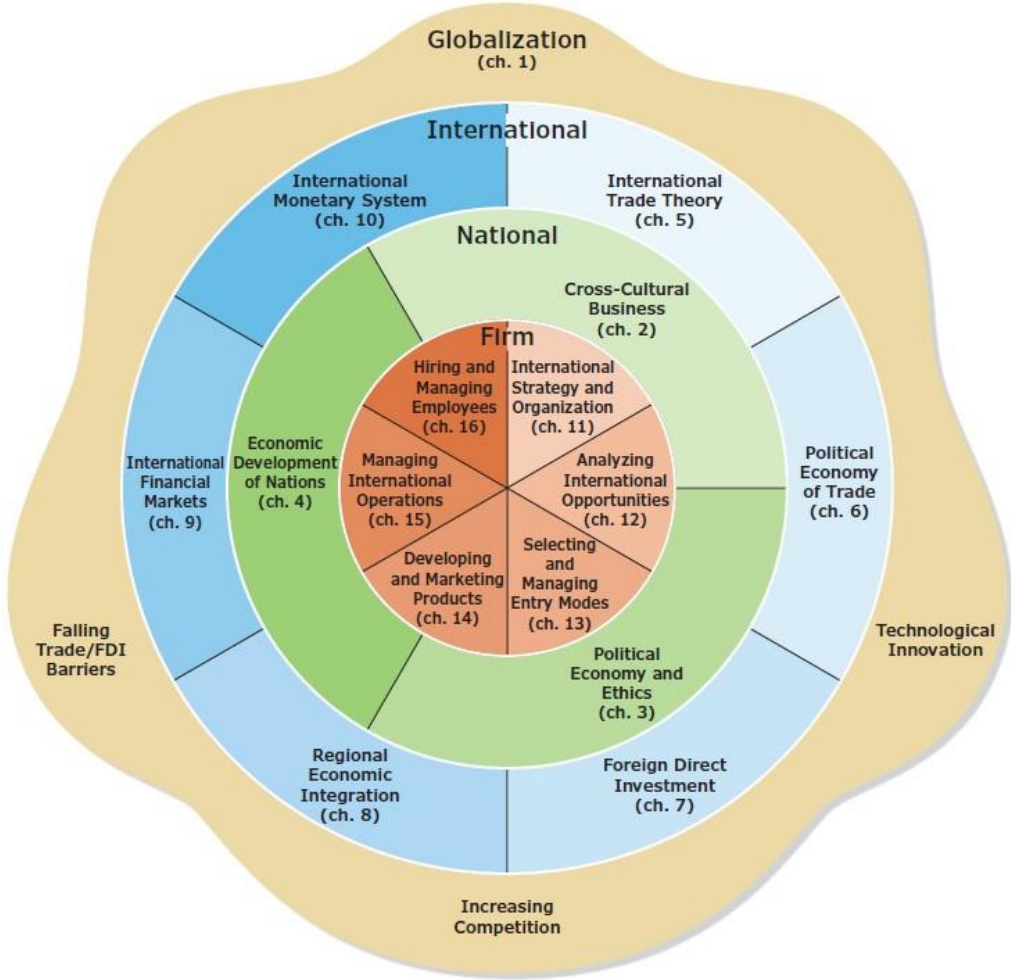
Quick Study 6

1. People opposed to globalization say that it does what to national cultures?
2. Regarding national sovereignty, opponents of globalization say that it does what?
3. With regard to the physical environment, what do globalization supporters argue?

Developing Skills for Your Career

- Critical thinking
- Business ethics and social responsibility
- Communication skills
- Knowledge application and analysis

Figure 1.3 The Global Business Environment



Quick Study 7

1. What employability skills will this course help you to develop?
2. It helps to think about international business as four elements that occur within a what?
3. How does managing an international firm differ from managing a purely domestic business?

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