Chapter 1: Globalization and International Business
Chapter Objectives

- To define globalization and international business and show how they affect each other
- To understand why companies engage in international business and why international business growth has accelerated
- To discuss the major criticisms of globalization
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<th>Country</th>
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<td>Turkey</td>
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Joint Effort

Parts for the Boeing 787 are manufactured around the globe:

- Fixed and movable leading edge
  - Spirit, U.S.
- Wing
  - Mitsubishi, Japan
- Wing tips
  - KAL-ASD, Korea
- Movable trailing edge
  - Boeing, Australia
- Forward fuselage
  - Spirit, U.S.
- Forward fuselage II
  - Kawasaki, Japan
- Center fuselage
  - Alenia, Italy
- Aft fuselage
  - Vought, U.S.
- Horizontal stabilizer
  - Alenia, Italy
- Passenger-entry doors
  - Latecoere, France
- Engine
  - Rolls-Royce, U.K., and GE, U.S.
- Engine housings
  - Goodrich, U.S.
- Cargo-access doors
  - Saab, Sweden
- Wing-body fairing, landing-gear doors
  - Boeing, Canada
- Center wing box
  - Fuji, Japan
- Main landing-gear wheel well
  - Kawasaki, Japan

Source: the company
International Business

International business consists of all commercial transactions—including sales, investments, and transportation—that take place between two or more countries.

Increasingly foreign countries are a source of both production and sales for domestic companies.
International Business
Most companies are either international or compete with international companies.

Modes of operations may differ from those used domestically.

The best way of conducting business may differ by country.

Global events influence companies of all sizes and industries.
International Business: Operations and Influences

OPERATING ENVIRONMENT

PHYSICAL AND SOCIAL FACTORS
- Political policies and legal practices
- Cultural factors
- Economic forces
- Geographical influences

COMPETITIVE FACTORS
- Competitive product strategy
- Company resources and experience
- Competitors in each market

OPERATIONS

OBJECTIVES
- Sales expansion
- Resource acquisition
- Risk minimization

STRATEGY

MODES
- Importing and exporting
- Tourism and transportation
- Licensing and franchising
- Turnkey operations
- Management contracts
- Direct and portfolio investment (including joint ventures)

MEANS

FUNCTIONS
- Marketing
- Global manufacturing and supply-chain management
- Accounting
- Finance
- Human resources

Overlaying Alternatives
- Choice of countries
- Organization and control mechanisms
Globalization is the ongoing process that deepens and broadens the relationships and interdependence among countries.
Factors Contributing to Rapid Growth of International Business

1. Increase in and expansion of technology
2. Liberalization of cross-border trade and resource movements
3. Development of services that support international business
4. Growing consumer pressures
5. Increased global competition
6. Changing political situations
7. Expanded cross-national cooperation
Factors Contributing to Rapid Growth of International Business
Factors Contributing to Rapid Growth of International Business

- **Open Markets**
  - Import tariffs
  - Import quotas
  - Import bans

- Freight charges: 1%
  - Coffee from Asia
A.T. Kearney/Global Cities Index (2012)
Measuring Globalization

- A.T. Kearney/Foreign Policy Globalization Index

The Global Top 20

The world’s most integrated countries come in very different shapes and sizes, and they have followed many different paths to globalization.

- Political Engagement: Including foreign aid, treaties, organizations, and peacekeeping
- Personal Contact: Including telephone calls, travel, and remittances
- Technological Connectivity: Including number of Internet users, hosts, and secure servers
- Economic Integration: Including international trade and foreign direct investment
What’s Wrong with Globalization

- Threats to national sovereignty
- Economic growth and environmental stress
- Growing income inequality and personal stress
- Offshoring is controversial in terms of who benefits when costs are reduced and whether the process exchanges good jobs for bad ones.
Companies Engage in International Business

- **To Expand Sales:**
  - 90% of total production of Beko is exported (almost 80% of its sales)
  - Turkish airlines' passengers increased 10% when it joined Star Alliance in 2009.

- **To Acquire Resources:**
  - Turkey produces 75% of the world's hazelnut (nutella)

- **To Diversify or Reduce Risks:**
  - Nestle has 13 suppliers around the world such as China, England, Thailand
  - Nestle experienced slower growth in the US but higher growth in Asia.
Multinational Enterprises (MNEs) take a global approach to markets and production. Sometimes they are referred to as multinational corporations or companies (MNCs) or transnational companies (TNCs).