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GLOBALIZATION AND MANAGEMENT

- 4.1 The international business environment
- 4.2 Getting started internationally
- 4.3 The multinational corporation
- 4.4 Managing in a global environment
- 🌐 Discussion



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4.1 The international business environment

International management refers to as the management of business operations conducted in more than one country. Managers have to deal with such key factors in the international environment as;

- Economic factors (economic development, resource and product markets, per capita income, infrastructure, exchange rates...)
- Legal-political factors (political risk, laws, restrictions, tariffs, quotas, taxes, terrorism, political instability...)
- Sociocultural factors (social values, beliefs, language, religion, taboos, holidays, formal education, literacy...)

4.1 The international business environment

Globalization → global economic interdependence

□ Drivers of globalization

- Market drivers
- Cost drivers
- Government drivers
- Competitive drivers



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4.1 The international business environment

□ Market drivers of globalization

- Per capita convergence among industrialized nations
- Convergence of life styles
- Increasing travel creating global consumers
- Growth of global and regional channels
- Establishment of world brands
- Companies as global customers

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4.1 The international business environment

- Cost drivers of globalization
 - Continuing push for economies of scale
 - Accelerating technological innovation
 - Advances in transportation
 - Emergence of newly industrialized countries with productive capability and low labor costs
 - Increasing cost of product development relative to market life

4.1 The international business environment

- Government drivers of globalization
 - Reduction of tariff barriers
 - Creation of blocs
 - Decline in role of governments as producers and customers and privatization
 - Intention towards open market economy
 - Increasing participation of China and India in the global economy

4.1 The international business environment

- Competitive drivers of globalization
 - Increase in the level of world trade
 - Increasing foreign ownership of corporations
 - Increased formation of global strategic alliances and growth of global networks making countries interdependent

4.2 Getting started internationally

Companies have several options to get involved internationally:

- The company may prefer **global outsourcing** to seek cheaper sources of supply, as well as to engage in international division of labor regardless of country.
- **Market entry strategy** often refers to as the organizational strategy for entering a foreign market, usually begins with exporting and work up to direct investment.

4.2 Getting started internationally

□ Strategies for entering the international markets

- **Exporting** → the corporation maintains its production facilities within the home nation and transfers its products for sale in foreign markets
- **Licensing** → the licensor in one country makes certain resources available to the licensees in another country
- **Franchising** → a form of licensing in which the organization provides its foreign franchisees with a complete assortment of materials and services
- **Joint venture** → sharing costs and risks with another company in the foreign market
- **Greenfield venture** → building a subsidiary from scratch in a foreign country

4.3 The multinational corporation

An organization that receives more than 25 percent of its total sales revenues from operations outside the home country are called **multinational companies**.

- Foreign affiliates act in close alliance,
- A single management authority usually controls through key strategic decisions,
- Managers are expected to exercise a global perspective, regarding the entire world as one whole market.

4.4 Managing in a global environment

□ Global manager's challenges



- Personal challenges (culture shock, homesickness...)
- Leading challenges
- Decision-making problems
- Problems in motivating the employees
- Controlling facts



Globalization is good!

NEXT WEEK:

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**ENTREPRENEURSHIP AND
SMALL BUSINESS
MANAGEMENT**