

# 4

## 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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3

## 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

## 4.1 The international business environment

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- 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

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- 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

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- 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

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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

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### □ Global manager's challenges



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



## Globalization is good!

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# NEXT WEEK:

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**5**

## ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT