

Globalization

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About Me

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Assignment

- 1-page essay or \leq 400 words
 - Select one company (can be public, private, or government).
 - Summarize how globalization effect the company
 - Discuss and explain how the company react to the globalization
 - Submit at MyCourseVille
 - Due date: check myCourseVille
 - Suggestion: complete it after class
 - Parts that exceed the limitation will not be read

Globalization

- The process of making, and/or transforming something or phenomena into global ones.
- A process by which the people of the world are unified into a single society and function together.
- World without frontier.
- Eliminate national boundaries for economic purposes.



Driving Forces

- Communication
- Agreements

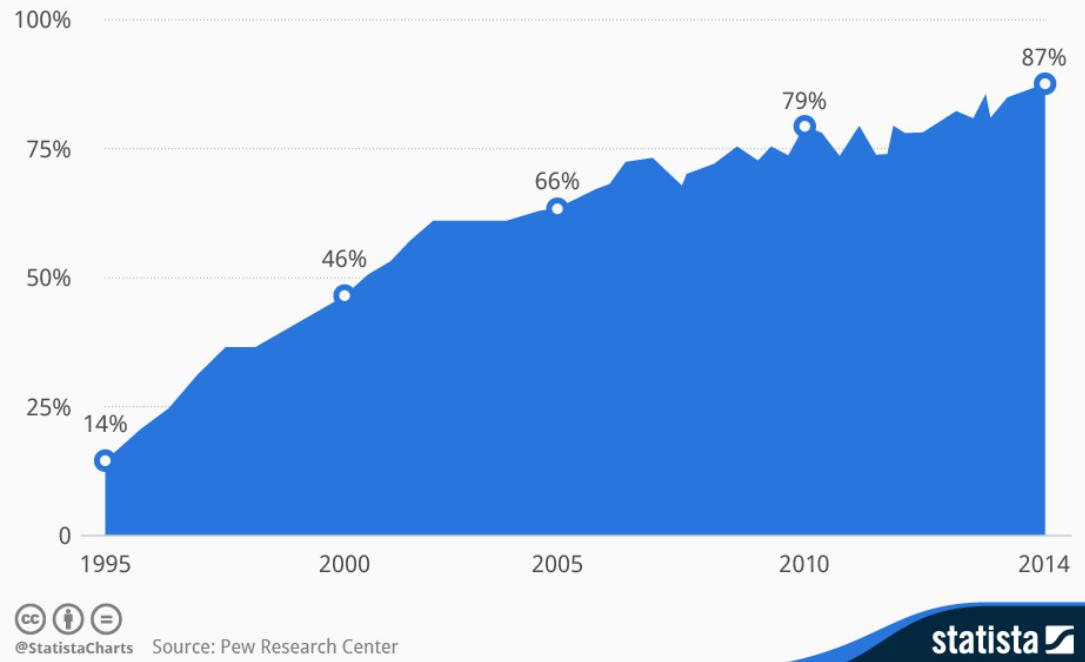


Communication

- Rise of the Internet
 - Communication satellites
 - Submarine fiber optic cable
 - Wireless telephone

The Rapid Rise Of The Internet

% of American adults who use the internet



@StatistaCharts

Source: Pew Research Center

statista

Agreements

- GATT – General Agreement on Tariffs and Trade
- WTO – World Trade Organization



GATT

- Reduction or elimination of tariffs



WTO

- Mediation of trade disputes and set up a uniform platform of trading



BASIS FOR COMPARISON	GATT	WTO
Meaning	GATT can be described as a set of rules, multilateral trade agreement, that came into force, to encourage international trade and remove cross-country trade barriers.	WTO is an international organization, that came into existence to oversee and liberalize trade between countries.
Institution	It does not have any institutional existence, but have a small secretariat.	It has permanent institution along with a secretariat.
Participant nations	Contracting parties	Members
Commitments	Provisional	Full and Permanent
Application	The rules of GATT are only for trade in goods.	The rules of WTO includes services and aspects of intellectual property along with the goods.
Agreement	Its agreements are originally multilateral, but plurilateral agreements are added to it later.	Its agreements are purely multilateral.
Domestic Legislation	Allowed to continue	Not allowed to continue
Dispute Settlement System	Slow and ineffective	Fast and effective

Organizations Promoting International Trade

- World Trade Organization (WTO)
 - Designed to monitor and enforce trade agreements
 - Agreements based on the General Agreement on Tariffs and Trade (GATT), an international accord first signed by 23 nations in 1947
 - Currently consists of 164 countries
 - Headquartered in Geneva, Switzerland



Organizations Promoting International Trade

- The World Bank
 - It was founded after the WWII to help European countries rebuild.
 - Today the purpose is to provide low-interest loans to developing nations for improving transportation, education, health, and telecommunications.
 - It has 188 member nations, with most contributions coming from Britain, the U.S., Japan, and Germany.



Organizations Promoting International Trade

- International Monetary Fund (IMF)
 - Designed to assist in smoothing the flow of money between nations
 - Founded in 1945 and now affiliated with the United Nations
 - Operates as a last-resort lender that makes short-term loans to countries suffering from unfavorable balance of payments (example: Greece)



Major Trading Blocs

- A trading bloc is a group of nations within a geographic region that have agreed to remove trade barriers with one another.



Major Trading Blocs

- NAFTA (North American Free Trade Agreement) – allows for freer flow of goods, services, and capital among the U.S., Canada, and Mexico



Major Trading Blocs

- EU (European Union) – 28 “borderless” trading partners in Europe – or 27 with “Brexit” (Britain’s exit)



Major Trading Blocs

- APEC (Asia-Pacific Economic Cooperation) – group of 21 Pacific Rim countries, most with a Pacific coastline (U.S., Canada, China)



**Asia-Pacific
Economic Cooperation**



**APEC 2022
THAILAND**

Major Trading Blocs

- ASEAN (Association of Southeast Asian Nations) - trading bloc of 10 countries in Southeast Asia



Major Trading Blocs

- Mercosur – largest trading bloc in Latin America



Major Trading Blocs

- CAFTA (Central America Free Trade Agreement) – Central America



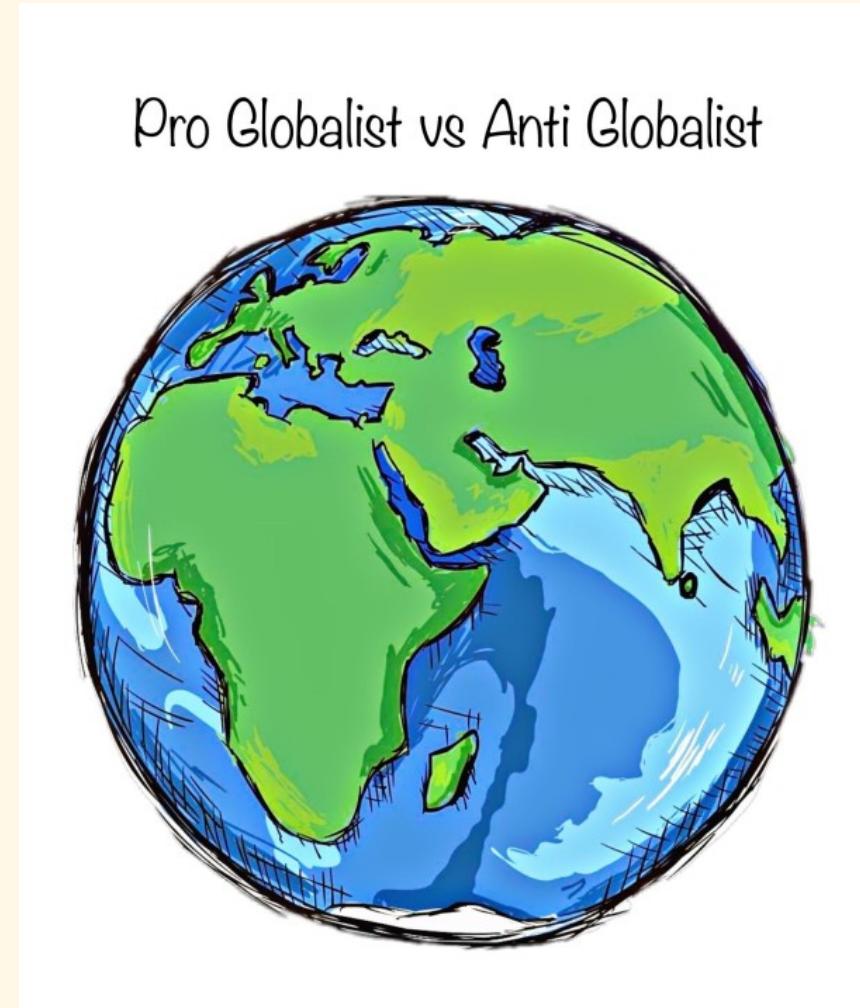
The BRICS Countries

- The five major emerging economies
 - Brazil, Russia, India, China, and South Africa
 - Coined by a financial analyst as promising markets for finance capital in the 21st century
 - Represent 40% of the world's population
 - Represent about 20% of the world's economic activity



Last two decades

- Increasing the connectivity and interdependence of the world's markets and business
- Technological advances make it easier for people to travel, communicate and do business internationally
- As globalization becomes more common, two groups have arisen
 - Pro-globalization
 - Anti-globalization



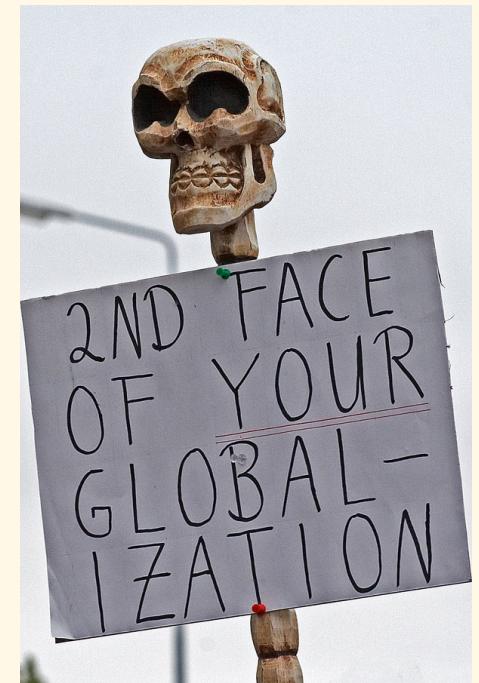
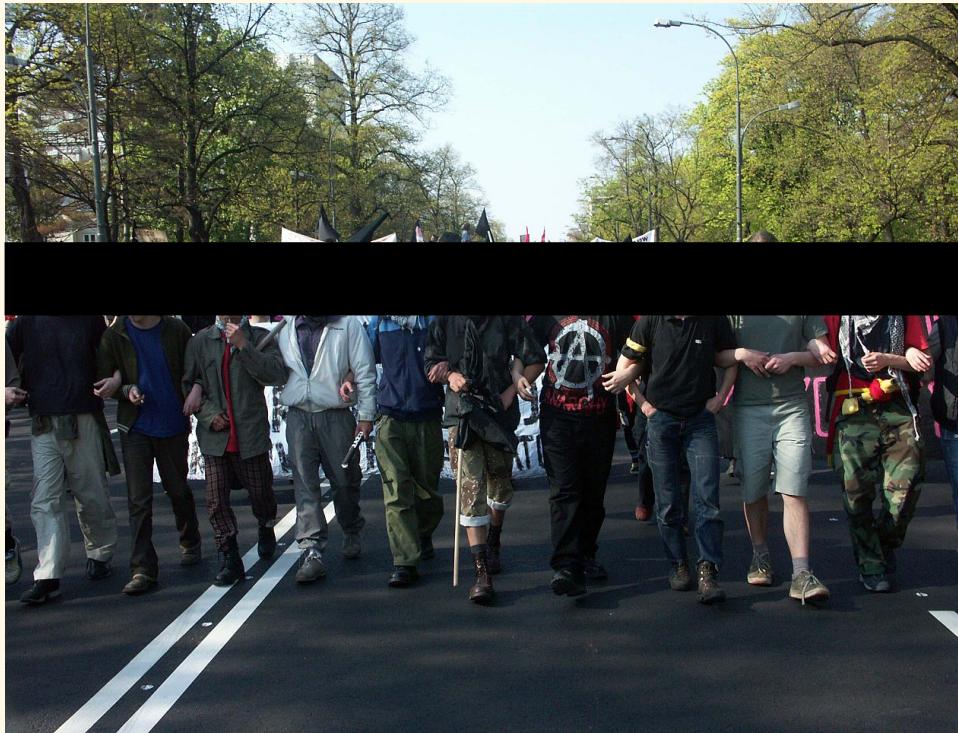
Pro-globalization lobby's arguments

- Increased opportunities for almost everyone.
- Increased competition is a good thing
 - More efficient



Anti-globalization group's arguments:

- Certain groups of people who are deprived in terms of resources are not currently capable of competition.



Yes and No...But what we know...

- Increased opportunity
- Increased competition



Why should you learn about international management?

- International managers oversee the conduct of operations in, or with, organizations in foreign countries
- Operations can be *multinational corporations* (business firms with operations in several countries) or *multinational organizations* (nonprofit organizations with operations in several countries)



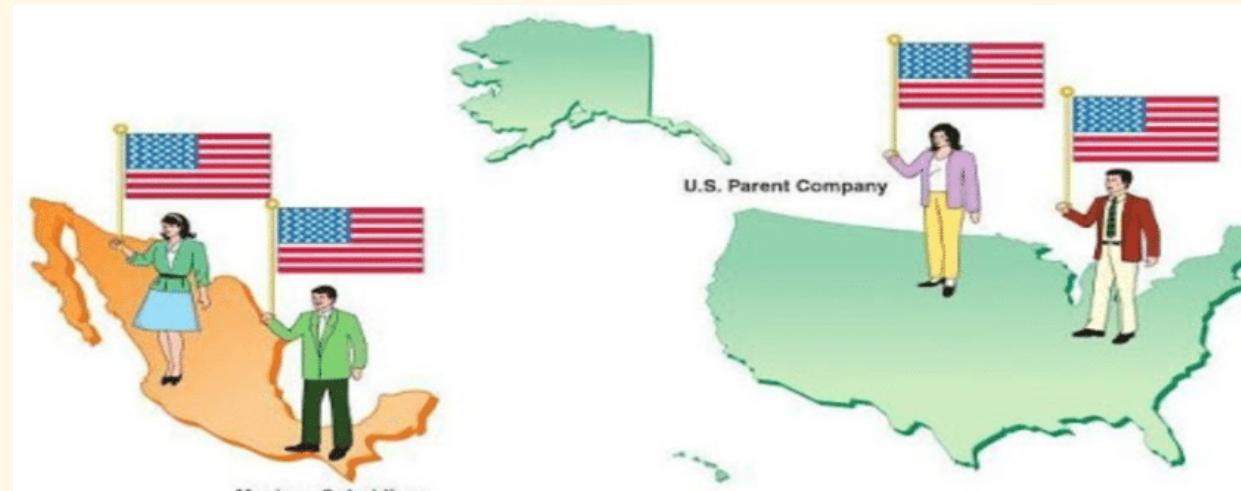
Why should you learn about international management?

- You need to learn about international management because you may find yourself in any of the following situations:
 - Dealing with customers or partners from different cultures
 - Buying components, raw materials, or services from foreign suppliers
 - Working for a superior from a foreign country
 - Working in a foreign subsidiary or for a foreign firm located in another country



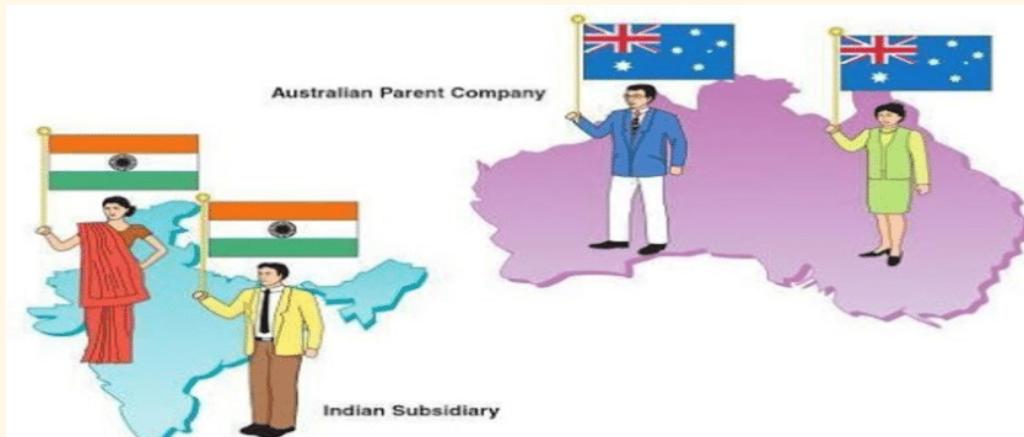
Why should you learn about international management?

- There are four primary attitudes among international managers:
 - Ethnocentric managers
 - Managers who believe that their native country, culture, language, and behavior are superior to all.



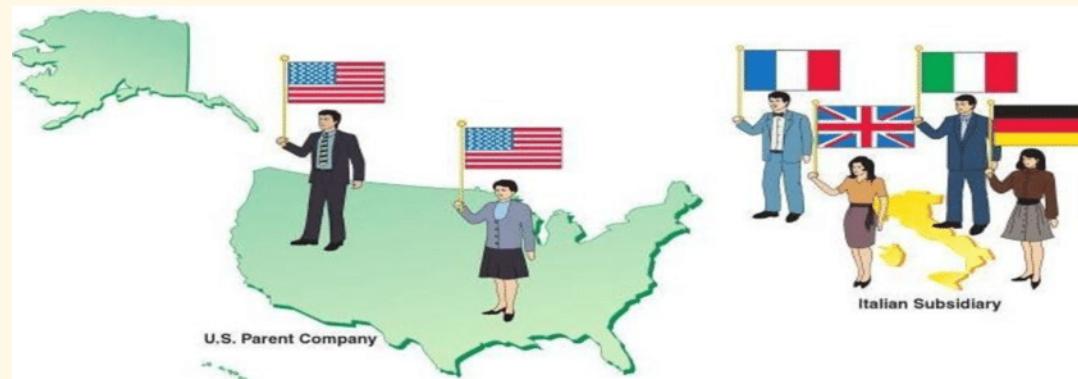
Why should you learn about international management?

- There are four primary attitudes among international managers:
 - Polycentric managers
 - Managers who believe native managers in foreign offices best understand native personnel and practices, and so the home office should leave them alone.



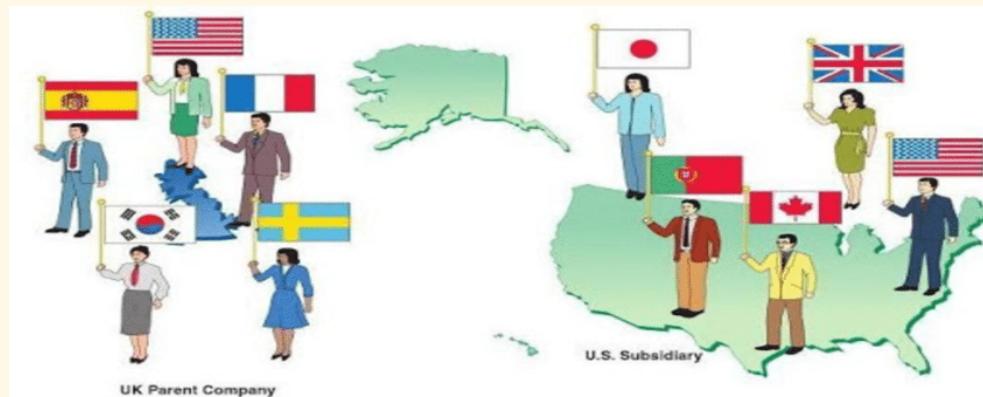
Why should you learn about international management?

- There are four primary attitudes among international managers:
 - Regio-centric managers
 - Managers who select and recruit of managers from different countries within the same geographic region



Why should you learn about international management?

- There are four primary attitudes among international managers:
 - Geocentric managers
 - Managers who accept that there are differences and similarities between home and foreign personnel and practices and that they should use whatever techniques are most effective



Why Foreign Markets?

- To achieve lower costs and enhance competitiveness by...
 - Gain access to new customers



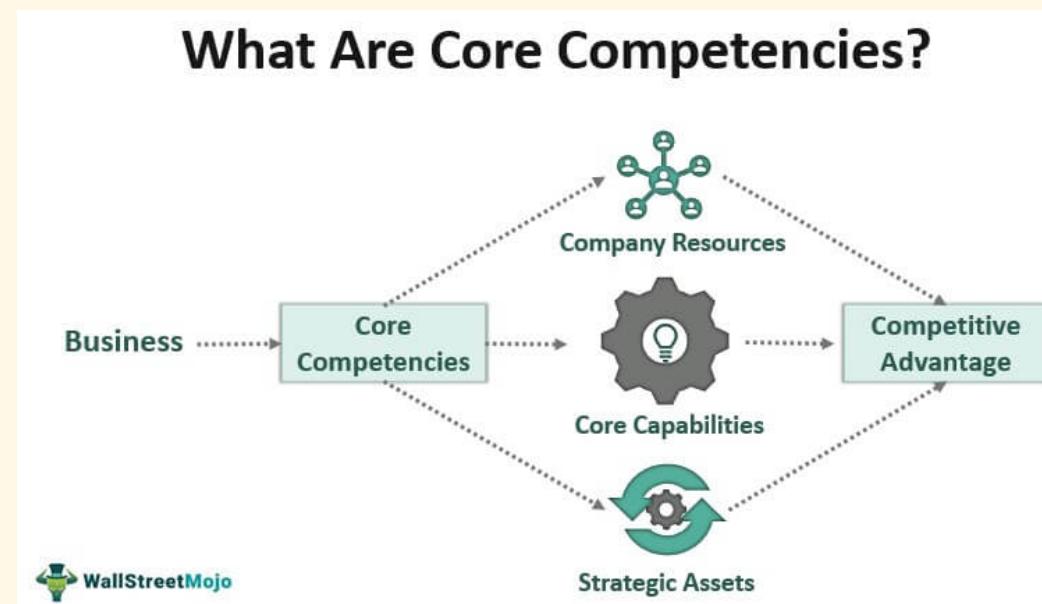
Why Foreign Markets?

- To achieve lower costs and enhance competitiveness by...
 - Obtain access to valuable natural resources



Why Foreign Markets?

- To achieve lower costs and enhance competitiveness by...
 - Capitalize on core competencies



Why Foreign Markets?

- To achieve lower costs and enhance competitiveness by...
 - Spread business risk across a wider market base



1. Production (weather, disease/pests, field loss, spoilage)
2. Price/Market (reduced premiums, high input prices, etc.)
3. Casualty (fire, weather and theft)
4. Technology (performance failure, obsolete machinery)
5. Relationship (landlord, lender, supplier and buyer)
6. Legal/Regulatory (non-compliance with regulations
contract rules or other laws)
7. Human (underperforming managers, injured employees)

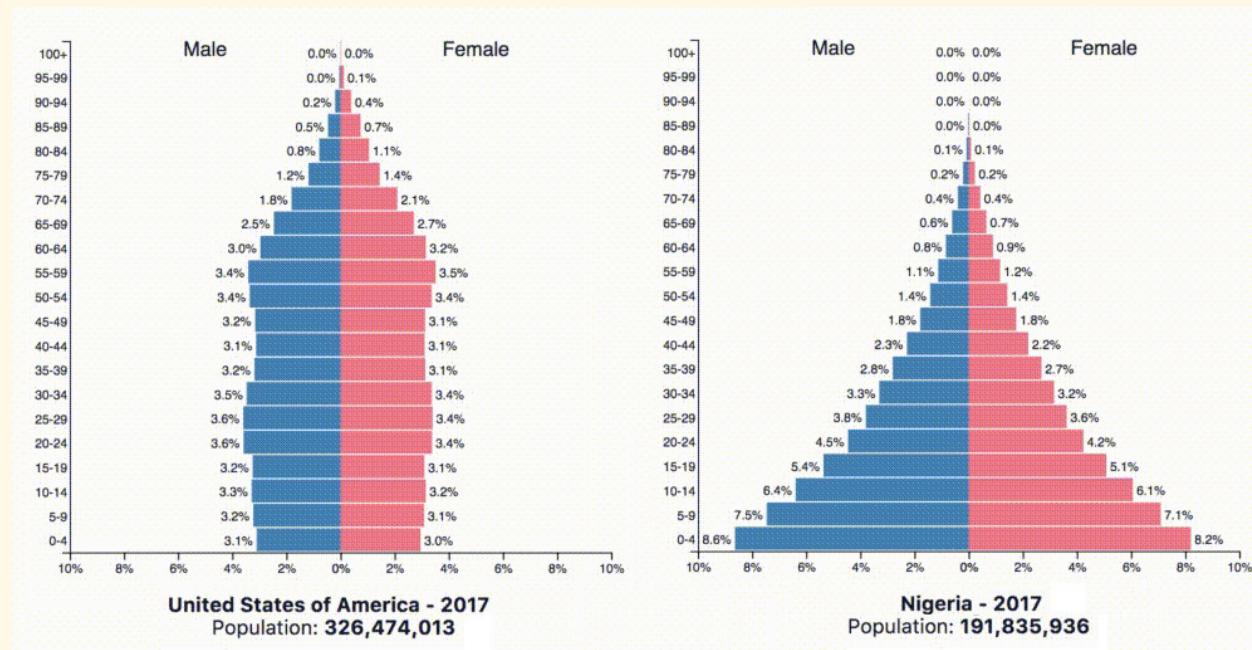
Cross-Country Differences

- Cultures and lifestyles differ among countries



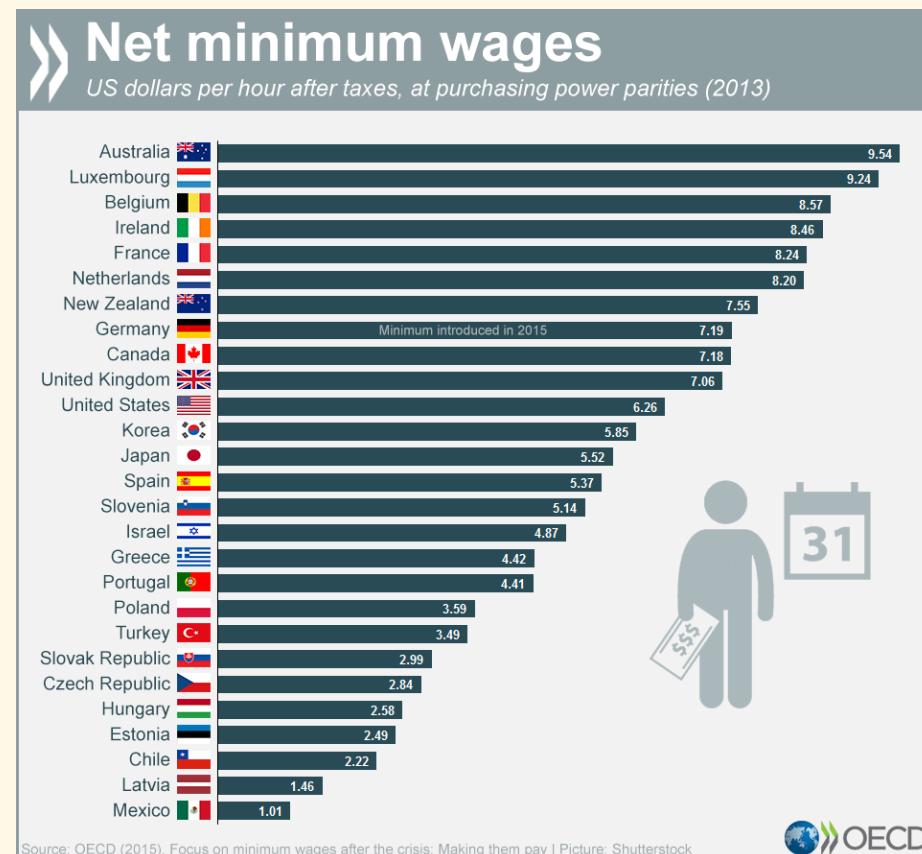
Cross-Country Differences

- Differences in market demographics and income levels



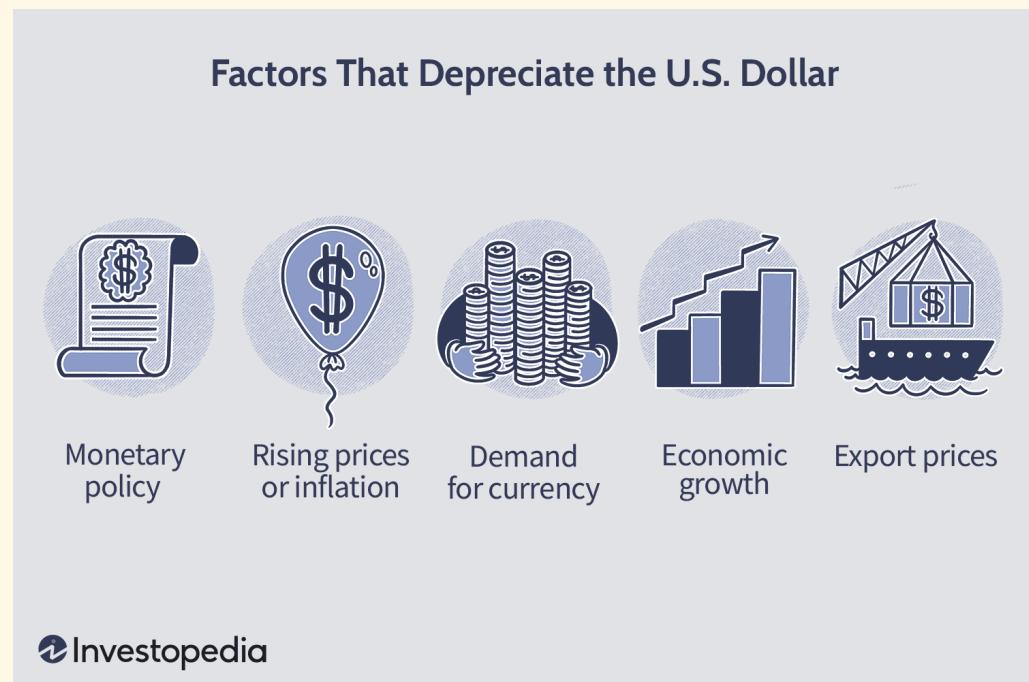
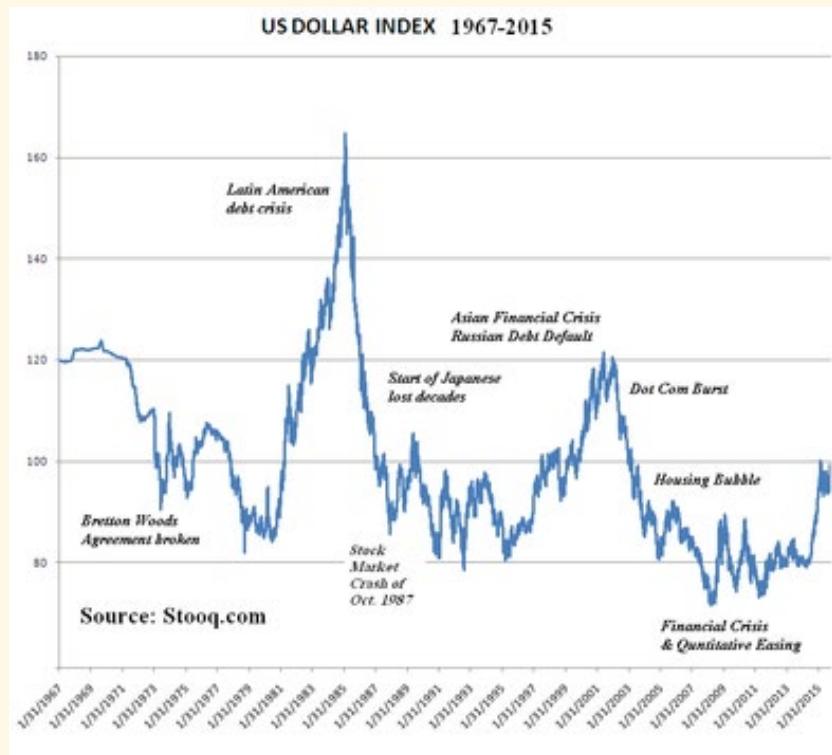
Cross-Country Differences

- Variations in manufacturing and distribution costs



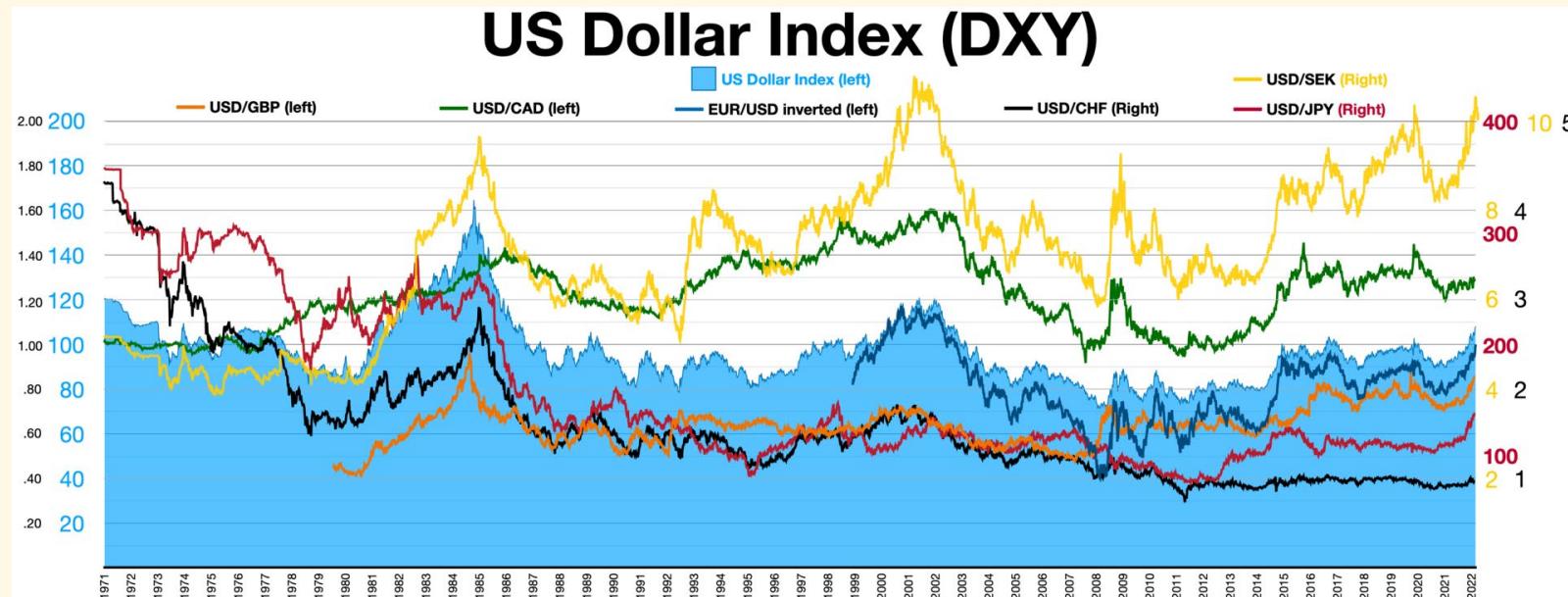
Cross-Country Differences

- Fluctuating exchange rates



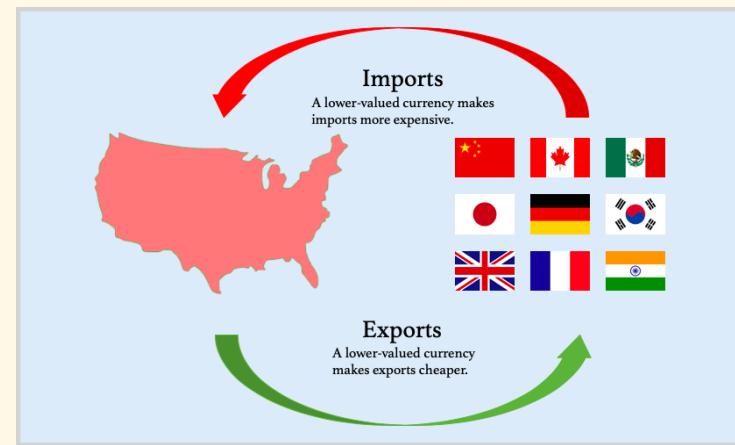
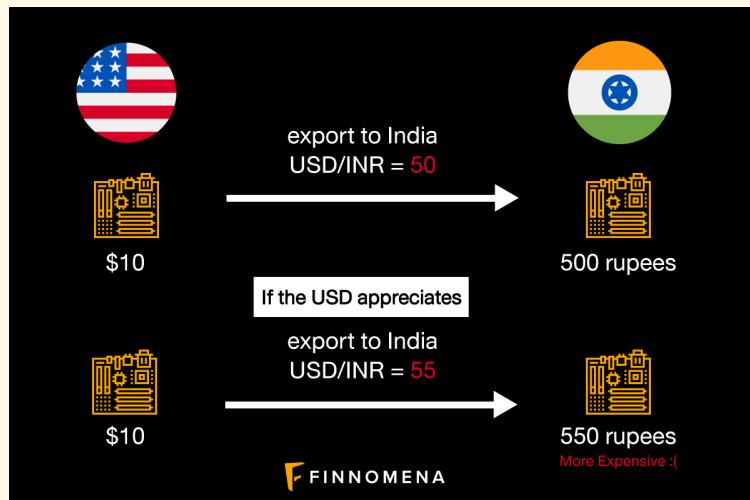
Fluctuating Exchange Rates Affect a Company's Competitiveness

- Currency exchange rates are unpredictable
 - Competitiveness of a company's operations partly depends on whether exchange rate changes affect costs favorably or unfavorably



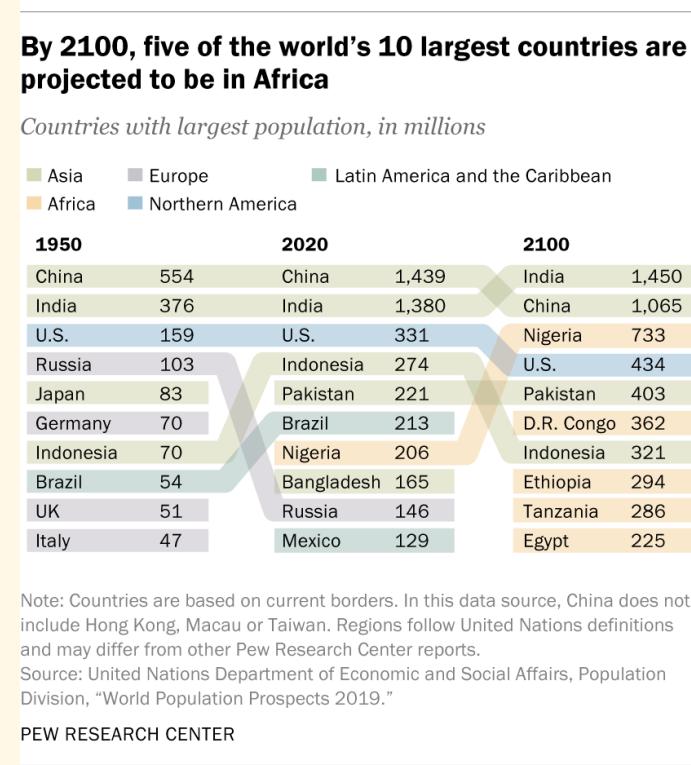
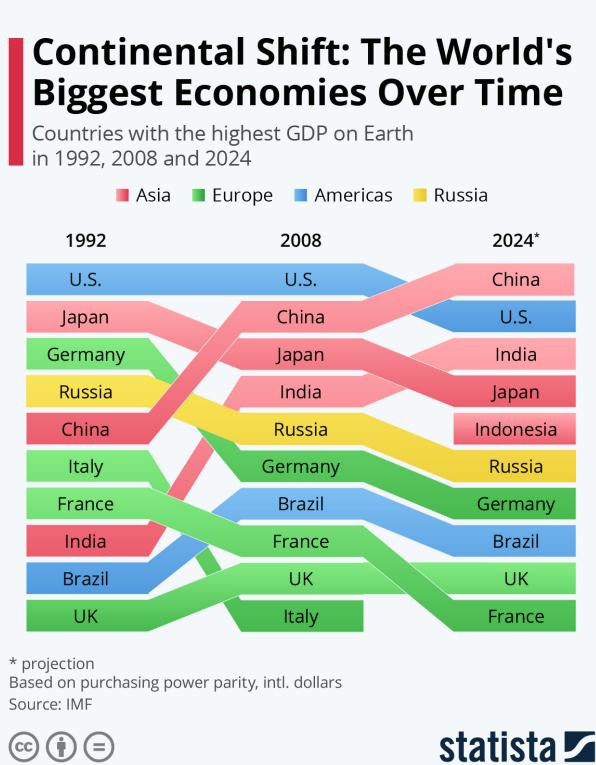
Fluctuating Exchange Rates Affect a Company's Competitiveness

- Lessons of fluctuating exchange rates
 - Exporters always gain in competitiveness when the currency of the country where goods are manufactured grows weaker
 - Exporters are disadvantaged when the currency of the country where goods are manufactured grows stronger



Cross-Country Differences

- Differences in host government economic and demands



Differences in Host Government Trade Policies

- Local content requirements
- Restrictions on exports
- Regulations on prices of imports
- Import tariffs or quotas
- Other regulations
 - Technical standards
 - Product certification
 - Prior approval of capital spending projects
 - Withdrawal of funds from country
 - Ownership (minority or majority) by local citizens

How Markets Differ from Country to Country

- Consumer tastes and preferences



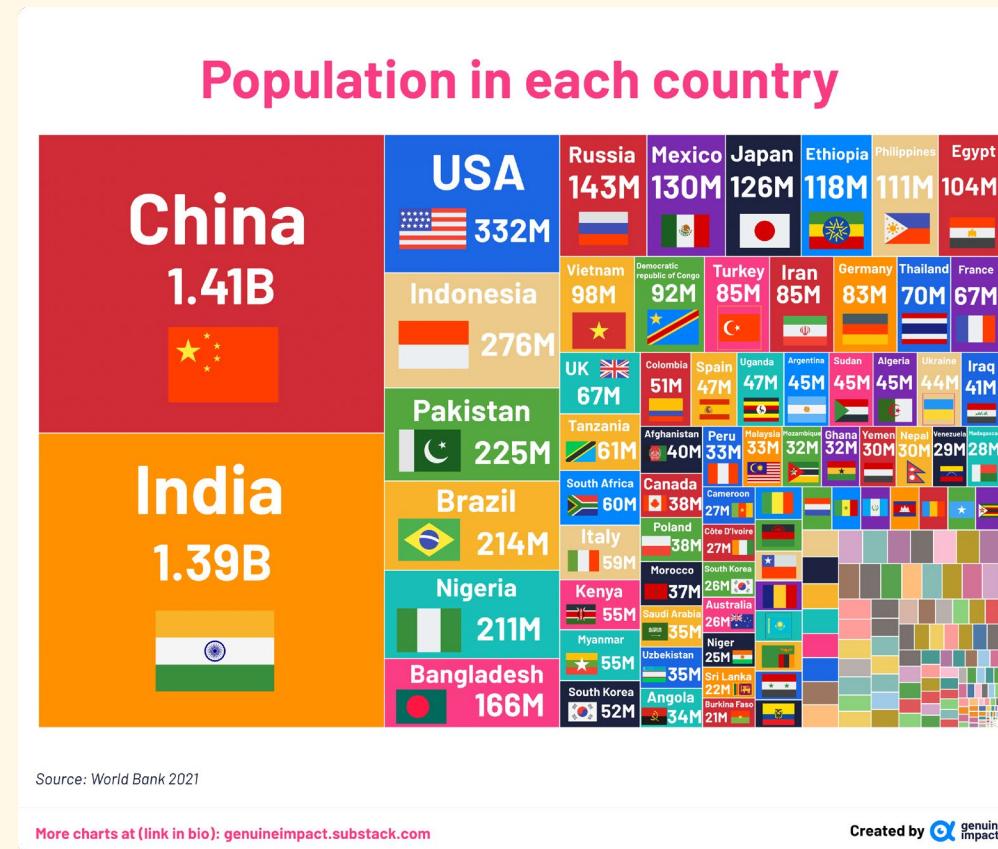
How Markets Differ from Country to Country

- Consumer buying habits



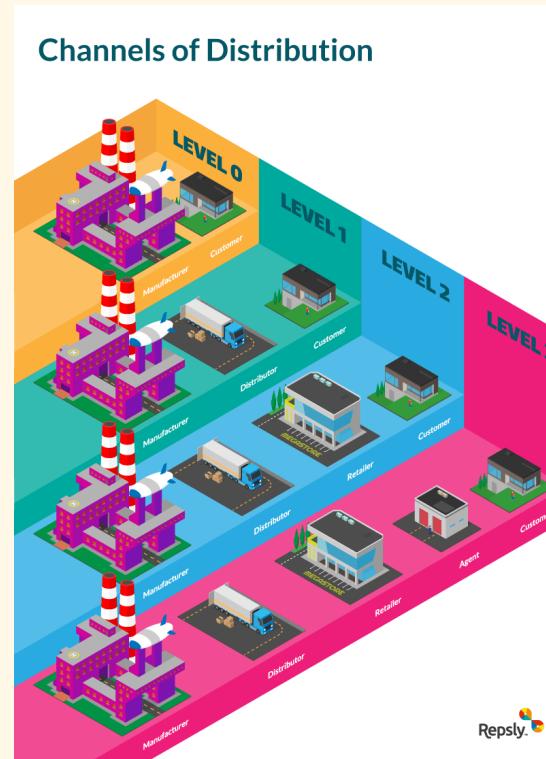
How Markets Differ from Country to Country

- Market size and growth potential



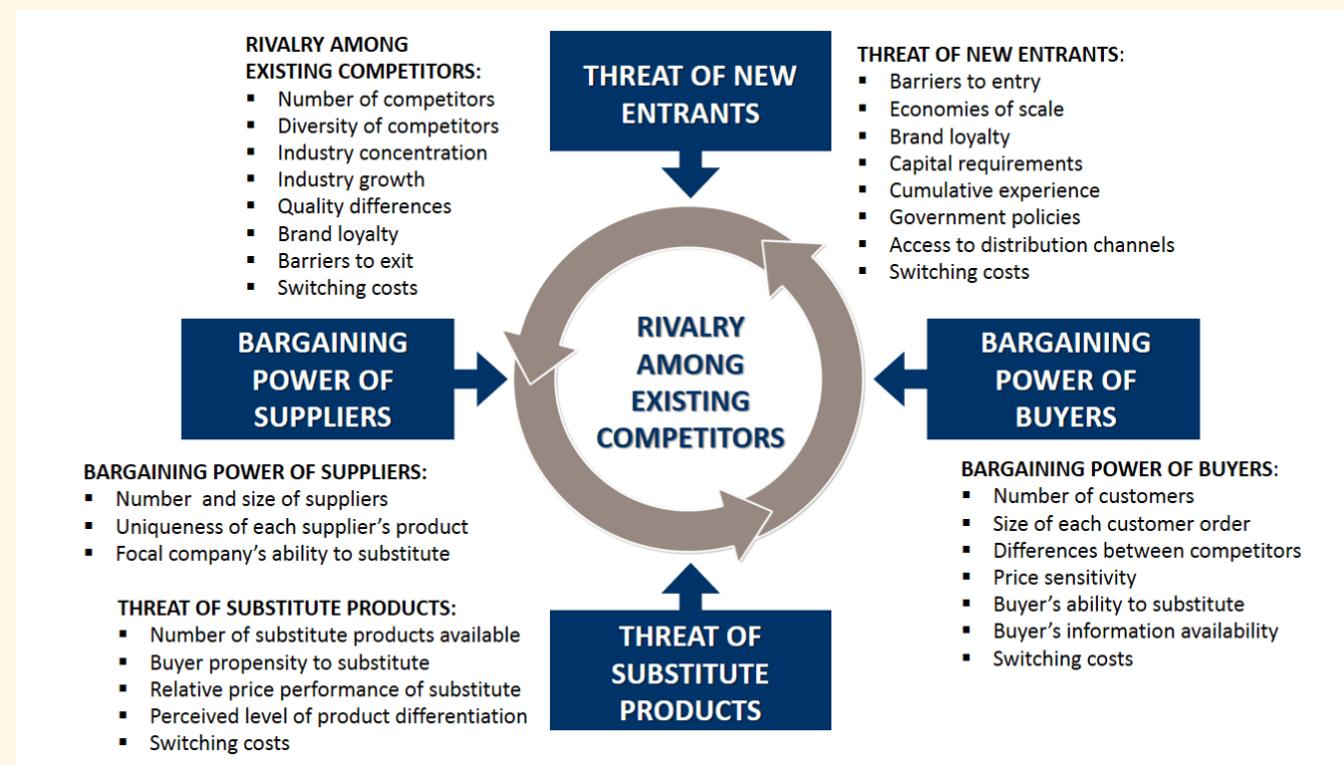
How Markets Differ from Country to Country

- Distribution channels



How Markets Differ from Country to Country

- Driving forces



How Markets Differ from Country to Country

- One of the biggest concerns of companies competing in foreign markets is whether to customize their product offerings in each different country market to match the tastes and preferences of local buyers or whether to offer a mostly standardized product worldwide.



Different Countries - Different Locational Appeal

- Manufacturing costs vary from country to country based on
 - Wage rates
 - Worker productivity
 - Inflation rates
 - Energy costs
 - Tax rates
 - Government regulations



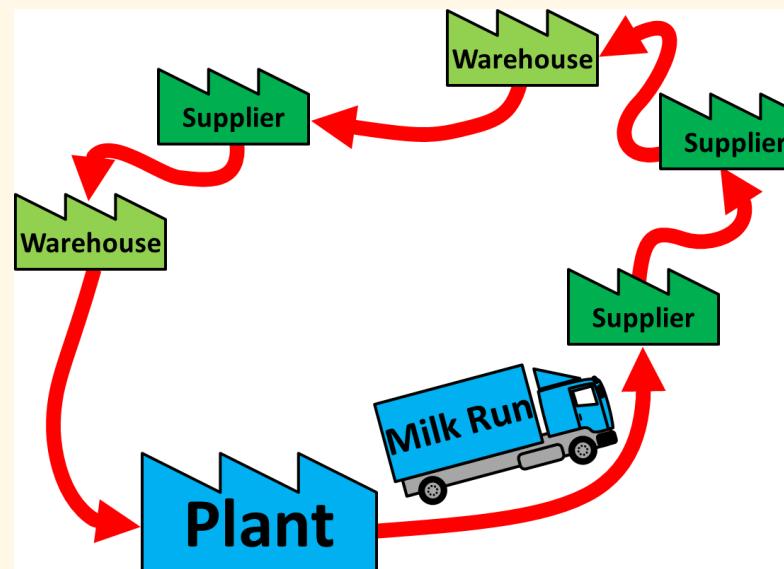
Different Countries - Different Locational Appeal

- Quality of business environment varies from country to country



Different Countries - Different Locational Appeal

- Suppliers, trade associations, and makers of complementary products often find it advantageous to cluster their operations in the same general location



Choosing Foreign Countries

- The appeal of a particular country is likely to be greater when:
 - The size of the domestic market is large
 - The present wealth of consumers in that market is high and projected to grow in the future
 - The needed resources are readily available
 - The firm's product offerings are suitable to a particular market
 - A positive business environment exists

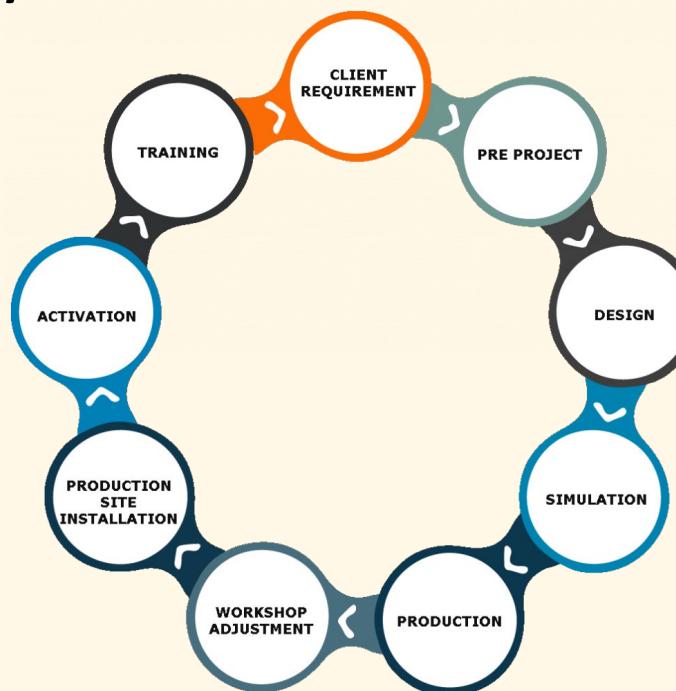
Modes of Entry

- Exporting – entering new markets by sending products to other countries, still maintaining production facilities within the domestic borders



Modes of Entry

- Turnkey projects – specialized type of exporting, where the firm handles the startup of the company and a local client is then handed the key



Modes of Entry

- Licensing – entering new markets by transferring the rights to produce and sell products overseas to a foreign firm



Modes of Entry

- Franchising – entering new markets in which the franchise pays a fee for using the brand name and agrees to follow the standards and rules



Modes of Entry

- Joint venture – means of entering new markets where two or more independent firms agree to establish a separate firm



Modes of Entry

- Strategic alliance – cooperative arrangements between competitors or potential competitors from different countries

Strategic Alliances vs Joint Ventures

Strategic Alliance



Arrangement between two or more parties while each retain its independence.

Joint Venture



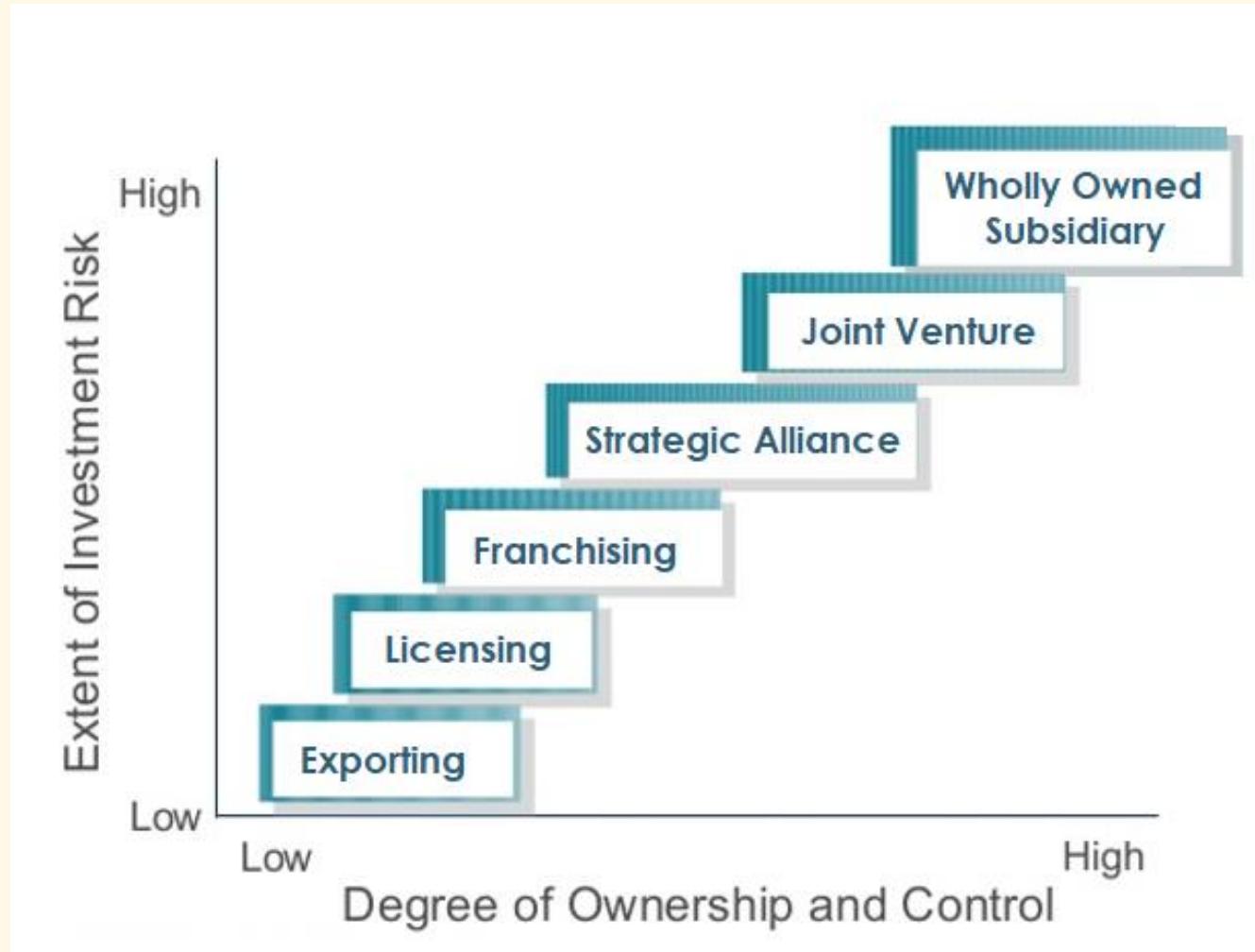
Arrangement between two or more parties while they share the risks associated with the objective's development.

Modes of Entry

- Wholly owned subsidiary – entering new markets in which a firm fully owns its subsidiary in foreign countries



Modes of Entry



Assignment

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