**Chapter- 10 Managing in the Global Arena**

***Concept of Globalization***

Globalization is the tendency of businesses, technologies and philosophies to spread throughout the world. It ensures free flow of ideas, goods and services all over the world. It also increases the global connectivity and interdependence in political, economic, cultural, technological and environmental spheres. Globalization brings the concept of keen competition among the entrepreneurs of the world.

Globalization makes the business environment increasingly global even for domestic firms. Globalization creates opportunities for all. It stimulates economic growth; raises the income of consumers, and helps to create jobs in all countries that participate in the global trading system.

" Globalization is the process by which an activity or undertaking becomes worldwide in scope."  **-** **Sundaram and Black**

However, the concept of globalization may be studied at two levels i.e. **macro level and micro level**. **Macro level** globalization focuses on **world** **economy**. According to this view, globalization is a process of development of the world into a single integrated economic unit. On the other hand, **micro level** globalization emphasizes on **globalization of business**. This concept views that the entire world is a single market and the corporate strategy of a business should be modified on the basis of changing global business environment.

***Nature of Globalization***

Globalization has the following features:

1. **Integration:** Globalization integrates the economic, political, and cultural systems across the globe. It helps to combine national economy with international business. It supports a shift towards a more integrated and interdependent world economy.
2. **Open market economy:** Globalization emphasizes on open market economy. It facilitates liberal and private economy. The role of the government in business is minimized. It brings the concept of keen competition among entrepreneurs of the world.
3. **Modern communication and transportation:** Globalization needs the use of modern means of communication and transportation system. It also provides importance to the use of modern means of transportation for quick delivery of products and services.
4. **Free movement of factors of production:** Globalization emphasizes on free and open market economy where private entrepreneurs have a major role in business. It facilitates free movement of factors of production consisting of capital, manpower, materials, management and technology at the international level.
5. **International operations:** In globalization, business activities are done at the international level. Goods and services move in any part of the world without legalrestriction and barrier. Entrepreneurs having quality goods and services can perform business activities in any part of the world on the basis of economic gain.
6. **Formation of multiple units:** Globalization facilities to establish many manufacturing company establishes its production units in different countries in accordance with commercial advantages. However, product quality is maintained in products produced in all the units.
7. **Advanced technology**: Globalization facilitates free movement of products and factors of production worldwide. It raises competition among national and international entrepreneurs.

***Effects of Globalization***

There is a great debate on whether globalization is good or bad. Some pessimists have viewed that it has increased interdependence upon while optimists say that it is a means of better lives for all. Globalization can have positive and negative effects on cultural,political and economic life. It affects internal and external policies. Therefore, the effect of globalization can be studied both from positive and negative angles:

***Positive Effects***

The following are the positive impacts of globalization:

1. **Maximize productivity:** Globalization facilitates easy access to international market. It gives more priority to specialization and economies of scale. Quality products or service can entire the international market easily. The expansion of trade transaction of a business organization provides pressure to increase production. Large scale of production ultimately minimizes per unit cast which helps to face competition in the market.
2. **Develops living standard:** Globalization is considered to be an important means of developing the living standards of people. Global business facilitates the people to understand culture, tradition, customs, education system, health facility, and economic condition etc. of different countries. People try to accept the good concepts of other communities which helps to develop their living standard.
3. **Transfer of capital and technology:** Many big business houses of developed countries have started establishing their production units in developing countries. They invest their huge capital to install plants and also to operate production activities. Therefore, globalization benefits developing countries by transferring capital and new technology.
4. **Increase in employment:** Multinational countries are important sources of employment. They provide employment opportunities to the people of the host country both in administrative and technical work according to their skill and knowledge. This helps the people of the host country to obtain new knowledge, ideas, experience, skills and efficiency. Besides, it also helps in raising the living standards of the people.
5. **Elimination of trade barriers:** Multinational companies help minimize trade barriers in the international level. They play important roles in eliminating trade barriers and obstruction in international trade. Multinational companies perform business under an efficient management system using the latest technology in various parts of the world. As a result, they put pressure on the authorities of host countries to eliminate trade and other administrative barriers. World Trade Organization(WTO) has been playing a major role in eliminating unnecessary trade barriers and other obstructions for business activities at the international level.
6. **Promote international co-operation:** Multinational companies play important role in the development of mutual co-operation among various countries of the world. Today, international relation and co-operation is based on financial assistance and economic development. For this, multinational companies contribute more to developing mutual co-operation among friendly nations.
7. **Support for industrialization:** Industrialization is a must to upgrade the economic level. Globalization supports industrialization of a country in two ways, firstly by creating a new market and secondly by transferring capital and technology. Globalization initiates an open marketing economy where quality products and service can entire freely in any part of the world. Similarly, it creates a great scope for investment in friendly nations. Therefore, globalization supports industrialization in many developing countries.
8. **Growth in Export:** Export is one of the common methods of globalization. Labor intensive products are exported from developing countries and capital intensive products are exported from developed countries. Thus, globalization helps increase trade, especially increases exports from developing to developed countries.
9. **Utilization of Local Resources:** Globalization promotes local resource to global market. Multinational company, by using its technical and management skills, makes best use of natural, materials, and human resources of different countries.

***Negative Effects***

The following are the impact of globalization:

1. **Displacement of local industries:** A major limitation of globalization is displacement of medium and small scale local industries. Local industries cannot compete with multinational companies because the latter produce in large scale and use advanced technology. Medium and small scale cottage industries of the host country either displace or surrender to the multinational companies.
2. **Economic exploitation:** Globalization opens the world market for all business organizations. In an open market economy, multinational companies are the main players in world economy. They utilize raw materials and labor force of host countries at cheap price. They pay fewer wages to local employees as compared to the employees of the parent country. But they charge a high price for their branded finished products.
3. **Deterioration of national sovereignty:** In an open market economy, multinational corporations gain economic power. They may apply unnecessary pressure to political parties and even to the government of the host country to modify their rules and policies for their own benefits. In some situation, globalization may deteriorate the sovereignty of host countries.
4. **Initiates monopoly power:** Globalization initiates monopoly power to the multinational corporations. The product specialization and efficient management system of multinational corporations contribute to developing their monopoly power even in a competitive market.
5. **Creates threats to social and cultural values:** Globalization facilitates free movement of goods and services in any part of the world. It also carries the cultural and social norms and values of one country to another. Such transformation of culture and social system from one community to another may overlap with the cultural norms and values of one community. Therefore, globalization creates a disorder in cultural norms, beliefs and values in many countries.
6. **Increases competition:** Globalization is a threat to domestic industries of developing countries. It creates competitive environment even in the domestic market. Medium scale and small scale end even large scale national companies cannot compete with multinational corporations.
7. **Environmental Degradation:** Since global companies are temporary tourists of the country, they do not have long-term commitment in economic upliftment of the people of the country. They take opportunities from the country, but do not care about long- term negative effects. For example, they empty natural resources such as gas, oil, forest and mineral, do not feel it necessary to take into account environmental degradation, safety of workers, local welfare and health. Thus, global companies damages natural environment of developing countries.
8. **Unequal Partnership:** Economic liberalization, privatization, equality are the bases of globalization. Developing countries should work with developed countries. Actually it is unequal partnership. Developing countries do not have competitive power. Greater benefits are raped by developed countries.

***Fundamentals of International Management***

The international management involves systematic operation of business of an organization that conducts business in two or more countries. The management of a business organization involved in international business can face more complexity while doing business activities as compare to internal business. Managers need to understand various factors within the country, host country and of internal levels that can affect in the business activities of the organization. The following are the fundamental understanding necessary in international management:

1. **Social and cultural values**: One of the fundamental requirement of international management is to understand social and cultural values of the people of host country and region. The components of socio-cultural values involve language, religion, regional values, demographic constitution, tradition, customs, cost structure, labor mobility etc. of host country. For example, customers of a country may not be interested in the same products and service as those living in another country. Managers involve in international business management need to understand socio-cultural value of the people of host countries.
2. **Economic condition**: The economy has direct impact on business so before planning for global business it is essential to do detail research about the economic condition the countries where to operate business. The fundamentals of economic factors involve gross domestic products, per-capita income, economic class structure, supply and demand condition, inflation rate, financial transactions and banking facility, etc. of host country.
3. **Political and legal environment**: The political and legal environment of foreign countries has a direct effect on business. These factors can vary from one country or region to another. Management of a business must comply with the laws, rules, policies and other requirements of the countries where it wants to do business. Some of the fundamentals of political legal environment affecting international business are law, provision of licensing and permits, taxes and fees system, import-export tariffs, currency risks in host country. Other political and legal risks and restrictions involve investment restriction, operational restrictions, discriminatory restrictions, quota system, etc. A manager managing international business should consider these factors while doing business in host country.
4. **Geographical factors**: The change in geography can create some challenges in international business. It is essential to make detail study about the impact of change in geographical situation before involving in any international business. Geographical factors provide impact on climatic conditions, transportation facility, communication system, water supply, electricity supply, etc. Thus, knowledge of geographical distribution of places is necessary for managing international business.
5. **Technological development**: Technology is a fundamental element that managers should consider before expanding business at international level. The availability of skilled manpower in host country for operating technology adopted by the organization should be studied. Moreover, it is essential to maintain close observation over the technology created and adopt by the competitors.
6. **Capability of the organization**: For entering into the global market the management should carry out an audit of its resources and capabilities. The organization should have competitive advantages in terms of market knowledge, technology, portfolio of products and services, strategic partners, and other factors. An organization having sufficient resources, modern technology, good market research, network of communication and distribution can involve in global business.

***Multinational Company***

The concept of multinational company is the outcome of the development of the mutual cooperation among friendly nations, development of new technology, mass production and development of global company. Generally, a company that performs its business in two or more countries is a multinational company. Multinational companies are incorporated in a country but they perform their business in many countries of the world. Especially, they perform business operations throughout the world through their branches, subsidiaries or agents. The business activities are managed and controlled by the head office of the company which is situated in the mother country.

"Multinational companies are corporations which have their home in one country but operate and live under the laws and customs of other countries as well." **- David E. Lilenthal**

Therefore, we may conclude that a multinational company is acorporation which performs business at the international level under its ownership, management and control.

The united Nations recognizes around 650 companies or corporations as multinational companies in the world, whose transactions were above a certain level specified by the UN. Some of them are:

* IBM Corporation, USA
* General Electric, USA
* Coca-Cola company, USA
* Pepsi-Cola company, USA
* Nestle company, Switzerland
* Hitachi, Japan
* Dunlop, UK
* Ford Motor Corporation, USA
* Panasonic Corporation, Japan

The development of multinational companies in the world also encourages many multinational companies to launch their production units in Nepal. Some examples of joint-ventures multinational companies in Nepal are:

* Unilever Ltd.
* Colgate-Palmolive
* Union Carbide (Nepal Battery)
* L.G. Television
* Radisson Hotel
* Surya Tobacco Co. Pvt. Ltd
* Bottlers Nepal (Coco-Cola)
* Nepal Arab Bank Ltd.
* Standard Chartered Bank
* Himalayan Bank
* Nepal SBI Bank Ltd.
* Dabur Nepal (P) ltd, etc.
* Tuborg Beer
* San Miguel Beer
* Life Insurance Corporation Nepal

***Characteristics of Multinational Company***

The major characteristics of a multinational company may be studied under the following headings:

1. **Large scale operation:** Large scale operation is the most important feature of a multinational company. It performs large scale business operation by investing a huge capital. The large scale production minimizes per unit cost and helps to face competition in the market.
2. **Advance technology:** Advancement is modern science and technology is one of the major features of a multinational company. Multinational companies establish research and development departments for the research and invention of new technology in production, distribution and for promotion of business activities. They also transfer new technology in to developing countries through their branches and subsidiaries which are helpful for industrialization.
3. **Mass Production and Distribution:** A multinational company is established with huge capital and high technology. It has massive production and distribution network of goods and services. Multinational company produces capital and consumer goods in larger quantities and distributes them all over the world.
4. **Efficient management:** Efficient management is one of the main reasons for the successful operation of a multinational company. It hires efficient and skilled manpower. It has the capacity to hire professionals by paying high remuneration.
5. **Ownership and control:** The ownership of multinational companies remains both with parent company and the subsidiary company. However, major shares of the subsidiary companies established in various countries are contributed by the parent. Therefore, the parent company plays a major role in the management and control of the subsidiary companies.
6. **Multiple Currencies:** Since multinational company operates in two or more countries, it deals in multiple currencies. The values of currencies keep changing. The risks of future exchange rate shifts are high.
7. **Monopoly market:** The product specialization and efficient management system of multinational companies contribute to developing their monopoly power even in a competitive market. The use of latest technology, own trade mark, goodwill, along with better distribution system and promotional network are the main components of multinational companies.

***Types of Multinational Company***

Multinational companies may be of various types on the basis of their nature business. The following are the common types of multinational companies (Shapiro, 1996).

1. **Raw material seekers:** These are the earliest forms of multinational companies. These multinational companies spread in different parts of the world in search of raw materials. They purchased the raw materials from local markets in the cheapest price, processed the raw material locally and delivered them to their local home country for production of finished products. In the colonial era, multinational companies of Western European countries exploited maximum raw materials found in many overseas countries. The present multinational companies involve in raw material dealing are crude oil, gas and mining companies. These companies purchase raw materials from the international market and deliver them to their home country for processing.
2. **Market seekers:** These are common types of present day multinational companies. They enter the foreign market to produce and sell their products. The main motive of such multinational companies is to expand their business at international level. At present many multinational companies of the US, Japan and other developed countries have started investing in India and China by considering the huge market.
3. **Cost minimizers:** These multinational companies seek to invest in countries where the production cost is low. The main motive of such companies is to minimize cost of product and service. They install plants in the countries where labor and energy cost is low. This helps to meet the purchasing power of customers of host countries. For example, many Japanese companies like Sony, Toyota, National Panasonic, Honda, Suzuki, etc. have established their production plants in China, India, Malaysia, Singapore, Taiwan, Thailand, etc. this is helpful in minimizing cost of Japanese branded products because comparatively these countries have low labor and energy cost.

***Advantages of Multinational Company***

The advantages of multinational company may be studied under the following headings:

1. **Huge capital and modern technology:** Investment of huge capital and introduction of modern technology in the host country is one of the most important advantages of a multinational company. It helps to minimize the scarcity of capital in the host country. Similarly, modern technologies are introduced in production of goods and services.
2. **Mass and qualitative products:** The main advantage of multinational company is that it produces goods at a larger scale. It maintains international standard in its products and services. It lays emphasis on quality. For mass and quality productions, it mobilizes skilled and efficient manpower and modern technology.
3. **Efficient management:** The success or failure of an organization totally depends on its management system. Multinational company gives priority to efficient and up-to-date management system. For this, it hires skilled and technical employees and introduces modern system of management.
4. **Minimum cost of production:** The huge investment and mass production helps to minimize per unit cost of products because the fixed cost remains constant at any level of output. Therefore, a multinational company lays emphasize on mass production of goods and services. Such technique helps minimize the per unit cost of production and can supply quality products in the competitive market.
5. **Research and development:** Research and innovation is essential for the development of an organization. Research and investigation help discover new knowledge and ideas. These innovations and discoveries help in introducing new products, services, and knowledge. Investment in research and development is the main reason for the success of multinational companies.
6. **Employment opportunities:** Multinational companies are important source of employment. They provide employment opportunities to the people of host countries both in the administrative and technical jobs.
7. **Maximize government revenue:** Multinational companies contribute more to the increment in government. They involve in mass production and distribution activities throughout the country. As a result, they earn more profits and pay income tax. Besides income tax, multinational companies pay various taxes to the government like added tax, export duty, etc.
8. **Elimination of trade barriers:** Multinational companies play important roles in eliminating trade barriers and obstructions in international trade. Multinational companies perform business under an efficient management system using the latest technology and sell quantity products at moderate price. As a result, they put pressure on the authorities of host countries to eliminate the trade and other administrative barriers.
9. **International cooperation:** Multinational companies play important role in the development of mutual cooperation among various countries of the world. Today, international relation and cooperation is based on financial assistance and economic development. For this, multinational companies contribute more in developing mutual cooperation among friendly nations.
10. **Balance of Payment:** Multinational companies contribute to maintain balance of payment by balancing international trade of the host country. They introduce products in host countries which may substitute for import. This helps minimize import from foreign countries and can save foreign currencies.

***Disadvantages of Multinational Company***

The major disadvantages of the multinational company may be studied under the following headings:

1. **Displacement of local industries:** Displacement of local industries is the major disadvantages of a multinational company. Local industries cannot compete with multinational companies because the latter produce goods and services at a larger scale by using modern technology. Medium and small scale cottage industries of the host country are either displaced or the surrender to the multinational companies.
2. **Outflow of capital:** Generally, in the initial stage, multinational companies bring in huge capital in the host country. They invest capital for establishment of plants and to manage working capital. But as professional business concerns, their main objective is to earn maximum profit. Therefore, in the long run, multinational companies earn more profit by implementing their efficiency and network. They transmit huge profit to their parent country after the payment of necessary taxes.
3. **Economic exploitation**: To earn maximum profit, a multinational company utilizes raw materials and labor force of the host country at a cheaper price. It means, it purchases raw materials at a minimum cost. Similarly, it pays minimum wages to employees as compared to employees of the parent country.
4. **Consumer exploitation:** Multinational companies enjoy monopoly in the market. They capture the market by using various techniques like developing network for promotion, product differentiation, maintaining brand image and fame, etc. they can charge any price for the products and exploit customers by charging a high price.
5. **Inequality to staff:** A multinational company appoints staff both from the parent country and the host country. It hires higher level authority from the parent country and their remuneration, allowances and other facilities are also high. However, it appoints lower level employees from the host country who are paid less remuneration and facilities. Therefore, a multinational company treats the local employees as second grade citizens by providing minimum remuneration and allowances.
6. **Influence in politics:** multinational companies are financially strong. As a result, they may influence policy makers of developing countries in introducing rules and regulations in their favor.
7. **Social inequality:** Multinational companies never think about the needs and wants of the poor people. Their aim is to attract the higher income group of society towards their luxury products. The poor section of the society cannot buy their products. As a result, they create the gap between the rich and the poor.
8. **Transfer of Inferior Technology:** Technology transfer to the host country is one of the parts of multinational companies. But in practical sense, the multinational companies never transfer the up to date technology. They handover only dated or inappropriate technology to the host country.

***Digital Dimensioning and Planning, Organizing, Influencing, and Controlling***

The development of information technology emerges the concept of digitization in business operation. Entrepreneurs started to invest more resources on online activities which have shifted business emphasis to digital sources of revenue and digital channels. The growth of the digital economy has made people more familiar with digital products and services.

Many business organizations consisting of manufacturing trading, service and even retail shops started to involve in digital system for promoting business. It supports to improve working efficiency through automation, create better customer experiences, and improve employees' productivity. Digital information system provides support for accomplishment of managerial functions such as planning, organizing, influencing and controlling.

1. **Digital dimensioning and planning:** There is close relation between digital dimension and planning. Planning is the process of determining objectives and selecting a best course of action for achieving predetermined objectives. Managers can anticipate future course of action by analyzing past and present information. Digital dimension of business supports to the managers to collect and analyze information within time and in systematic way.
2. **Digital dimensioning and organizing:** Organizing is the process of maintaining structural relationship among various positions of an enterprise. It involves proper division of work, assigning job to employees, formulation of rules and regulation, developing working procedures and system. It also involves defining authority and responsibility of all the employees of the enterprise. Digital dimension of business can provide such information in systematic way which facilitates the mangers for effective organization of business.
3. **Digital dimensioning and influencing:** Influencing is an ability or power of a person that is used for changing the behavior and activities of other individuals in accordance with requirement. It is an important element of a successful leadership. Digital dimensioning of business helps to managers to gain knowledge of how to do business by using information technology and network system. It facilitates the managers to influence upon the behavior and activities of subordinates.
4. **Digital dimensioning and controlling:** Controlling is a process of measuring actual performance achieved with that of planned performance and taking corrective step if any deviation is found between actual and planned performances. The deficiency in actual can be due to various reasons such as inefficiency of employees, insufficiency of capital, shortage of raw materials, defects in machines and equipment or due to unexpected change in external environment. The digital system of business supports to the managers for identifying them to take corrective measure in time.

***THANK YOU***