

MODULE 3: Business Location on a Global Scale



KEY FACTORS INFLUENCING BUSINESS LOCATION

Location decisions represent one of the most critical strategic pillars in configuring Global Value Chains (GVCs).

These choices determine not only economic viability but also competitive capacity in our interconnected environment. The selection of ideal business locations fundamentally aims to achieve minimum production costs, maximum profits, or greatest customer satisfaction.

In today's global context, location transcends simple physical presence to become a fundamental element of strategic positioning.

KEY DRIVERS

- Human Resources
- Local Environment
- Infrastructure
- Material and Financial Resources
- Process and Output Factors

THE STRATEGIC IMPORTANCE OF LOCATION

Organizational Success Factor

Location decisions aim to achieve minimum production costs, maximum profit, or greatest customer satisfaction.

Dynamic Decisions

Locations change based on organizational needs, capacity issues, competition, and market shifts.

Value Chain Positioning

Each activity's location determines its value contribution to the whole supply chain.

Human Resources

- **Strategic Alignment**

Aligning workforce capabilities with business goals

- **Workforce Sustainability**

Recruitment efficiency and retention strategies

- **Skills Alignment**

Matching available talent pools with company needs

- **Talent Availability**

Access to skilled labor is often the primary location driver



Human resources have emerged as one of the most decisive factors influencing business location decisions. For knowledge-intensive sectors especially, the presence of a deep, sustainable pool of skilled workers often serves as the primary driver in location selection. Companies seek regions where they can access employees with the right mix of education, technical expertise, and industry experience.

Local Environment



Political Stability

Predictable policies reduce risks associated with governance changes.



Regulatory Frameworks

Tax policies, labor laws, and intellectual property protections influence costs.



Market access

Proximity to customers and suppliers plays a vital role in determining business location.



Environmental Conditions

Pollution levels, climate, and sustainability practices affect operations.



Socio-Economic Factors

Education levels and cultural diversity contribute to innovation potential.

Infrastructure

Transportation Networks

Roads, railways, ports, and airports facilitate market access

Logistics Hubs

Distribution centers streamline supply chain efficiency



Communication Systems

Digital connectivity supports modern business operations

Utilities

Reliable power, water, and waste management ensure continuity

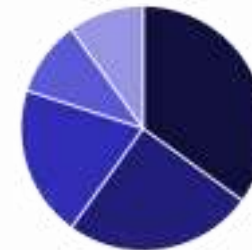
Public Services

Waste management, healthcare facilities, security systems, and education

Material and Financial resources

For manufacturing industries, proximity to **raw materials** reduces transportation costs and ensures reliable supply. Bulk-decreasing industries like steel manufacturing often locate near mines to minimize expenses. Similarly, food processors prefer agricultural regions for access to fresh inputs.

This strategic positioning optimizes supply chains and can significantly enhance profit margins by reducing procurement and transportation costs.



■ Procurement
Costs

■ Supply Chain
Reliability

■ Transportation
Expenses

■ Environmental
Impact

■ Production
Flexibility

Material and Financial resources



Venture Capital

Regions with robust investor networks



Banking Infrastructure

Access to loans and financial services



Government Incentives

Tax holidays and investment subsidies



Growth Opportunities

Funding for expansion and development

- Access to investment capital significantly influences business location decisions. Innovation hubs like Silicon Valley thrive largely due to their robust venture capital ecosystems that support startups. Similarly, regions with well-developed banking systems.
- Governments frequently offer financial incentives such as tax breaks and subsidies to attract companies to specific region (Ex. Ireland's low corporate tax rates).

Process and Output Factors



Industrial Clustering

Concentration of related businesses creates synergies through shared resources and knowledge exchange.



Distribution Networks

Efficient transportation systems reduce delivery times and improve market responsiveness.



Production Methods

Different approaches require varying space, labor, and supplier proximity considerations.



Market Proximity

Nearness to customers reduces costs and enhances service capabilities.



REGIONAL SUCCESS STORIES



Silicon Valley

Tech clusters foster innovation through knowledge sharing and access to venture capital.



Rotterdam

Advanced infrastructure makes this port a gateway for European trade and logistics.



Shenzhen

Proximity to suppliers and export facilities drives manufacturing success.

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STRATEGIC CONSIDERATIONS FOR GLOBAL VALUE CHAINS

- Business location decisions require comprehensive **analysis of multiple interrelated factors**. The most successful companies develop systematic approaches to evaluate these variables against their specific strategic objectives. This means weighing trade-offs between talent availability, infrastructure quality, political stability, and financial incentives among many other considerations.
- As global value chains continue to evolve, location decisions must balance **immediate operational needs with long-term strategic positioning**. Companies that develop this capability gain significant competitive advantages through optimized cost structures, enhanced innovation potential, and superior market access—ultimately creating more resilient and agile global operations.

REGIONAL BUSINESS CONCENTRATION

Regional business concentration reflects how industries and companies cluster geographically based on economic, cultural, and technological factors. Each region has distinct strengths that attract specific industries and create unique business ecosystems.

North America & Western Europe

Financial services and technology hubs benefit from advanced infrastructure, skilled labor pools, and favorable regulatory environments.

East Asia

Manufacturing powerhouses and technological innovation centers thrive on efficient production capabilities and growing consumer markets.

Emerging Markets

Resource-rich opportunities in Latin America and Africa leverage natural resources and expanding middle-class populations.

NORTH AMERICA & WESTERN EUROPE: BUSINESS CONCENTRATION TRENDS

Between 2000 and 2014, industry concentration increased significantly in both regions. In North America, the share of sales by the top 10% of firms rose by approximately 7 percentage points, while in Europe, it increased by about 4 percentage points.



KEY INDUSTRIES DRIVING CONCENTRATION IN DEVELOPED ECONOMIES



Financial Services

Wall Street (New York) and London remain epicenters of global finance, attracting investment banks, hedge funds, and multinational corporations.



Technology

Silicon Valley in North America and emerging tech hubs like Stockholm and Berlin in Europe drive significant business concentration through innovation.



Manufacturing

Detroit continues as an automotive hub in North America, while Germany's Ruhr Valley specializes in heavy industries like steel production.



Knowledge Economy

Nordic countries lead in "brain business jobs" with knowledge-intensive roles such as IT specialists and engineers.

BUSINESS CONCENTRATION IN EAST ASIA

East Asia ranks among the world's most business-friendly environments. Singapore and Hong Kong lead globally in ease of doing business.

The region's economic dynamism reflects in rapid growth, urbanization, and a rising middle class.



REASON BEHIND BUSINESS CONCENTRATION IN EAST ASIA



EMERGING MARKETS: PATTERNS OF BUSINESS CONCENTRATION

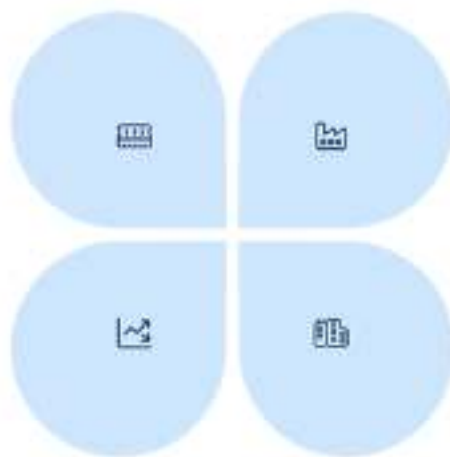
Emerging markets have become increasingly significant in the global economy, attracting businesses due to their rapid growth, expanding consumer bases, and evolving industries.

Technology Sector

Companies like Alibaba (China), Tencent (China), Samsung (South Korea), and TSMC (Taiwan) dominate their respective markets.

Market Concentration

The top five countries—China, India, Taiwan, Korea, and Brazil—account for 80% of the Morningstar Emerging Markets Index.



Manufacturing

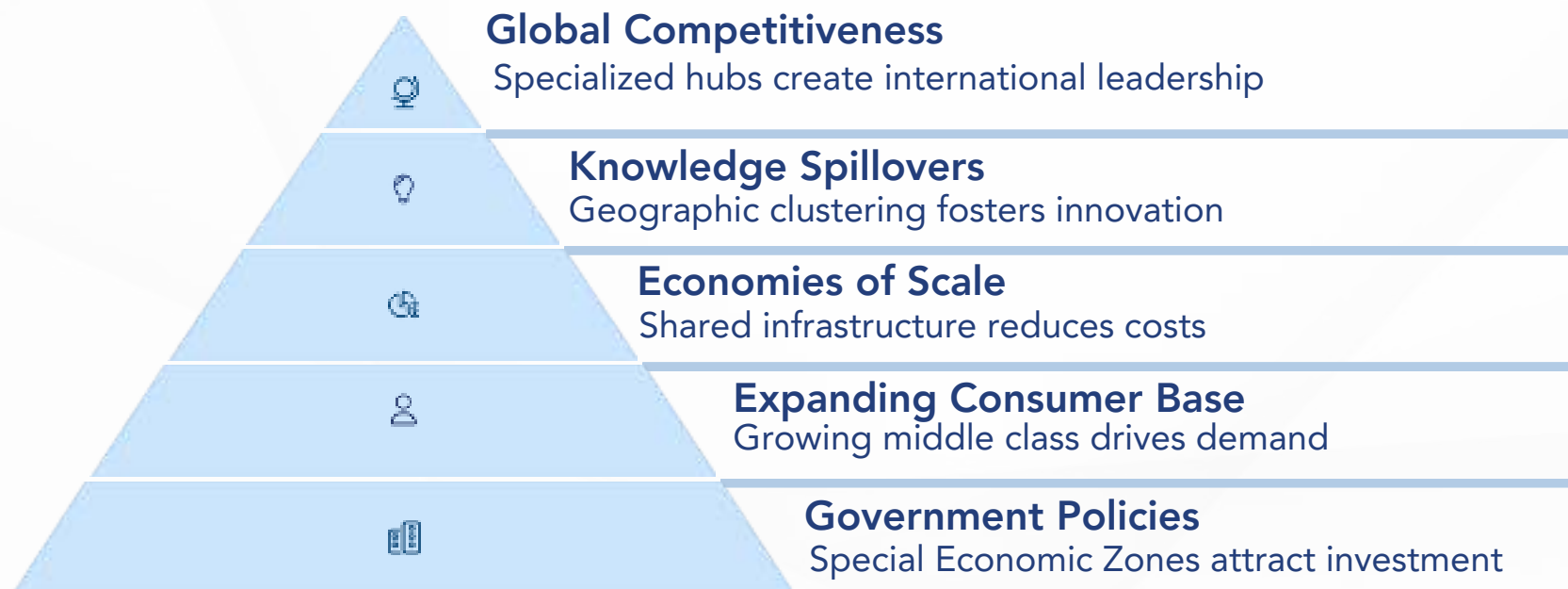
Countries like China and India have significant clustering of manufacturing industries due to cost advantages and raw materials access.

Urban Centers

Cities like Shanghai, Mumbai, São Paulo, and Seoul serve as economic hubs due to infrastructure and skilled labor proximity.

FACTORS DRIVING BUSINESS CONCENTRATION IN EMERGING MARKETS

These factors create opportunities for firms to achieve economies of scale, foster innovation through clustering, and enhance global competitiveness. However, challenges such as market inequality, vulnerability during downturns, and regulatory risks must be addressed to ensure sustainable growth.



DIGITAL GLOBALIZATION: TRANSFORMING BUSINESS MODELS



Remote Work

By 2025, remote work is projected to enable 70% of professional services to be delivered digitally, supporting the rise of digital nomadism.



Cloud Computing

Platforms like AWS and Google Cloud enable real-time data access for global teams. Unilever coordinates 150,000 employees across 190 countries using cloud-based systems.



Collaboration Tools

Zoom, Slack, and Asana facilitate cross-border communication, reducing reliance on centralized offices.



Global Talent Pools

Platforms like Deel streamline hiring across 150 countries, automating compliance and payments while leveraging a global workforce.

The rise of digital globalization has fundamentally transformed traditional business models, enabling companies to decentralize operations and embrace remote work environments.

SUSTAINABILITY IN DECENTRALIZED BUSINESS MODELS



Renewable Energy

Iberdrola's partnerships with Amazon and Microsoft supply renewable energy to logistics centers, reducing fossil fuel reliance.



Microgrids

Denmark's community-led wind-powered microgrids feed surplus energy into national grids, proving local solutions' scalability.



Circular Economy

Indonesian startups convert plastic waste into 3D printing filament via decentralized recycling hubs, cutting transportation emissions.



Carbon Tracking

Tools like Cloud Carbon Footprint measure emissions, helping companies optimize energy use across decentralized operations.

The interplay between digital globalization and decentralization creates opportunities for sustainable growth through reduced office energy consumption, localized production, and efficient resource management.

CHALLENGES AND FUTURE DIRECTIONS



Security and Compliance

Decentralized networks face increased cybersecurity threats, with 43% of businesses reporting breaches linked to remote tools in 2023.



Regulatory Complexity

Decentralized Autonomous Organizations navigate liability issues across jurisdictions, requiring blockchain-based dispute systems.



Hyper-Personalization

AI and big data enable tailored products for micro-markets, as seen in region-specific content delivery models.

By 2030, DAOs could manage 10% of global GDP, operating without central leadership via tokenized governance. Companies must balance technological adoption with sustainable practices to thrive in this decentralized, interconnected world.

CHALLENGES AND FUTURE DIRECTIONS

Regional Strengths

Major regions offer distinct advantages: advanced infrastructure in developed economies, manufacturing prowess in East Asia, and resource abundance in emerging markets.

Digital Delivery

By 2025, remote work will enable 70% of professional services to be delivered digitally, transforming traditional business models.

Market Concentration

The top five emerging market countries account for 80% of the Morningstar Emerging Markets Index, showing significant concentration.

Decentralized Future

By 2030, Decentralized Autonomous Organizations could manage 10% of global GDP through tokenized governance systems.

Successful global business location strategies require a nuanced, adaptive approach that balances local advantages with the flexibility offered by digital tools and decentralized operations. Companies must integrate sustainability and social responsibility while remaining responsive to evolving market needs and technological innovations.