

# UNIT 1 GLOBALIZATION AND INTERNATIONAL BUSINESS



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## CONCEPTS

### Globalization:-

- The process by which business or other organization develops international influence or start operating on and a international scale is known as Globalization.
- The tendency of investment funds and business to move beyond domestic and national market to other market around the globe is known as Globalization.

### International Business: -

- The exchange of goods and services among individuals and business in multiple countries.
- A specific entity, such as a multinational corporation or international business company that engages in business among multiple countries.
- A commercial transaction across country borders is known as international business.
- For example -----A company sells products in the United States, Japan, and Asia etc.

## EXTRA (OUT OF SYLLABUS)

### UNDERSTANDING INTERNATIONAL AND GLOBAL LET'S CHECK OUT THEIR DIFFERENCES

GLOBAL	INTERNATIONAL
GLOBAL IS A WORD THAT IS USED TO REFER TO ISSUES AND CONCERN OF THE ENTIRE WORLD.	INTERNATIONAL IS A TERM THAT IS USED TO REFER TO ISSUES AND CONCERN OF TWO OR MORE COUNTRIES.
IT HAS A LARGER SCOPE.	IT HAS SMALLER SCOPE.
MEANS ALL-ENCOMPASSING AND WORLDWIDE.	MEANS FOREIGN OR MULTINATIONAL.
GLOBAL COMPANIES HAVE OFFICES AND BRANCHES AS WELL AS INVESTMENT IN OTHER COUNTRIES.	INTERNATIONAL COMPANIES EXPORT THEIR PRODUCTS AND IMPORT THE PRODUCT OF THE COUNTRY WHICH THEY HAVE TRADE RELATION BUT HOLD NO INVESTMENT IN EACH OTHER'S ECONOMIES.

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## FACTORS AFFECTING GLOBALIZATION

- Technology Changes:- Globalization is in part where it is today due to the advancements that the world has made in technology in general. Technology is one of the leading factors in the evolution of Globalization.
- Transportation:- Faster and cheaper transportation cost helps multinational companies to build manufacturing facilities around the globe while maintaining scheduled, frequent deliveries of parts and finished product.
- Deregulation:-From the 1980s ahead several rules and regulation in business were removed particularly rules concerning foreign possession.
- Removal of Capital Exchange Controls:- the movement of cash from one country to a different was additionally controlled, and these controls raised over identical amount. If investments in one's own country looked unattractive, a business may purchase business in another country.
- Free Trade:- Several barriers to trade are removed a number of this has been done by regional groupings of nations like the EU, WTO, SAARC.
- Consumer Tastes have changed and consumers are more willing to try foreign products.
- Emerging markets in developing countries.

## REASONS FOR INTERNATIONAL BUSINESS EXPANSION

- To Expand Sales: - The first reason for companies to go on international business is sales expansion. A big company always wants to increase their sales, so they need a new market. The only option now is international business.
- Acquire Resources: - The developing and emerging countries have large deposits of materials, minerals, metals and land for agricultural production. The multinational companies eye these markets in order to get access to the resources.
- Minimize Risk: - Often, Business expands internationally to offset the risk of stagnating growth in their home country as well as in other countries where they are operating. Further by operating in a basket of countries are opposed to a few, they are able to manage political, economic and societal risks better.
- Discourage Local Competitors
- First-Mover Advantage
- Increased Innovation

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## DRIVERS OF MARKET GLOBALIZATION

They are mostly five drivers of market globalization:-

- Technological Drivers: - Technology shaped and set the foundation for modern globalization innovations in the transportation technology revolutionized the industry. The most important inventions on microprocessor and telecommunication enabled high effective computing and communication on low-cost. Finally the rapid growth of the internet is the latest technological driver that created global e-business and e-commerce.
- Political Drivers: - Liberalized trading rules and deregulated markets lead to lowered traffis and allowed foreign direct investment in almost all over the world. The institution of GATT and WTO are also ongoing drivers of globalization.
- Market Drivers:- As domestic markets becomes more and more saturated, the opportunities for growth are limited and global expanding is a way most organizations choose to overcome this situation.
- Cost Drivers: - Sourcing efficiency and costs vary from country to country and global firms can take advantage of this fact. Other cast drivers to globalization are the opportunity to build global scale economies and the high product development costs nowadays.
- Competitive Drivers: - With global market, global inter-firm competition increases and organizations are forced to play international. Strong interdependences among countries and high two-way trades and FDI actions also support this driver.

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## INTERNATIONAL V/S DOMESTIC BUSINESS

- Culture:- None of the country has same culture. Culture defines everything a society does, from its business practices, to its response to advertising and marketing, to negotiating sales. Though different countries have different culture, international business has to suffer from this but domestic business need not to.

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- Level of Competition:- The level of competition you will experience in foreign market is likely to be more dynamic and complex than you experience in domestic markets.
- Market Intelligence: - The international market has more developed on collecting information. Understanding market, competition and their data is reliable but entering on domestic market will not give you reliable data.
- Political/Government/ Legal Systems:- Each government has its own policies relating to foreign firms and products. The key is to understand that once you are in a foreign market you must abide by the rules and laws of that country, not the ones in your own market.
- International Law:- Countries determine their laws based on the needs of their citizen not the concerns of foreign companies. By and large, international law is a gentlemen's agreement which is honored, but not always.
- Technology:- The degree of technology can vary substantially in foreign markets if your product or service requires a high degree of technology sophistication to use or implement then market with low levels of technology will not be suitable for your business.
- Logistics:- Like technology, business infrastructure in foreign markets will be at different levels of development. This may well have an impact on your ability to get your products to that market. It is important to research new target market and understand how goods are moved within the country before you commit to that market.
- Media:- Advertising your product and service will of course be an important component of your marketing strategy. It is important to be aware of the types of media available and kind of media your target market uses to gain information about products and services they wish to buy.

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