

# Global business summary assignment

[Business](#)



Emerging markets= emerging economies: new words for” developing countries” Gross domestic product (GDP): the sum of value added by resident firms, households, and government operating in an economy.

Purchasing power parity (PPP): A conversion that determines the equivalent amount of goods and services different currencies can purchase BRIC: Brazil, Russia, India, China Gross national Product (GNP): Gross domestic product (GDP) plus income from nonresident sources abroad.

Gross national income (GNI): Gross domestic product (GDP) plus income from income from non resident sources abroad. GNI is the term used by the World Bank and other international organizations to supersede the term GNP Triad: North America, Western Europe and Japan bases of the pyramid: economies where people make less than 2000 a year. Why study global business 1.

Enhance your employability and advance your career in the global economy 2. Better preparation for possible expatriate assignments abroad 3. Trotter competence in interacting with foreign suppliers, partners, and competitors and in working for foreign-owned employers in your own country G-20: group of 19 major countries plus the EU. whose leaders meet on a biannual(secretaries) basis to solve global economic problems Expatriate manager(expect): a manager who works abroad International premium: a significant pay raise when working overseas Global business and globalization at a crossroads A glance at the global economy Mines, especially large ones from developed economies, are sizeable economic deities in a global economy of 60 trillion (global GDP) Current and would- be business leaders need to be aware Of their own hidden pro globalization bias Nongovernmental organizations(NGOs): organizations that are not

affiliated with governments A unified framework What determines the success and failure of firms around the globe? First core perspective: an institution-Based view An institution based view suggests that the success and failure of firms are enabled and constrained by institutions. Institutions are rules of the game. Formal rules: laws informal rules: values Formal institutions include regulations and laws Informal institutions include cultures, ethics, and norms. Overall, an institution- based view suggests that institutions shed a great deal of light on what drives firm performance around the globe. (Over wet shell genome en instilling- based view surgeries data instilling en grotto del van De licit wet-pen pop watt rift paterfamilias over De hell warded. ) 2 second core perspective: a resource-Based view The resourced based veggie has emerged to overcome this drawback.

Although the institution based view primarily deals with the external environment, the resource-based view focuses on a firms internal resources and capabilities. Liability of foreignness: the inherent disadvantage that foreign firms experience in host countries because Of there nonnative Status. This is a key theme of the resource-based view, which focuses on how winning firms acquire and develop such unique and enviable resources and capabilities and owe competitor firms imitate and then innovate in an effort to outcome the winning firms. What is globalization? Globalization is the close integration Of countries and peoples of the world. Thee views, namely: 1. A new force sweeping through the world in recent time 2. A long run historical evolution since the dawn of human history 3. Pendulum that swings from one extreme to another from time to time the pendulum view on globalization: Most sense because it can help us understand the ups-and-

downs of globalization. The pendulum view suggests that globalization is unable to keep going in one direction. Risk management: the identification and assessment of risks and the preparation to minimize the impact to high-risk, unfortunate events. Scenario planning: A technique to prepare and plan for multiple scenarios (either high or low risk) Semi globalization: A perspective that suggests that barriers to market integration at borders are high, but not high enough to completely insulate countries from each other.

Chapter 2: Understanding politics, laws, and economics (formal institutions)

Understanding institutions Institutions: formal and informal rules of the game

Institutional transitions: Fundamental and comprehensive changes

introduced to the formal and informal rules of the game that affect firms as

players Institution based view: A leading perspective in global business that

suggests that the success and failure of firms are enabled and constrained

by institutions. Institutional framework: formal and informal institutions

governing individual and firm behavior. Formal institutions: Examples: ;

laws ; Regulations ; Rules Supportive pillars: ; coercive power of

governments) Informal institutions: Examples: ; Norms ; Cultures ; Ethics

Supportive pillars: ; Normative (the mechanism through which norms

influence individual and firm behavior) ; Cognitive (the internalized (or taken

for granted) values and beliefs that guide individual and firm behavior. What

do institutions do? Institutions reduce uncertainty!

Without stable institutional frameworks, transaction costs may become

prohibitively high, to the extent that certain transactions simply would not

take place Institutions are not static Transaction costs: the costs associated

with economic transactions or, more broadly, the costs of doing business

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Opportunism: the act to seeking sell interest with guile An institution- based view of global business Propositions: managers and firms pursue their interests ND make choices rationally within the formal and informal constraints in a given institutional framework Propositions: although formal land informal institutions combine to govern firm behavior, in situations where formal constraints are unclear or fail, informal constraints will play a larger role in reducing uncertainty and providing constancy to managers and firms The formal institutions: Political systems: the rules of the game on how a country is governed politically ; Democracy: is a political system in which citizen elect representatives to govern the country on their behalf. A fundamental aspect of democracy that is relevant to global business is an individual's right to freedom Of expression and Organization. In most modern democracies, the right to organize economically has been extended not only to domestic individuals and firms, but also to foreign individuals and firms that come to do business. ; Totalitarianism(dictatorship): a political system in which one person or party exercises absolute political control over the population. There are 4 types of totalitarianism namely: 1. Communist totalitarianism centers on a communist party 2. Right. Inning totalitarianism is characterized by its intense dared of communism. One party, typically backed by the military, restricts political freedom because its members believe that such freedom would lead to communism, 3, Theocratic totalitarianism refers to the monopolizing of political power in the hands of one religious party or group. 4. Tribal totalitarianism refers to one tribe or ethnic group(which may or may not be the majority of the population monopolizing political power and oppressing other tribes or ethnic groups Political risk: risk associated with political changes that may negatively

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impact domestic and foreign firms. Totalitarianism in general is not so good for business as democracy.

The most extreme political risk may lead to the nationalization (expropriation) of foreign assets (active). Firms operating in democracies also confront political risk. However, such risk is qualitatively lower than that in totalitarian states. In 1390 globalization took off, in this time the democracy expanded around the world. Legal systems: the rules of the game on how a country's laws are enacted and enforced (vegetables en shanghaied) ; Civil law: a legal tradition that uses comprehensive statutes and codes as a primary means to form legal judgments (en cherished tradition die distributed Statutes en codes gibbering alls en premier middle mom tee roomer architecture dissipater).

Civil law is less confrontational because comprehensive statutes and codes serve to guide judges ; Common law: A legal tradition that is shaped by precedents and traditions from previous judicial decisions (En cherished tradition die word governor door precedent en tragedies van De verge architecture beginnings) common law is more confrontational because plaintiffs and defendants must argue and help judges to favorably interpret the law largely based on precedents, ; Theocratic law: A legal system based on religious teaching Overall, legal systems are a crucial component of the institutional framework because they form the first, regulatory pillar that supports institutions. They directly impose the do's and don't on businesses Arturo the globe Property rights (counterweighted): the legal rights to use an economic property (resource) and to derive income and benefits from it.

When a legal system is stable and predictable, tangible property also makes <https://assignbuster.com/global-business-summary-assignment/>

other, less tangible economic activities. A system that is stable and overdevelops, alchemies often make ask Andre, minder taster economist activities. Mongolia tee make.

What the developing overlord lacks and desperately need is formal protection of property rights in order to facilitate economic growth. Intellectual property: intangible prosper that is the result of intellectual activity. Intellectual property rights: rights associated with the ownership of intellectual property: ; Patents: exclusive legal rights of inventors of new products or processes to derive income from such venation ; Copyrights: exclusive legal rights of authors and publishers to publish and disseminate their work. ; Trademarks: exclusive legal rights Of firms to use specific names, brands, ND designs to differentiate their products from others.

Overall, an institution based view suggests that the key to understanding PR violation is realizing that PR violators are not amoral monster, but ordinary people and firms. PR need Toby e asserted and enforced through a formal system, which is designed to punish violators and to provide an incentive for people and firms to innovate. Economic systems: Rules of the game on how a country is governed economically ; Market economy: an economy that is characterized by the invisible hand of market forces. All factors of production should thus be privately owned. Lasses fairer, ; Command economy: an economy that is characterized by government ownership and control of factors of production. Mixed economy: an economy that has elements of both a market economy and a command economy, No country has ever had a complete command economy, and no country has ever completely embraced lasses fairer, So most economy/s are mixed economy, Debates <https://assignbuster.com/global-business-summary-assignment/>

and extensions Drivers of economic development: culture, geography, or institutions? ; The culture side argues that rich countries tend to have a smarter and harder working population driven by a stronger motivation for economic success. This line of thinking, bordering on racism, is no longer acceptable in the 21st century. ; The geography school of thought in this debate suggests that rich countries tend to be well endowed with natural resources. This argument is not convincing either.

Geography is important, but not destiny. ; Institutional scholars argue that institutions are ' the basic determinants of the performance of an economy. Rich countries are rich because they have developed better market supporting institutional frameworks. 1. It is economically advantageous for individuals and firms to grow and specialize in order to capture the gains from trade. 2. A lack of strong formal market supporting institutions forces individuals to trade on an informal basis with a small neighboring group and forces firms to remain small, thus foregoing the gains from a sharper division of labor by trading on a larger scale with distant partners. 3.

Emergence of formal, market supporting institutions encourages individuals to specialize and firms to grow in size to capture the gains from complicated long distance trade, 4, When formal market supporting institutions protect property rights, they fuel more innovation, entrepreneurship, and thus economic growth. These arguments are the backbone of the institution based view of global business, Private ownership versus state ownership Washington consensus: a view centered on the unquestioned belief in the superiority of private ownership over state ownership in economic policy making, which is often spearheaded by two Washington based international <https://assignbuster.com/global-business-summary-assignment/>



organizations: the international monetary fund and the world bank. Moral hazard: recklessness when people and organizations (including firms and governments) do not have to face the full consequences of their actions.

Management savvy: ; When entering a new entry, do your homework by having a thorough understanding of the formal institutions governing firm behavior. ; When doing business in countries with a strong propensity for informal relational exchanges, insisting on formalizing the contract right away may backfire. Chapter 3: emphasizing cultures, ethics, and norms Informal institutions primarily come from socially transmitted information and are a part Of the heritage that we call cultures, ethics and norms.

Ethnocentrism: a self- centered mentality held by a group of people who perceive their own culture ethics and norms as natural, rational end morally right.

Culture ; Definition of culture Culture is the collective programming of the mind that distinguishes the members of one group or category of people from another (Culture is De collective programming van De guest die De laden van en grope of categories menses interceded van Andre) First, no strict one to one correspondence between cultures and nationalities exists. Second, culture has many layers. ; Language Lingua franca: a global business language Managers and firms ignorant of foreign languages and religious traditions may end up with embarrassments and, worse, disasters when doing business around the globe, First, English speaking countries contribute the largest share of global output.

Second, recent globalization has called for the use of one common language. On the other hand, the dominance of English may also lead to a disadvantage. ; Religion The four leading religions are Christianity, Islam, Hinduism, and Buddhism. Bicultural differences have led to numerous challenges, knowledge about religions is crucial even for non religious managers. Rural, managers and firms ignorant of religious traditions and differences may end up with embarrassments and, worse, disasters. ; Social Structure refers to how a society organizes members with rigidity or flexibility. Two terms are key to this discussion. 1. Social stratification: the hierarchical arrangement of individuals into social categories such as classes, castes, or divisions within a society 2.

Social mobility: the degree to which members from a lower social category can rise to a higher status. Social structure is the outcome of a society's formal and informal rules of the game that give birth to its norms and values. Mines operating in highly socially stratified countries need to be sensitive to local hiring and staffing norms. The most suitable person for a job may not necessarily be the most technically qualified individual, At the same time, it is important to note that all societies evolve. Education Education is an important component of any culture. From an early age, schools teach children the mainstream values and norms and foster a sense of cultural identity.

In collectivist societies, schools often foster collectivist values and emphasize the 'right' answers in learning. In individualistic societies, schools emphasize individual initiatives and encourage more independent thinking, emphasizing questions within 'right or wrong answer' In socially rigid societies,

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education (especially access to a small number of elite schools and universities) is one of the primary means to maintain social stratification. On the other hand, in socially mobile societies, education is typically one of the leading forces in breaking down social barriers. Rural, the dramatic expansion of higher education around the world in the postwar decades has increased social mobility.

In addition to language, religion, social structure, and education, culture is manifested in numerous other ways. These differences remain. Cultural differences: ; The context approach Of the three main approaches probing into cultural differences, the context approach is the most straightforward (envious) because it relies on a single dimension. Low context culture: A culture in which communication is usually taken at face value without much reliance on unspoken text. No means no. Western countries High context culture: A culture in which communication relies a lot on the underlying unspoken context, which is as important as the word used. No does not necessarily mean no. Asian countries.

Context is important because failure to understand the differences in interaction styles may lead to misunderstanding. In high context countries, initial rounds of negotiations are supposed to create the 'context' for mutual trust and friendship, ; The cluster approach Cluster: countries that share similar sutures Cultural clusters: 1. Rene and Sheehan cluster 2. GLOBE clusters 3. Huntington civilizations Civilization: the highest cultural grouping of people and the broadest level of cultural identity people have We do need to appreciate the underlying idea that people and firms are more

comfortable doing business with other countries within the same cluster,' violation.

This is because common language history religion and customs within the same cluster reduce the liability of foreigners when operating abroad The dimension approach 1. Power distance Power distance is the extent to which less powerful members within a country expect and accept that power is distributed unequally. 2. Individualism Individualism is the idea that an individual's identity is fundamentally his or her own. Collectivism is the idea that an individual's identity is fundamentally tied to the identity of his or her collective group. In individualistic societies ties between individuals are elatedly loss and individual achievement and freedom are highly valued. In collectivist societies, ties between individuals are relatively close and collective accomplishment are after sought after. 3.

Masculinity(malnourished) Masculinity: a relatively strong tort to societal-level seeks role differentiation whereby men tend to have occupations that reward assertiveness and women tend to work in caring professions.

Femininity: a relatively weak form of societal-level seeks role differentiation whereby more women occupy positions that reward assertiveness and more men work in caring professions. 4. Uncertainty avoidance(overriding)

Uncertainty avoidance refers to the extent to which members in a culture accept or avoid ambiguous situations an uncertainty. Members of high uncertainty avoidance cultures place a premium on job security and retirement benefits. They also tend to resist change, which often creates uncertainty. Greece) Low uncertainty avoidance cultures are characterized by a greater willingness to take risk and less resistance to change.

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(Singapore) 5. Long term orientation Long term orientation: dimension Of how much emphasis is placed on perseverance and savings for future betterment. Members of short term orientation societies prefer quick results and instant gratification. (Pakistan) Culture and global business. Overall, there is strong evidence pointing out the importance of culture. Sensitivity to cultural differences does not guarantee success but can at least help to avoid blunders. A great deal of global business activity is consistent with the context, cluster, and dimension approaches to cultural differences.

Firms are a lot more osseous in preparation when doing business with countries in other clusters compared to how they deal with fellow countries within the same cluster. Individualism and collectivism also affect business activities. Likewise, masculinity and femininity affect managerial behavior. Managers in low uncertainty avoidance countries such as Britain rely more on experience and training , whereas managers in high uncertainty avoidance countries such as china rely more on rules. Managers in high power distance countries such as France have a greater penchant for centralized authority. Ethics (the principles, standards, and norms of conduct that superconductive and firm behavior) Code of conduct: a set of guidelines for making ethical decisions. Definition and impact of ethics Three views: 1.

A negative view suggest that firms may simply jump onto the ethics bandwagon under social pressure to appear more legitimate without necessarily becoming better. 2. A positive view maintains that some firms may bees elf motivated to do thing right regardless of social pressure. 3. An instrumental view believes that good ethics may simply be a useful instrument to help make money. ; Managing ethics overseas There are 2  
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schools of thoughts 1. Ethical relativism: a perspective that suggests that all ethical standards are relative. 2. Ethical imperialism: a perspective that suggests that 'there is one set of ethics and we have it' In practice neither of these schools of thought is realistic. Three middle of the road guiding principles are: 1.

Respect for human dignity and basic rights should determine the absolute, minimal ethical thresholds for all operations around the world 2. Respect for local traditions. 3. Respect for institutional context calls for a careful understanding of local institutions. Codes of conduct banning bribery are not very useful unless accompanied by guidelines for the scale and scope of appropriate gift giving/ achieving ; Ethics and corruption Ethics help to combat corruption(the abuse of public power for private benefits, usually in the form of bribery). Foreign corrupt practices act(APPC): a US law enacted in 1977 that bans bribery of foreign officials.

Overall, the APPC can be regarded as an institutional weapon in the global fight against corruption. Corruption and poverty go together. Some evidence indicates that corruption discourages foreign direct investment. However there are exceptions. Norms and ethical challenges Four broad strategic responses: Strategic responses Reactive (is passive) Defensive(focuses on regulatory compliance) Accommodative Pro active Strategic behaviors Deny responsibility: do less than required Admit responsibility but fight it; do the least that is required Accept responsibility; do all that is required Anticipate responsibility; do more than is required Companies can change their strategic response.

Overall, although there is probably a certain element of window dressing in proactive strategies, the fact that pro active firms go beyond the current regulatory requirements is indicative of the normative and cognitive beliefs held by many managers at these firms on the importance of doing the right thing. Debates and extensions ; Economic development: western values versus eatery values ; Cultural change: convergence versus divergence ; Opportunism versus individualism/collectivism In group: individuals and firms regarded as a part of ' us' Out group: individuals and firms not regarded as a part of ' us' Management asana Cultural intelligence: an individual's ability to understand and adjust to new cultures. Five profiles: 1. The local: a person who works well with people from similar backgrounds but does not work effectively with people from different cultural backgrounds 2.

The analyst: a person who observes and learn from others and plans a strategy for interacting with people from different cultural backgrounds 3.

The natural: a person who relies on intuition rather Han on a systematic learning style when interacting with people foam different cultural backgrounds 4. The mimic: a person who creates a comfort zone for people from different cultural backgrounds by adopting their general posture and communication style. This is not pure imitation, which may be regarded as mocking 5. The chameleon: a person Who may be mistaken for 3 native Of the foreign country. He/she may achieve results that natives cannot, due to his/her insider skills and outsider perspective.

This is very rare. Implications for action: six rules Of thumb when venturing overseas ; Be prepared ; Slow down ; Establish trust ; Understand the importance of language ; Respect cultural differences ; understand that no <https://assignbuster.com/global-business-summary-assignment/>

culture is inherently superior in all aspects. The institution based view emphasizes the importance of informal institutions in propelling or constraining business around the globe. The institution based view argues that firm performances is determined by the informal cultures, ethics, and norms governing firm behavior. For sway managers around the globe the emphasis on informal institutions suggests to broad implications.

First, it is necessary to enhance cultural intelligence, Acquisition of cultural intelligence passes through three phases: (1) awareness (refers to the recognition of both the pros and cons of your ' mental software' and the appreciation of people from other cultures), (2) knowledge( refers to the ability to identify the symbols, rituals, and taboos in other cultures, also known as cross-cultural literacy), (3) skills (are based on awareness and knowledge, plus good practice. Second, managers need to be aware of the prevailing norms and their transitions globally. The best managers expect norms to shift over time and constantly decipher the changes in the informal rules of the game and take advantage of new opportunities. Although skills can be taught, the most effective way to gain cultural intelligence is total immersion within a foreign culture. Culture is not everything but is important.

Chapter 4: Leveraging capabilities globally  
Resources based view: a leading perspective in global business that posits that firm performance is fundamentally driven by differences in firm-specific resources and capabilities  
SWOT analysis: An analytical tool for determining a firm's strengths(S), Weaknesses(W), opportunities (O), and threats (T)  
Resources based view: internal S and W  
Institution based view: external O and T  
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framework: the resource based framework that focuses on the Value rarity(R), immutability and organizational aspects of resource and capabilities understanding resources and capabilities Resource: the tangible and intangible assets a firm uses to choose an implement its strategies.

Capability: the tangible and intangible assets a firm uses to choose an implement its strategies, Tangible resources ND capabilities: Assets that are observable and easily quantities: ; Financial ; Physical ; Technological ; Organizational Intangible resources and capabilities: Assets that are hard to observe and difficult(if not impossible) to quantify ; Human ; Invention ; Reputations Resources, capabilities, and the value chain: in house versus outsourcing Value chain: A chain of vertical activities used in the production of goods and services that add value. It consist of tow areas: primary and support activities. Each activity requires a number of resources and capabilities. Value chain analysis forces managers tot hint about resources and capabilities at a every micro activity based level. Benchmarking: an examination on whether a firm has resources and capabilities to perform a particular activity in a manner superior to competitors. Communication: A process of market competition through Which unique products that command high prices and high margins gradually lose their ability to do s. Thus become commodities.

Outsourcing: turning over an organizational activity to an outside supplier that will perform it on behalf of the focal firm. Captive sourcing: setting up bestiaries abroad so that the work done is in house but the location is foreign. Also known as foreign direct investment FED Offspring: outsourcing to an international or foreign firm. Inspiring: outsourcing to a domestic firm  
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Domestic in house activity Cell 1: captive sourcing/Fed Cell 2: offspring Cell 3: domestic in house Cell 4: inspiring In house outsourcing Foreign location Domestic location Analyzing resources and capabilities with a BRIO Framework ; Value Only value adding resources can possibly lead to competitive advantage, whereas non value adding capabilities may lead to competitive disadvantage.

If firms are unable to get rid of non-value-adding resources and capabilities, they are likely to suffer below average performance ; Rarity At best, valuable but common resources and capabilities will lead to competitive parity but no advantage. Resources and capabilities must both be valuable and rare to have the potential to provide some temporary competitive advantage. ; Immutability Valuable and rare resources and capabilities can be a source of competitive advantage only if they are also difficult to imitate by competitors. It is easier to imitate a firms tangible resources than o imitate intangible capabilities such as tacit knowledge.

Causal ambiguity: the difficulty Of identifying the causal determinants Of successful firm performance If insiders have a hard time figuring out what unambiguously contributes to their firms performance, it is not surprising that outsiders efforts in understanding and imitating these capabilities are usually flawed and often fail. Overall: valuable and rare but imitable resources and capabilities may give firms some temporary competitive advantage, leading to above average performance forms mom time. But such an advantage is not likely Toby e sustainable ; Organization Even livable, rare, and hard to imitate resources and capabilities may not give a firm sustained competitive advantage if the firm is not properly organized.

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Overall: only valuable, rare, and hard to imitate resources and capabilities that are organizationally embedded and exploited can possibly lead to persistently above average performance. BRIO come together as one package!

Complementary assets: The combination of numerous resources and assets that enable a firm to gain a competitive advantage Social complexity: the socially intricate and interdependent ways firms are typically organized.

Debates and extensions 1. Domestic resources verses international(cross border) capabilities Some domestically successful firms continue to succeed overseas. This question is very important for companies and business schools. However, there is no right or wrong answer. 2. Offspring versus Not Offspring Offspring or (international outsourcing) has emerged as a leading corporate movement in the 21st century. Proponents argue that Offspring creates enormous value for firms and economies.