

Cba 300---section 01

Finance, Investment



CBA 300---Section 01
 Dr. Sam Min CBA353
 Office Hours: Friday 8: 00am — 10: 00am
 Read your text book first, come & take notes, and read newspapers
 Tests are straightforward, text, weekly reading, and lectures
 TEST 1 September 14 Chapters 1, 2, 3 TEST 2 October 5 Chapters 4, 5, 6, 7
 TEST 3 October 26 Chapters 8, 9, 10, 11 TEST 4 November 16 Chapters 12, 13, 14, 15
 FINAL Final Week Chapters 16, 17, 18
 Assignments & in-class activities
 Total (50 points) (50 points) (50 points) (50 points) (50 points) (30 points)
 280 points
 CBA 300---Section 01 - The grading system will be as follows:
 Total points Possible: 280
 252 and more = A
 224 to 251 = B
 196 to 223 = C
 168 to 195 = D
 Less than 167 = F
 2 3 ASSIGNMENTS 1-5
 Please read any article of your interest, which is related to International Business and
 (1) summarize the article (1/2 page) and (2) discuss what you learned from reading the article (1/2 page).
 - Do not write more than 1 page. - Use 12 font size, 1.5 spaced, 1-inch margins, and Times New Roman. - This assignment is worth maximum 4 points. Due is on each testing date!
 4
 Chapter 1 — The Challenging World of International Business
 International Business 13e by Ball, Geringer, McNett, and Minor
 5 Why you need global business perspective? - " Having a foreign perspective gives you an advantage not only for doing business outside U. S. but domestically, where we have the most diverse society in the world. " — Carlos Gutierrez, the CEO of Kellogg & US 35th Secretary of Commerce
 6 CEOs of Fortune's largest American corporations strongly believe:
 (1) An international orientation should be an important part of college business education
 (2) International business skills and knowledge were important not merely for promotion to senior executive positions, but also for appointment to entry-level positions,

and across a broad array of functional as well as cross-functional areas (3)

The above two points are even more important for those anticipating international activities increase in the next five years. 7 My suggestions (1) Take IB course(s) (2) Consider going overseas (exchange program, intern, English teacher, volunteer, mission, etc.) (3) Learn foreign language 8 Topics

- What is international business? - IB Concepts and seven dimensions for globalizing a business - What is different about international business? - Growth of international firms and IB - What is globalization? - The drivers of globalization 9 What is International Business? - International Business (IB): any business transaction across national borders — Trade in goods — Cross-border services
 - consulting, advertising, legal, financial, accounting
 - tourism, banking, communications/media, construction management, etc.
- Company activity inputs may involve IB activity even if outputs do not — Firm's revenues may come entirely from the home country — Key raw materials, knowledge, processes may come partially or entirely from other countries

Concepts of International Companies A Multidomestic Company has multi-country affiliates, each of which formulates its own business strategy based on perceived market difference A Global Company attempts to standardize and integrate operations worldwide in all functional areas. 11

The 7 Dimensions for Globalizing a Business 1. 2. 3. 4. 5. 6. 7. 1-12 Product Markets Promotion Where value is added Competitive strategy Use of non-home-country personnel Extent of global ownership in firm What is Different about International Business? International Business - deals with 3 environmental forces: 1. Domestic 2. Foreign 3. International Domestic Business - deals with the domestic market - But...may face foreign

competition in domestic market 1-13 Why is International Business Different?: Forces in the Environment i, Environmental forces can be classified as external or internal. - External forces are uncontrollable, but perhaps can be influenced by mgmt. - Internal forces are controllable by mgmt, but not completely. 14 External Forces - Competitive — Kind, number, location - Distributive — For distributing goods and services - Economic — GNP, unit labor cost, personal consumption expenditure - Socioeconomic — Characteristics of human population - Financial — Interest rates, inflation rates, taxation 15 External Forces, cont'd. - Legal — Laws governing how international firms must operate - Physical — Topography, climate, and natural resources - Political — Forms of government, and international organizations - Sociocultural — Attitudes, beliefs, and opinions - Labor — Skills, attitudes of labor - Technological — Equipment and skills that affect how resources are converted to products 16 Internal Environmental Forces - Factors of Production — Capital, raw materials, and people - Activities of the organization — Personnel, finance, production, and marketing 17 Explosive Growth - Exporting — transportation of any domestic good/service to a destination outside a country or region — The level of world merchandise exports increased from \$2 trillion (1980) to \$15. 24 trillion (2010). — Service \$365 billion (1980) to \$3. 7 trillion (2010). 18 Growth in the volume of world merchandise exports and production, 2000-2007 2000-07 World merchandise exports Agricultural products Fuels and mining products Manufactures 5. 5 4. 0 3. 5 6. 5 2005 6. 5 6. 0 3. 5 7. 5 2006 8. 5 6. 0 3. 5 10. 0 2007 6. 0 4. 5 3. 0 7. 5 World merchandise production Agriculture Mining Manufacturing World GDP 3. 0 2. 5 1. 5 3. 0 3. 0 3. 0 2. 0 1. 5 4. 0 3. 0 3. 0 1.

5 1. 0 4. 0 3. 5 4. 0 2. 5 0. 0 5. 0 3. 5 Note : See the Metadata for the estimation of world aggregates of merchandise exports, production and GDP.

19 Growth in volume of world merchandise trade and GDP, 2000-11 (Annual % change) Source: WTO 2011a: Figures of 2011 are projections 20 Explosive Growth i, Foreign Direct Investment — Direct investment in equipment, structures, and organizations in a foreign country - level sufficient to obtain significant management control — World stock of outward FDI was \$19 trillion at the beginning of 2010 (9 times larger than what it was in 1990). 21 Number of International Companies - Keeps expanding and the big get bigger. — ExxonMobil sales for 2011: \$486 billion — Wal-Mart sales revenue for 2011: \$446 billion 22 Globalization - the process of transformation of local or regional things or phenomena into global ones. — Technological globalization — Political globalization — Economic globalization — Cultural globalization 23 Globalization i, Economic Globalization — is the international integration of goods, technology, labor, and capital. — refers to the implementation of global strategies which link and coordinate a firm's international activities on a worldwide basis. 24 Drivers of Globalization - - - - - Political Drivers Technological Drivers Market Drivers Cost Drivers Competitive Drivers 1-25 Political — There is a trend toward the unification and socialization of the global community. — NAFTA and the European Union present significant marketing opportunities for companies. — the progressive reduction of barriers to trade and foreign investment by most governments. — the privatization of much of the industry in formerly communist nations. 26 Technology — Advancements in computers and communication technology are permitting an increased flow of ideas and information across

borders. - The Internet and network computing enable small companies to compete globally. - Business to business commerce is experiencing significant savings by using the Internet for business exchanges. - Foreign outsourcing more and more common

27 Globalization Forces i, Market — As companies globalize, they also become global customers. - Companies follow customers abroad in order to avoid a competitor stealing the account. — The saturation of the home market also sends companies into foreign markets. — Emergence of global customers

28 Cost — Economies of scale to reduce unit cost are always a management goal. - Globalizing product lines to reduce development, production, and inventory costs can help achieve economies of scale. - Companies can also locate production in countries where production costs are lower.

29 Competitive — Competition continues to increase in intensity. — Companies are defending their home markets from competitors by entering the competitors' home markets to distract them.

30 Views On Globalization Arguments Supporting Globalization - Enhances socioeconomic development Concerns with Globalization - Uneven results across nations and people - Promotes more and better jobs - - Deleterious effects on labor and labor standards Decline in environmental and health conditions

1-31 \$1.25 per Euro Crude Oil (\$94.61) Gold (\$1,653.5) Corn (\$8.10 per bushel)