Globalization of international management

Business, Management

Discuss the forces that are leading international firms to theglobalizationof their sourcing, production, and marketing. 5 major forces : Political, Technological, Market, Cost, and Competitive Followings are the five change-based drivers that are leading international firms to globalize their operations, with an example for each kind : (l)political-preferential trading agreements, (2)technological-advances in communicationstechnology, (3)market- global firms become global customers, (4)cost-globalization of product line and production helps reduce costs by achieving economies of scale, and (5)competitive- reign competitors' markets.

Q. Business is business, and every firm has to produce and market its goods. Why, then, might managers be unable to apply the techniques and concepts they have learned in their own country to other areas of the world? Despite firms have knowledge and skills for business in own country, they might not be successful in foreign countries that have their own cultures and trends of consumption. Good example for this question is Wall-mart in Korea.

The international environmental defined as the interactions (l)between the domestic environmental ores and the foreign environmental forces and (2)between the foreign environmental forces of two countries when an affiliate in one country does business with customers in another. Q. What do you believe makes foreign business activities more complex than purely domestic ones? To make a decision in foreign country is more difficult than home country. They not only must take into account the domestic forces boot also must evaluate the influence of 10 foreign national environments.

Q. Discuss some possible conflicts between host governments and foreign-owned companies. I am the opinion that restrictions for subsidiaries of foreign companies are sensitive problems. For example, If a certain nation prohibits funding for foreign companies, conflicts will increase. And complains of foreign companies will also increase. On the other hands, If a certain nation is open to the funding for foreign companies, there will be some troubles with foreign companies about taxes and incentives. Q.

Why, in your opinion, do the authors regard the use of the self-reference criterion as " probably the biggest cause of international business blunders"? Can you think of an example? If I do business in overseas, I don't know everything exactly concerning about foreign country'sculture, policy, social situations, economy, and trends. So, doing business well in foreign country is very difficult. Self-reference criterion means unconscious reference to one's own cultural values when Judging behaviors of others in a new and differentenvironment.

Managers' unfamiliarity with other cultures, to make matters worse, some managers will ascribe to others their own preferences and reactions. For example, selling beefs by self-reference criterion business in Muslim countries will be failed. Q. You have decided to take a Job in your hometown aftergraduation. Why should Owing to globalization trends in the worlds, and importance of relationship between domestic and foreign country, we have to study hard international business. I will take a Job in home country. But I might have opportunities for business in overseas and meeting foreign buyers.

Thus, to obtain other countries values, cultures, policies, and trends by studying international business is very important for me. QUO. Although forces in the foreign environment are the same as those in the domestic environment, they operate differently. Why is this so? I think that domestic environmental and foreign environmental are different in terms of domestic and foreigner culture, and international environmental. When comparing with domestic environmental, operating company in the foreign country has different environments such as company's market share, foreigner's own culture, and growth in global.

And domestic environmental is also originated in home country's culture which effect on the companies. IQ 1 . What examples of globalization can you identify within your community? How would you classify each of these examples(e. G. , international investment, international trade)? - International investment : I could feel the globalization by watching the Cook-Cola in every super market. - International trade : FAT(Korea and Chile) is a good example for international trade. This free trade agreements is mutually profitable for each nations QUO. Why is there opposition to globalization of trade and integration of the world's economy?

Please assess the major arguments for and against such globalization efforts. I think that this argument against globalization is originated by the different people's values and concepts. This argument can be examined by three primary ones (1) that elaboration has produced uneven results across nations and people (2) that globalization has had deleterious effects on labor and labor standards (3) that globalization has contributed to a decline in environmental andhealthconditions. Chapter 2 IQ . How large and important a role do small and mediums enterprises play in generating export sales?

The proportion of generating export sales from the Seems in the U. S. A increased constantly. According to the Exporter Data Base in the text book, Of total exporters, 218, 382 were Seems(small and medium-size enterprises). It is 97 percent of all U. S. A exporters. Have been the major trends? How might this information be of value to a manager? Although the economic growth of global has slowdown in the 2000, the absolute value of their merchandise exports increased, the proportion of exports coming from the regions of Latin America, Africa, and Middle East decreased between 1980 and 2004.

The largest exporters and importers of merchandise are generally developed countries. The results of services exports are similar with merchandise exports. Rationalization of trade is increasing more and more. It is accounted for over 70 percent by 2005. Further, South and East Sais's share of the world's manufacturing value added has nearly quadrupled since 1980. From this information the managers may be prepared for the increased competition from exports to their own domestic markets. Q. " The greater part of international trade consists of an exchange of raw materials from developing nations for manufactured goods from developed nations. True? Or false? Explain. False. This is correct partially. More than half the exports from developing nations go to developed countries. Also, over 70% of exports from developed economies go to other industrialized nations Q. " The volume of exports has increased, but the ranking of U. S. Trading partners in order of importance remains the same year after year. " True or false? Of what use in this information to a manager? False. Of the top 15 nations, 8 have remained on the list over the years listed, including Canada, Mexico, Japan, Germany, the United Kingdom, France, Italy, and Brazil.

However, each nation's ranking has changed over time, and some new nations have been added to replace other nations that have become relatively less important as trade partners. Q. What is the value of analyzing foreign trade data? For example, what should the quadrupling in real terms of exports in less than 35 years indicate to managers? The analysis information would be helpful to anyone Just starting to search outside the home market for new business opportunities by studying the general growth and direction of trade and analyzing major trading partners.

Q. Knowing that a nation is a major trading partner of another signifies what to a marketing analyst? There are advantages to focusing attention on a nation that is already a sizable purchaser of another country - The business climate in the importing nation is There should be no strong cultural objections to buying that nation's good - Satisfactory transportation facilities have already been established Q. What are the different components of foreign investment? Why has the distinction between them begun to blur in recent years?

It can be divided into two components : First is portfolio investment and second is direct investment. 1. Portfolio investment : The purchase of stocks and bonds to obtain a return on the funds invested. 2. Direct investment : The purchase of sufficient stock in a firm to obtain significant management control. Because of globalization in recent years, the distinction between them begun to blur. Q. How has the level and direction of FDA changed over the past decade, both overall and in terms of annual outflows and inflows?

Why would this information be of relevance to managers? Annual FDA outflows hit a historical high in billion. However, By 2002, the total was only $647 billion, only about 54 percent of the 2000 figure because of a subsequent decline in the overall level of annual FDA flows. Outflows significantly increased to $730 billion by 2004. The vast proportion of outward FDA, over 87 recent, originates from the developed countries. This data has been associated with mergers, acquisitions; purchasing of companies in other nations.

In annual inflows' case, developed countries have been ales occupying over 70 percent of annual FDA investments. Recently for managers, important issues related to inflows are trend that proportion of Asian FDA that has been directed to China and its territories. Their combined proportion of Asian FDA grew from 52. 4 percent during 1985-1995 to 75 percent in 2004. Q. Why has FDA historically followed foreign trade? What is it about the new international business environment that is causing this path to market expansion to change?

Reason is that engaging in foreign trade is typically less costly and less risky than making a direct investment into foreign markets. Also, management can expand the business in small increments rather than through the considerably greater amounts of investment and market size that a foreign production facility requires. Generally, because the local market would not be large enough to support local production by all the firms exporting to it, the situation would become one of seeing who could egging manufacturing there first. QUO.

Why has most foreign direct investment gone into acquiring existing companies rather than establishing new ones? Market businesses or other assets. 2) Foreign companies wanted to gain rapid access in the United States to advanced technology, especially in computers and communications 3) Management of foreign firms felt that entrance into the large and prosperous American market could be more successful 4) Increased international competitive pressures also could be reasons for this question. IQ 1 . What are the main reasons that a firm might enter into foreign markets?

First reason is to increase their profits and sales (Enter new markets / Obtain greater profits / Test market) Second is to protect markets, profits, and sales (Protect domestic market / Attack in competitor's home market / Protect foreign markets / Guarantee supply of raw materials / Acquire technology and management know-how / geographic diversification / Satisfy management's desire for expansion) IQ 2. What are in-bond plants? Why might they be an attractive alternative for a manufacturing company?

In-bond plants, often called masqueraders, is production facilities in Mexico that immemorially import raw materials, components, or parts duty-free to be manufactured, processed, or assembled with less expensive local labor, after which the finished or semifinalist product is exported. Because theMexicangovernment permitted duty-free importation of parts and materials from the USA within the in- bond plant, provided that the finished products were re-exported. IQ 3. How can a firm protect its domestic market by investing overseas?

When companies face competitor which has lower price advantage in domestic, companies can break this difficult situation by using advantages of overseas investments. (cheap labor cost, raw material, and etc.) QUO. What are the seven dimensions along which management can globalize? How is it possible for a firm to be multistoried on one dimension of globalization and global on another? There are at least seven dimensions : 1) product, 2) market, 3) promotion, 4) where value is added to the product, 5) competitive strategy, 6) use of non-home-country personnel, and 7) extent of global ownership in the firm.

The possibilities range from zero standardization(multiplicities) to standardization along all seven dimensions(completely global). The challenge for company managers is to determine how far the firm should go with each one. Chapter 3 IQ . Describe mercantilism, and explain why mercantilism has been argued to be a Mercantilism is an economic system (Europe in 18th century) to increase a nation's wealth by government regulation of all of the nation's commercial interests.

Mercantilism that stressed governments' promotion of limitation of imports from other nations and internal economies in order to improve tax revenues; popular during 17th and 18th centuries in Europe. The Paradox of Mercantilism is to be " rich" country needed to have a lot of poor people. Mercantilism failed to understand the notions of absolute advantage and comparative advantage and the benefits of trade. For instance, Portugal was a far more efficient producer of wine than England, while in England it was relatively cheaper to produce cloth.

Thus if Portugal specialized in wine and England in cloth, both states would end up better off if they traded. This is an example of the reciprocal benefits of trade due to a comparative advantage. In modern economic theory, trade is not a zero-sum game of competition, because both sides can benefit. Q. A. Explain Adam Smith's theory of absolute advantage. The ability of a country, individual, company or region to produce a good or service at a lower cost per unit than the cost at which any other entity produces that good or service.

Entities with absolute advantages can produce something using a smaller number of inputs than another party producing the same product. As such, absolute advantage can reduce costs and boost profits. B. How does Orchard's theory of comparative advantage differ from the theory of absolute advantage? Absolute advantage and comparative advantage are two basic concepts to international trade. Under absolute advantage, one country can produce more output per unit of productive input than another.

With comparative advantage, if one country has an absolute (disk)advantage in every type of output, the other might benefit from specializing in and exporting those products, if any exist. A country has an absolute advantage economically over another, in a particular good, when it can produce that good at a lower cost. Using the same input of resources a country with an absolute advantage will have greater output. Assuming this one good is the only item in the market, beneficial trade is impossible.

An absolute advantage is one where trade is not mutually beneficial, as opposed to a comparative advantage where trade is mutually beneficial. A country has a comparative advantage in the production of a good if it can produce that good at a lower opportunity cost relative to another country. The theory of comparative advantage explains why it can be beneficial for two parties (countries, regions, individuals and so on) to trade if one has a lower relative cost of producing cost, which measures how much production of one good, is reduced to produce one more unit of the other good. Using the example from the chapter, explain why no gains from specialization exist(and thus why two countries could not trade in a manner that benefits each) if there is no pattern of comparative advantage(if the ratios of soybeans to cloth production are the same in the two countries). China has an absolute advantage in producing both soybeans and cloth. If there is a trade between 2 countries according to comparative advantage theory, United States will have 4 tons of soybeans and 5 bolts of cloth.

On the other hand, China will have 4 tons of soybeans and 5 bolts of cloth. Therefore, china will have a loss for their total soybeans compared with before trading the products. Q. Consider the case in which a country does not have a comparative advantage in the production of a product, such as apples, because its soils or climate are not appropriate. Explain who would be likely to favor free trade, and who would be likely to oppose free trade, in this product. - Favor to free trade : countries which has a comparative advantage in production of a product, such as apples. Opposite to free trade : countries which has a comparative disadvantage in production of a product, such as apples. Q. What is the relationship between the Hecklers-Olin factor endowment theory and the theories in question 2? It builds on David Orchard's theory of comparative advantage by predicting patterns of commerce and production based on the factor endowments of a trading region. The model essentially says that countries will export products that utilize their abundant and cheap factors of production and import products that utilize the countries' scarce factors.

Q. Why were Limonite's empirical results considered to be paradoxical? In 1954, Limonite found that the U. S. (the most capital-abundant country in the world y any criteria) exported labor-intensive commodities and imported capital-intensive commodities, in contradiction with Hecklers-Olin theory. Q. Why does most of the world's international trade take place between economies that are similar in their level of economic development?

According to the Lender's demand-oriented theory, The reason is 1) income levels of meet demand, the kinds of products manufactured reflect the country's level of income per capital. Goods produced for domestic consumption will eventually be exported, due to similarity of income levels and therefore demand in other countries. Q. Name some products that you believe have passed through the four stages of the international product life cycle. Telegraphy. I read recently how Western Union sent the last telex / telegram in 2006, so that definitely qualifies to decline.

You can literally see how this expanded based upon rail and cable laying; and didn't start in all places on earth (let alone a single country) simultaneously; and continued to be a viable business in some countries long after voice, fax, then email and SMS replaced such. Q. What factors increase the cost of trading goods and services across borders? Can these costs be reduced? How? I think that import/export tariffs, subsidies, expensive transaction costs, and etc are factors which increase the cost of trading goods and services across borders.

This factors which occur costs can be reduced by free trade agreements(FAT) or regional trade agreements such as NONFAT, ELI. It will reduce unnecessary costs and encourage trading among nations. Q. It seems that free, unrestricted international trade, in which each nation produces and exports products for which it has a comparative advantage, will enable everyone to have a higher level of living. Why, then, does every country have import duty restrictions? Because many nation did not produce other nation's product and the nation has lower qualities or a lot of cost better than other nation's product.

In case that many nation needs other nation's product. At the trading among the nations, there are a lot of problems. For example, economical, historical problems, political and so on. If a nation has infant industry. For example, farming which is needed to develop for domestic market, The nation can be protect the industry from competitive companies by having import duty restrictions. And then, their nation's infrastructure can be lapse. For fair competition, nation have to improve the balance of the trading. QUO. We certainly need defense industries, and we must protect them from import competition by placing restrictions on competitive imports. " True or false? Is there an alternative to trade restrictions that might make more economic sense? I think that it may be not true. All is not certainly, If nation's competitive industry help income of nation that select and improve nation's industry. A nation trading needs of basic infrastructure among the nations. And then, About tariff of the trading remove IQ 1 . Suppose that a country negotiates an agreement with its trade partners to restrict its imports through voluntary export restrictions(Ever).

What impacts might be expected from implementing such Ever? VEER(Voluntary Export Restriction) mean's that exporting nation restricted quantities of export and list of article. In case that at nation's exporting product surplus or insufficiency in a given situation. In a surplus situation, nation should be restricted for their quantities. In a insufficiency situation, nation make some increasing demand and higher cost. IQ 2. " Workers are paid $20 an hour in the United States but only $4 in Taiwan. Of course we can't compete. We need to protect our Jobs from cheap foreign labor. What are some possible problems with this statement? In a given situation, cheaper product come round in our nation. At the same time, our nation's Job of labor disappeared. OLD(Lower Developed Country) has cheaper wage that supply more proof better than industrialization nation. But Many industrialization nation has higher wage and lower productivity. Production costs may actually be higher in a low-wage. IQ 3. There are two general classifications of import duties : tariff and non-tariff barriers. . Describe the various types of tariff barriers.