

This is international management

[Business](#), [Management](#)



Management Topic: This is International Management Table of Contents

Management Topic: This is International Management 1

Table of Contents1

Globalization and Regionalization2

Globalization2

Regionalization2

References3

Globalization and Regionalization

Globalization

Globalization is perhaps the buzzword for business organizations operating in the present business environment. It has dissolved geographical and political boundaries and has made the entire world resemble a boundary less global village. Globalization involves a phenomenon in which business organizations are breaching geographical and political boundaries to reach out to new and untapped markets in an attempt to leverage on the existing business opportunities. The birth of multinational and transnational organizations is direct fallout of the phenomenon of globalization. International expansion and outsourcing can be termed as the two main strategies undertaken by business organizations as a part of their globalised outlook. Emergence of economies like India and China that offer skilled labor at comparatively cheaper rates has led to business organizations relocating business units like back office operations to these nations where they can get the desired quality level at cheap rates. In addition to this firms have also been using international expansion to reach out to new and potential markets. The restriction of trade barriers has also made investments in overseas

destinations easier for firms. Examples of firms pursuing international strategies include Lenovo Computers, Wal-Mart and others that have successfully entered into new markets and established a formidable foothold in those markets. International expansion strategy is recommended in circumstances where domestic markets for an organization starts getting saturated and the company has enough internal resources and expertise to manage business in an international level by being able to sustain its core competence areas in new foreign markets. It should also have sufficient financial resources to sustain the business in foreign locations. Favorable government regulations and a congenial political, economic, sociological environment are also essential pre requisites for a firm to enter into a foreign market (Organization for Economic Co-operation and Development, 2007, p. 24-38).

Regionalization

Contrary to globalization regionalization involves an entirely different perspective in which firms restrict themselves to specific regions and confine their businesses to those regions and devote their focus solely towards a particular region. Setting up strategic business units and growth are the main aspects that serve as drivers for regionalization strategy undertaken by business organizations. A regionalization strategy is best pursued when the market conditions are largely favorable for growth, profitability and sustainability of businesses. This type of strategy has its advantages in the form of greater focus, cohesion and integration of business. Moreover the risks of this strategy as well as financial and other expertise levels required are comparatively low for this business strategy. This strategy is ideal for

small and medium enterprises or those that operate in domestic markets that have high levels of growth (Langford & Male, 2008, p. 222). One of the firms that have successfully implemented this strategy is Keppel Corporation that is an infrastructure development firm based in Singapore. It has leveraged on the market opportunities in Singapore and has chosen to maintain its focus and concentrate on a single market and take competitive advantage out of the market and generate profitability and sustainability.

References

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