

How globalization
and international
business are related



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Globalization with new value migration (more economically effective business design) has opens up more doors to opportunities. The literature review is broken into 5 parts: Firstly due to globalization, there will be restructuring in income resulting in more customer connections/segments restructure. With better segmenting capability and new business models, new opportunities can be ride on and unique requirements be met. Secondly, expansion of segment requires customization for each new market and effective management involves balancing between custom ratio and business design segment to get right combination of response rate/cost structure. Thirdly, increasing growth at base segment leads to entrepreneurs catering low-cost design, but eventually high profitability will attract them to premium segment. Premium players will counter attack by also catering new low cost business design. Organization must defend against market takeover which creates lead increased competition/risk. Fourthly, redefining innovation is important to create high impact success activities. There must be balance in investment in innovation beyond product/processes that create values for investors/customers like alliance and global talent sourcing. Lastly, unique information chain that connects customer to innovation is important for organization to create proprietary information to gain head start by deploying its unique information/application system. To end off, there must be risk management system to respond to new waves of trend/risk.

Rational for Selection

Globalization is inevitable, ever-changing, shape competition and waits for no one. In this technology-fueled global environment, businesses must stay ahead these trends to remain competitive. I want to have better

understanding of Globalization as it is the stepping stone for International Business by giving rise to international commercial transactions.

Analysis and Viewpoints

Positive Aspects of the Article: Slywotzky et al (2006) identifies the significance of having appropriate business models due to consumer pressure and income restructuring induced by globalization. I agree that when operating abroad, global competitive strategy must be adopted for different foreign conditions. Daniels et al (2011) support this and evaluates that organization must have different market responses in order to be global to compete, response to foreign opportunities and learn from each other. Hence, altering business models by investing on R&D, source worldwide to work more efficiently in innovation/products is essential to meet the demand of global customers. Example: To gain global focus, two Brazilian firms alter business model and merge to form BRF-Brazil. Slywotzky et al (2006) also gave reason that globalization will drive organization to be innovative in creating its own proprietary information for success. Daniels et al (2011) and Davis et al (2007) concur by stating that foreign companies are the source for domestic companies to stay innovative and create own unique business models. Globalization provides the stepping stone for multinational transactions because of technology expansion, liberalization of cross-trade, increase demand in foreign product and opportunity for global cooperation. Example: Foreign firm will bring in new technology and better skilled workers. Also, increasing international competition will induce local firms to add skilled workers to handle new technology. This will help companies to explore innovative means of more efficient production which cut cost and

increase production. Pursuing international sales usually increase potential markets, helps acquire resources at lower cost, better/new products and additional operating knowledge to gain competitive advantage. These helps to build better global branding resulting in more profit due to higher exports demanded.

Negative Aspects of the Article: Slywotzky et al (2006) comment that globalization has induced more effective low-cost business design, more customer connections and segments which organization can exploit. But I feel that this article fails to cover many negative pitfalls like social and environmental problems. Kumenit (2008) and Daniels et al (2011) argue that low cost strategy brings about negative effects and profit/income disproportionate. Recent shift in manufacturing job from US to China has help China to grow faster and reduced US real wage growth. We see that in US's garment industry, where it is cheaper to produce in China. This would mean a mass migration of work and many US citizens would be jobless. Globalization in this sense is good for organization as they can capitalize on cheaper labor, but bad for US citizens especially if they are lowly skilled. Those lowly skilled will be stuck in underground economy leading to political instability which undermine international trade/investment. In developing countries, globalization/multinational investment leads to environmental degradation and generates pressure for cheaper labour to retain competitiveness. Hence, it erodes values of social justice and increase inequalities. Small enterprises in developing areas will face complexity in taking advantage of globalization and poverty persists. Global restructuring also dramatically affects rights of workers in developing countries. Example:

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Development of China as a world factory due to its cheap labour is causing worker suicides problem. Due to poor working condition/low salary, emotional health of China's migrant workers is on the down toll. Nine employee deaths at global electronics manufacturer Foxconn, Apple's main supplier of iPhones revealed some harsh social aspects (The Straits Times, 2010).

Conclusion

In order to enjoy the full benefits of globalization, organization must have the right global business design, global operation strategy, global focus, customization, organizational structure, customer connection activities, innovation, proprietary information and risk management system in place. Though there are viewpoints on optimizing its benefits, the article failed to explore issues in relation to human rights, environmental matters, political instability and inequalities. These are common global concerns which have to be respected and since international business transactions have connection to these concerns, it is crucial for laws of international business transactions have to be in a position to promote guidelines to regulate global concerns which will in turn benefit businesses.